

Disaster Management Centre - 2015

The audit of the financial statements of the Disaster Management Centre for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 18 of the Sri Lanka Disaster Management Act, No. 13 of 2005. My comments and observations which I consider should be published with the Annual Report of the Centre in terms of Section 14(2) (c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgements, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Centre's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centre's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Disaster Management Centre as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards

2.2 Comments on Financial Statements

2.2.1 Comply with Sri Lanka Public Sector Accounting Standards (SLPSAS)

SLPSAS 7 – Property, Plant and Equipment: The fully depreciated assets procured by the Centre at a cost of Rs. 278 million during the previous years are being used by the Centre without reviewing the useful life of them and accounted the changes in terms of Section 65 of the Standard.

2.2.2 Accounting Deficiencies

The following accounting deficiencies were observed in audit.

- (a) The assets procured at a cost of Rs.5.28 million in 2013 and 2014 had been written off erroneously as maintenance cost and this error was rectified in the year under review. However, action had not been taken to restate the financial statements accordingly.
- (b) It was observed that a sum of Rs. 18.21 million remitted to 18 District Secretariats to implement the activities on disaster management and mitigation of risks had been treated as completed works and accounted accordingly even though such activities were not completed even as at 31 December 2015.
- (c) The Head Office building of the Centre had been constructed in a land belonging to the Department of Metrology at a cost of Rs. 1,034.39 million in 2010 by utilizing the funds allocated by a Donor Funded Project. However, the construction cost of the building had not been brought to the financial statements as the ownership of the respective land had not been transferred to the Centre.
- (d) Assets such as 15 rescue boats with engines, 05 laptop computers, 05 cameras, a printing machine and other assets received to the Centre as donations during the year under review and the previous year had not been valued and brought to the financial statements.
- (e) The stock of 300 gumboots, 241 manual siren and 100 plastic water tanks valued at Rs. 20.36 million received to the Centre in January 2016 had been erroneously shown in the statement of the financial position for the year under review as stocks in hand as at 31 December 2015.

- (f) Grants received from the International Centre for Emergency Techniques Project amounting to Rs. 1,244 million had been understated by Rs. 2.85 million in the financial statements due to posting errors.
- (g) Accounts payable amounting to Rs. 628,008 as at 31 December 2015 had not been brought to the financial statements.
- (h) Depreciation on telecommunication equipment and provisions for gratuity for the year under review had been understated by Rs. 214,080 and Rs. 91,097 respectively due to computing errors.

2.2.3 Unexplained Differences

Differences aggregating Rs.371,066 were observed between 04 advance balances shown in the financial statements and the balances shown in the corresponding records and the reasons for the differences had not been explained to audit.

2.2.4 Lack of Evidence for Audit

The following items in the financial statements could not be satisfactorily vouched or verified in audit due to unavailability of required information and documentary evidence.

- (a) Non- current assets belonging to the Disaster Management Council costing Rs.334,588 had not been made available for physical verification.
- (b) The details of consumables and other stocks could not be readily made available for audit, as the Centre maintains several registers of inventory at different locations.
- (c) Minutes of progress review meetings held during the period from January to June 2015 in connection with educational programmes conducted in 06 Districts had not been rendered for audit.

2.3 Non- compliance with Laws, Rules and Regulations etc.

The following instances of non- compliance were observed in audit.

- (a) According to the Financial Regulation 371(5), all the advances granted should be settled as at the end of every financial year. However, the advances aggregating Rs.2.58 million granted during the year under review had remained unsettled as at the end of the year under review.
- (b) Even though 09 motor vehicles belonging to the Centre had met with accidents in 14 instances during the year under review, no reports on preliminary investigation had been submitted for audit as required by Financial Regulation 104. Further, the details of such accidents had not been included in the Register of Losses in accordance to the Financial Regulation 110.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operating results of the Centre for the year under review amounted to a deficit of Rs.15.76 million as against the surplus of Rs. 2.62 million in the previous year thus, it indicating a deterioration of Rs.18.38 million in the financial results for the year under review. Decrease of other income by Rs. 51.04 million as compared with the previous year was the main reason attributed for this deterioration in the financial results for the year under review.

However, the above deficit for the year under review had been a surplus of Rs.49.04 million after making the following adjustments as shown below.

| Description | Amount |
|---|-------------|
| | Rs. million |
| Deficit for the year | (15.76) |
| Add:- | |
| Remunerations | 59.28 |
| Depreciation and amortization on capital grants | 5.52 |
| Surplus / Contribution for the year | 49.04 |

4. Operating Review

4.1 Performance

The following observations are made.

- (a) The Centre had planned to implement 83 small scale disaster risks mitigation projects during the year under review and a sum of Rs. 505.39 million had been received during the year under review from the General Treasury for this purpose, through the line Ministry. However, it was observed that the controls over implementation, supervision and follow up actions thereon were not in satisfactory level. The matters observed in this connection are described below.
 - (i) According to the information furnished by the Centre, the activities related to 42 small scale disaster risk mitigation projects had not been performed at the end of the year under review. The Director General of the Centre had informed me that such mitigation projects could not be completed in scheduled period due to several reasons such as initiation of the activities at the latter part of the year under review, delays in awarding contracts, social unrests of the areas and unfavourable weather conditions etc.
 - (ii) The responsibility on implementation of such Projects and the follow up actions thereon is rest with the District Secretariats. However, the supervisory controls on

utilization of allocated funds for intended purposes had not been adequately carried out by the Centre. The instances observed in this regard are given below.

- The works completion reports on 38 disaster management and mitigation projects had not been furnished as at 31 December 2015 by the District Secretaries even though a sum of Rs. 176.49 million had been released to implement such projects in district level.
 - The contracts for 34 disaster mitigating projects valued at Rs. 191.43 million had been awarded to the outside parties without entering into formal agreements with the contractors.
 - It was observed that 26 disaster mitigation projects planned to implement at a cost of Rs. 77.90 million had not been implemented during the year under review. However, a sum of Rs.57.59 million had been released as at 31 December 2015 to the respective District Secretariats to implement such projects.
- (iii) It was further observed that the funds allocated to implement the small scale disaster mitigation projects had been released by the Centre only at the end of the year under review and as a result, the disaster mitigation projects could not be commenced within the specific periods stipulated in the Annual Action Plan. At the audit test checks it was revealed that the contract agreements for 11 Projects had been entered only in December 2015, out of 12 projects expected to be implemented during the year under review at a cost of Rs. 52.45 million. The contract agreement for other project had been entered only in January 2016.
- (iv) As a practice, the Centre release the entire allocations to the District Secretaries at the initial stage of implementing the disaster mitigation projects, instead of releasing funds based on physical progress of the respective projects in order to strengthen the financial controls thereon. According to the explanation made by the Director General of the Centre, the entire allocation for some projects had been released in specific instances as requested by the respective District Secretaries.
- (v) It was observed that the Action Plan prepared for the year under review had been revised in August 2015 and 33 disaster mitigation projects expected to be implemented in Hambantota District under the previous Action Plan had been abolished in the amended Plan.
- (b) According to the information made available for audit, the Centre had implemented 03 major floods mitigation projects which was expected to be completed during the year under review and out of that the works under the floods mitigation projects in Jaffna Peninsula had only been completed during the year under review. It was further observed that a sum of Rs.114.79 million had been remitted up to 31 December 2015 to the District Secretary, Matale for the floods mitigation project implemented in Dambulla even though only Rs. 95 million allocated for this purpose. However, the works under this project had not been completed even as at 30 June 2016. Further, the works under the floods mitigation project in Kalutara had not been completed as at 30 June 2016 even though the entire allocation of Rs.139 million had been released to the District Secretary as at 31

December 2015. In the meantime the development works of Carapan-Ela drainage system under this project was expected to be completed in 2014. Nevertheless, the District Secretary of Kalutara had entered into a Memorandum of Understanding with the Land Reclamation and Reconstruction Corporation only on 01 December 2015 to complete the development works at a cost of Rs. 16.14 million.

- (c) A training workshop on Incident Command System scheduled to be conducted by the Awareness Division of the Centre had not been conducted during the year under review. Further, 04 programs expected to be conducted by the Preparedness Planning Division of the Centre in order to revise the Disaster Preparedness Emergency Response Plans had not been conducted during the year under review.

4.2 Management Inefficiencies

The following observations are made.

- (a) The Information Communication Centre at Padukka and equipment valued at Rs 72.47 million fixed therein was remained idle since 2011. Subsequently, the respective equipment were dismantled and remained at the stores of the Centre since 15 May 2015. Therefore, the plans for the disaster management programme expected to be implemented by using satellite technology were abandoned even though the country was faced severe natural disasters during the previous years. According to the Director General of the Centre, the Information Communication Centre had been established in 2011 under the International Centre for Emergency Techniques Project without a proper study and it was not complied with other systems established by the Centre. Therefore, action had been taken to dismantle the equipment and brought to the stores of the Centre in Colombo as such equipment as well as the technology adopted was remained obsolete. Further, the Sri Lanka Telecom, the owner of the land of the Information Communication Centre had also made a request to release the respective land for their purposes.
- (b) The activities mentioned in the Annual Action Plan of the Centre for the year under review were not in line with the Annual Action Plan of the line Ministry. According to the Annual Action Plan of the line Ministry, it was scheduled to be implemented 40 activities in Hambantota District and other 09 activities in Ratnapura District. However, according to the Annual Action Plan of the Centre, only 09 activities to be planned to implement in Hambantota District and 04 activities in Ratnapura District. Further, it was planned to implement only 02 activities in Kurunegala District whilst an activity in Polonnaruwa District according to the in the Annual Action Plan of the line Ministry. However, the Centre was planned to implement 13 and 16 activities in Kurunegala and Polonnaruwa Districts respectively during the year under review.

4.3 Human Resources Management

The following observations are made.

- (a) The approved and actual cadre of the Centre as at 31 December 2015 consisted with 266 and 226 posts respectively, thus there were 40 posts remained vacant as at that date. The key managerial posts such as Director, Deputy Directors and Assistant Directors were

remained vacant since 2011 and that was badly affected for the smooth operations of the Centre. According to the Scheme of Recruitment and Promotions of the Centre, the human resources, finance and administration activities of the Centre are remained under the purview of the Director, Human Resources and Finance and such post was remained unfilled for over 05 years. It was further observed that the human resources management and financial activities of the Centre are being handled by 02 Assistant Directors since the year 2011.

- (b) According to the Scheme of Recruitment and Promotions of the Centre, experience over 15 years in managerial position in a public enterprise is needed for the post of Director Education and Mitigation of Disasters. However, the persons who did not possess such experience had been recruited for such posts.

5. Accountability and Good Governance

5.1 Enactment of the Disaster Management Centre Act

The Disaster Management Centre is functioning under purview of the National Disaster Management Council established in terms of Section 18 of the Sri Lanka Disaster Management Act, No.13 of 2005. Even though the Ministry of Disaster Management had taken action to amend the Act as enable to delegate additional powers to the Centre and forwarded the draft act to the Department of Legal Draftsman on 16 June 2014, the draft act had not been approved even up to 31 May 2016.

5.2 National Emergency Operating Plan

The National Emergency Operation Plan prepared by the Centre in terms of provisions in Sri Lanka Disaster Management Act, No.13 of 2005 in order to establish a national policy on rescue persons and properties in emergency situations could not be implemented effectively due to the following reasons, even it is an urgent need of the country.

- (a) The National Emergency Operation Plan had not been submitted by the Centre for the approval of Interim Management Committee of the Disaster Management Council.
- (b) The comments of 07 Government Departments, out of 48 Government Departments responsible to implement the Operation Plan had not been received to the Centre even as at 30 June 2016, due to various reasons such as changes of the functions and responsibilities of such Departments, transferring out of the officers involved for the preparation of the Plan to other Departments and delays on follow up actions thereon. As a result, the Operation Plan could not be finalized even as at 30 June 2016.

5.3 Vehicle Utilization

According to the information received from the Transport Unit there were 39 motor vehicles in the vehicle fleet of the Centre. However, the details of 37 motor vehicles were only made available in the register of fixed assets. Out of that only 07 motor vehicles were registered under the name of the Centre and others were registered under the name of the line Ministry.

Further, the Boards of Survey on motor vehicles had not been carried out during the year under review as required by the Financial Regulation 756.

5.4 Internal Audit

Even though a separate Unit for internal audit functions was established, only 02 officers were attached to the Internal Audit Unit. It was observed that 30 per cent of revenue, expenses and other operating activities of the year under review had not been subjected to audit of the Internal Audit Section. Further, the comments of the management on audit observations in 15 internal audit reports issued during the year under review had not been received as at 31 December 2015.

5.5 Procurement Plan

It was observed that actions had been taken to procure the items such as rescue bags, tents and searching equipment etc., more than the required quantities shown in the Procurement Plan for the year under review and a sum of Rs. 4.30 million had been spent excessively thereon. Further, an amount of Rs. 75 million had been allocated in the Procurement Plan to procure 10 capital items and expected to complete such procurements before 30 June 2015. However, action had not been taken to procure such assets even as at 31 December 2015. Hence, the Procurement Plan of the Centre had not been made use as an effective instrument of financial control.

6. Systems and Controls

Weaknesses in systems and controls observed during the course of audit were brought to the notice of the Director General of the Centre from time to time. Special attention is needed in respect of the following areas of control.

| Area | Observations |
|--------------------------------|---|
| ----- | ----- |
| (a) Stores Management | The inventory items valued at Rs. 20.36 million which were not physically received to the stores had been shown as current assets as at 31 December 2015. |
| (b) Accounting | Special attention is needed to correct the accounting deficiencies pointed out in the audit report. |
| (c) Settlement of Advances | The advances granted to outside parties as well as staff of the Centre had remained outstanding for over long period without taking action to get settle the balances. |
| (d) Human Resources Management | The Centre is running with shortages of the staff with specialized knowledge and skills. Therefore, action should be taken by the Centre with the approval of the Department of Management Services to meet the future human resources challenges of the Centre on disaster management. |