

Disaster Management Center - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Disaster Management Center for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, Statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy 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 provisions of the National Audit Act No.19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Disaster Management Center as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Disaster Management Center's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Disaster Management Center or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Center's financial reporting process.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Center is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Center.

1.4 Scope of Audit

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Center's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the Center's use of going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Center's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Center to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Disaster Management Center, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Center has complied with applicable written law, or other general or special directions issued by the governing body of the Disaster Management Center;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Internal Control over the preparation of financial statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to the Standards	Management Comment	Recommendation
In accordance with paragraph 27 (b) of Sri Lanka Public Sector Accounting Standard No. 2 “Cash Flow Statements”, the decrease in current assets is an expense item related to investments or financing activities of cash flows, but the decrease in the balance of the Prepayment and Advance account by Rs.2,499,000 was treated in the cash flow statement as a cash outflow from the business.	Steps will be taken to make the correction in the year 2025.	Sri Lanka Public Sector Accounting Standards should be followed.

1.5.3 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) Due to the inclusion of value of the leaflets and advertisements amounting to Rs. 2,528,544 in the inventory, which were not recorded in the inventory register, the value of the inventory in the financial statements was overstated by that amount.	Appropriate adjustments will be made in 2025.	Financial statements must accurately reflect the stock value.
(b) Due to non-recognition of the value of the building constructed in 2010 on land belonging to the Department of Meteorology at a cost of Rs. 1,034.39 million in the financial statements, the non-current assets had been understated.	The value of the building could not be included in the financial statements according to Sri Lanka Accounting Standards, because the Disaster Management Center does not have ownership of it.	Steps should be taken to transfer ownership of the building to the center and include it in the financial statements.

1.6 Receivable and Payable Accounts

1.6.1 Cash Receivables

Audit Observation	Management Comment	Recommendation
Action had not been taken during the year under review to recover the amount of Rs. 426,000 due from an officer from the year 2023 under Other Receipts in Note No. 05 of the Financial Statements.	Legal action is being taken to recover the money from the relevant officer.	Action should be taken to recover the amount due promptly.

1.6.2 Advances

Audit Observation	Management Comment	Recommendation
Although no expenditure should be incurred for a contract until the estimate and plan are approved by the Secretary of the relevant Ministry, a 20 percent mobilization advance of Rs. 4,035,656 had been paid to commence the contract of the	It has been stated that a 20 percent advance has been paid at the request of the Road Development Authority and that no security will be obtained as it is between two government institutions.	Necessary approvals must be obtained before granting advances.

elevation of the Avittawa Road from the Ihala Kanda junction before it was approved.

1.6.3 Non-Compliances Laws, Rules and Regulations and Management Decisions

Reference to Laws, Rules and Regulations	Non-Compliance	Management Comment	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulations 137	Payments should be approved after verifying the matters mentioned in (1) (2) (3) of the Financial Regulation when services, works or supplies are completed. While only 70 percent of the work on the project to raise and improve the Ihala Kanda Junction had been completed, an amount of Rs.19,414,589 had been given to the Provincial Road Development Authority.	Although 75 percent of the project was completed by 2024.12.31 and received for a share payment, no payment other than the advance payment has been made.	Payments should be approved after verification of facts as per the provisions of the Financial Regulations.
(ii) Financial Regulations 101 and 156 (1)	Although Rs. 14.16 million had been paid as salaries and allowances since 2014 to the officer who had been appointed to the post of Director (Reductions) without the minimum qualifications for recruitment and had been confirmed after one year without serving for a probationary period of 03 years, action had not been taken in accordance with the provisions of the Financial Regulations.	According to the information in the relevant files, applications were invited for the position of Director (Reductions) through public newspaper advertisements and this officer was recruited as an external candidate.	Actions should be taken in accordance with the provisions of the Financial Regulations.
(iii) Financial Regulations 371 (5) and Public Finance Circular No. 01/2020 dated 28 August 2020	Although an sub-impressts must be settled within 10 days of completing the relevant work after it is issued, arrangements had not been made to settle 14 sub-impressts totaling Rs. 926,250.	To avoid these delays, a letter will be issued to all district units again.	The sub-impressts should be made in accordance with the provisions of the Financial Regulations Code.

(b)	Paragraph 6.6 of the Operations Manual of public Enterprise Circular No. 01/2021 dated 16 November 2021	The draft annual report submitted with the financial statements for the year 2024 of the entity had not been prepared in accordance with the guidelines.	The 2024 Annual Report has been prepared in accordance with the guidelines and the draft report has been forwarded to the heads of departments for verification of accuracy.	The annual report should be prepared in accordance with the guidelines.
(c)	Paragraph 2.3 (i) of Public Finance Circular No. 01/2021 dated 29 September 2021	Contracts for 03 projects costing Rs. 2,604,100 had been awarded when the Community Based Societies in the Gampaha District did not have sufficient bank balances.	The Divisional Secretary has agreed to look into separate financial assets for all future projects.	Action should be taken as per the circular.
(d)	Disaster Management Act No. 13 of 2005	The National Disaster Management Council had not been held since 2013.	Steps will be taken to inform higher officials about this.	Arrangements should be made to hold a Disaster Management Council.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a Shortage of Rs.102.73 million and the corresponding shortage in the preceding year amounted to Rs.11.54 million. Therefore a deterioration amounting to Rs.91.19 million of the financial result was observed. This deterioration was mainly due to an increase in administrative and operating expenses by Rs. 30.58 million, other expenses by Rs. 76.9 million and expenses for employee training and acquisition of equipment under capital grants by Rs. 44.29 million..

2.2. Trend analysis of major income and expenditure items

Although recurring grants had increased by about 34 percent compared to the previous year, recurring expenditure had increased by 1,689 percent. The main reason for this was that a significant amount of capital grants from the previous year were not utilized and were used in the current year. Accordingly, the value of the equipment acquired under the capital grants remaining unused in the current year was Rs. 37 million.

2.3 The current ratio had increased by 1.01 compared to the previous year. The main reason for this increase was the maintaining of a stock of disaster response equipment.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) Until the Sri Lanka Disaster Management Act No. 13 of 2005 was amended, approval had been given to establish the Interim Management Committee pursuant to the Cabinet approval No. අමස/12/0790/548/004 dated 05 July 2012. However, even after more than 12 years, the necessary amendments to the Sri Lanka Disaster Management Act had not been made.	Since this task is carried out by the Ministry's Management Division, the Management Division will be informed about it.	Action should be taken urgently to amend the Act and obtain parliamentary approval.
(b) According to Section 04 of the said Act, an operational plan should be prepared for each district, but the preparation of plans had not been carried out in 7 districts. Furthermore, the National Emergency Operational Plan had not been drafted and submitted for approval to the Cabinet of Ministers.	Only 18 district operational plans were printed in 2017 based on the financial provisions provided by the ADPC, and those district operational plans are currently being updated.	According to Section 04 of the Act, the National Emergency Operations Plan must be prepared promptly and submitted to the Cabinet for approval.
(c) In accordance with Section 2(ii) of Annexure 01 of the General Instructions to be followed by District Secretaries for Disaster Risk Reduction Projects, issued on 31 January 2024, the project to eliminate the risk of rockfall along the Dehiowita-Thalapitiya-Medikele road in the Kegalle district, with an estimated cost of Rs. 2,961,504, was halted halfway due to protests from residents of the area after it was half completed due to the project not being selected in a way that would minimize public opposition. The risk of disaster had increased due to the half-completed project, and the desired goal had not been achieved.	A landslide hazard sign has been installed in the project to eliminate the risk of rock fall along the Middle Forest Road in Thalapitiya, Dehiowita and referred to the Land Utilization Officer for technical advice on land use. Further work is scheduled to be carried out according to the report of the Land Utilization Officer.	The Center should take urgent action to achieve the desired results through disaster mitigation projects by making it mandatory to follow the general guidelines.

(d)	In order to overcome the flood situation affecting several Grama Niladhari Divisions, the project to renovate 8 km of the Karambawa Yodha Canal, which carries water from the Tissa Tank to the Galkadawala Tank, with an estimated cost of Rs. 3 million, had not been implemented during the year under review.	It was not possible to do so as the Treasury had provided provisions of Rs. 200 million for the year 2024.	Priority projects should be implemented as planned and work should be done to achieve the desired results.
(e)	Although the United Nations Development Program had provided a provision of Rs. 40 million through the treasury to prepare regional disaster risk reduction plans for 134 local government institutions located in 12 districts, only 32 plans had been prepared by the end of the project. Although a provision of Rs. 4 million was allocated in the approved budget for the establishment of 4 Provincial Deputy Director's Offices, due to poor management decisions such as the failure to create the necessary environment, the purchase of 10 laptops worth Rs. 4,109,000 from that amount, and the payment of Rs. 128,134 to the permanent staff of the center instead of recruiting staff on a contract basis, the project was unable to achieve the expected progress despite the allocations received.	According to the project plan, the project was expected to last approximately 10 months. Due to the high cost of goods and services due to the crisis situation in the country, the number of institutions had to be reduced to 77 instead of the planned 134. Due to the indefinite postponement of the election; the work on the project also had to be postponed indefinitely. Accordingly, only 32 plans were prepared due to insufficient time to complete the project as planned.	Projects should be implemented as planned and work should be done to achieve the desired results.

3.2 Operating Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) From the year 2011, when the center was established, to 2024, Rs. 3,404.95 million had been spent on disaster mitigation projects. However, in the major disasters that can be identified as floods, landslides and high winds, the number of people affected under the other two conditions, excluding landslides, has increased by approximately five times between	Since the number of people affected by disasters cannot be reduced solely through the disaster mitigation provisions received by the Disaster Management Center over the past 13 years, a national disaster plan should be prepared, giving priority to severe risks and	A national disaster plan should be prepared, giving priority to severe risks and implementing disaster mitigation projects accordingly.

2022 and 2024.

implementing
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accordingly.

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projects

3.3 Underutilization of funds

Audit Observation	Management Comment	Recommendation
(a) Although it is the function of the Disaster Management Center to prepare and implement programs and plans in coordination with Ministries, Departments and public Corporations in terms of Sections 8 (2) (1) (a) to (d) of the Sri Lanka Disaster Management Act, No. 13 of 2005, While other government institutions had allocated and implemented provisions for 03 projects during the year under review, the Center had also sent provisions of Rs. 3.98 million to the District Secretariats for those projects and had taken them back. Due to this, opportunities to carry out another project were missed.	Projects are received in the year proceeding the approved year and project selection is also carried out in the previous year. Due to various reasons arising later and the implementation of projects by other institutions under emergency disaster conditions, those projects have been cancelled and the provisions have been taken back.	Coordination with other institutions should be carried out when selecting projects.
(b) Although a revised estimate of Rs.5,121,768 had been approved and funds had been released, due to the Ashokamala Shoe Bridge in the Anuradhapura District had been completely damaged by the rainy conditions and had collapsed into the canal. the allocated funds were withheld for almost 4 months without taking steps to commence the work within the stipulated time and had been sent back to the center. As a result, disaster risk has increased and the opportunity to allocate funds for other project activities has been lost.	The main reason for this situation is that other development activities are being carried out outside of disaster management and that no action is being taken to reduce existing disaster risks and prevent the emergence of new disaster risks.	After providing the funds, the Center should conduct strict monitoring and follow-up on the implementation of those projects.

3.4 Idle or Under Utilized Property, Plant and Equipment

Audit Observation	Management Comment	Recommendation
(a) It was observed during the audit that 10 construction projects implemented by the Disaster Mitigation Division over the past 13 years at a cost of Rs. 278.59 million have failed and remain underutilized.	The projects implemented are not underutilized and the utilization has been confirmed through the project completion reports.	Disaster mitigation projects should be implemented within a timely manner to achieve the desired results.
(b) The well, which had been constructed at a cost of Rs. 640,947 under the drinking water project in Pallakelle, Budugehinna Grama Niladhari Division, Palagala, could not be used due to the inability to obtain an electricity connection as the land on which it was built belongs to a forest reserve.	It has been informed that since this land belongs to the Forest Conservation Department, approval has been requested to obtain electricity supply and that after receiving approval, electricity will be obtained and further work will be carried out.	The ownership and legality of the land must be checked before construction begins.

3.5 Procurement Management

Audit Observation	Management Comment	Recommendation
(a) No standard bidding documents had been used in the procurement of essential repairs and maintenance works worth Rs. 1,075,800 carried out in the building where the center is located.	The procurement was carried out based on institutional needs and the proper bidding documents were not prepared.	Action should be taken in accordance with the Procurement Guidelines.
(b) Although it is the responsibility of the Procurement Committee to ensure that funds are available for procurement activities, for the maintenance of the center's building had commenced with a funding shortfall of Rs. 400,000.	In view of the long-standing need, procurement activities have commenced for this work, using the provisions of Rs. 6.4 million directly allocated for the acquisition and restoration of assets for the Disaster Management Center and the verbal agreement to provide an amount of Rs. .6 million from the Disaster Management Division.	Action should be taken in accordance with the Procurement Guidelines.

(c) Members of the Procurement Committee and Technical Evaluation Committee appointed for the procurement of the antivirus software system update were required to provide a statement, but they had not been done accordingly.	Action will be taken to obtain a relevant statement from committee members and supporting officers in the future.	Action should be taken in accordance with the Procurement Guidelines.
(d) The Galewela Public Stadium and Auditorium were renovated at an estimated cost of Rs.43,297,181 under the project to prevent flood damage to the Galewela Pradeshiya Sabha and surrounding public lands. Although it was renovated as a disaster response safety/relief center, it did not have any of the necessary facilities. In this case, machines and equipment worth Rs. 1,316,948 that could have been reused out of the machines and equipment purchased at a cost of Rs.2,032,633 had not been handed over to the Galewela Pradeshiya Sabha or the Disaster Management District Unit. It was further observed that the expected objectives of this project had not been achieved.	Not commented	The Center should carry out proper supervision to ensure that the funds allocated for disaster mitigation are effectively procured and the desired objectives are achieved.
(e) Although a contract was awarded to a private company in 2016 to repair 77 Tsunami and Cyclone Early Warning Towers installed in 2009 at an estimated cost of Rs.134.7 million, but none of the towers were operational condition by the year under review due to the non-compliance with the agreement in place during the procurement process when awarding and implementing the contract.	77 towers were installed in 14 districts in 2019 as an early warning system for tsunami and cyclone conditions. As the performance of the towers was at a minimum by 2016, a new contract has been signed to repair and maintain the towers.	Action must be taken according to the agreement.

3.6 Deficiencies in contract administration

Audit Observation	Management Comments	Recommendation
(a) Due to the fact that the project to construct the concrete bridge across the Elephant Footprints on the road from Post 7 to Kotikapitiya in the	The provisions had been made according to the priorities of the District Secretaries and the provision for this bridge, which is	Contract administration must be done properly to complete projects on

Polonnaruwa District, which was supposed to only construct the side walls on both sides and which had an estimated cost of Rs. 10 million, was not completed on time, so as the bridge had to be completely rebuilt due to the complete collapse of the bridge due to heavy rains.

maintained by the Irrigation Department, was not made under the Irrigation Department. However, due to the provision of made by the Disaster Management Center under the Disaster Management object, it has been agreed that the remaining provision will be used by the Irrigation Department to complete the project. The project is underway.

3.7 Human Resource Management

Audit Observation	Management Comments	Recommendation
(a) The approved cadre as at 31 December 2024 of the Center was 477, but the actual cadre in service was 269, therefore, there was 178 vacancies. The fact that the vacancies of Assistant Director (Human Resources and Administration) and Administrative Officer posts had not been filled for many years had adversely affected the functioning of the Center.	All these vacancies arose due to the suspension of recruitments pursuant to the Cabinet decision No. 21/1596/304/134 dated 31.08.2021, issued by the Cabinet Office.	Steps should be taken to obtain the necessary approvals to fill essential vacancies promptly.
(b) Action had not been taken to recruit officers with the qualifications and experience specified in the approved recruitment procedure for the posts of Director General, Director (Operations) and District Assistant Director of the Center, and military officers had been attached to the relevant posts.	The officer of the post of Director (Operations) is required to coordinate the Tri-Forces in the event of a disaster/emergency. Therefore, the Disaster Management Center has maintained the post of Director (Operations) with a Tri-Forces officer attached to it since its inception, and the approval of the National Council for Disaster Management and the Interim Management Committee has been received for this.	Necessary amendments should be made to the recruitment procedure and steps should be taken to recruit officers with qualifications and experience.
(c) While recruiting for the post of Assistant Director (Reductions)	Only two candidates had fulfilled the qualifications.	Steps should be taken to recruit

during the year under review, although the approved recruitment procedure required a person with a degree in Civil Engineering recognized by the University Grants Commission, contrary to this, an officer who did not have the said qualification had been recruited for the relevant post.

Accordingly, the candidate who obtained the highest score in the structured interview among the two candidates was selected. Both of these candidates, who had fulfilled all the qualifications as per the approved recruitment procedure, had not studied Civil Engineering

those who have the qualifications specified in the recruitment procedure for the posts.

4. Accountability and Good Governance

4.1 Tabling of Annual Reports in Parliament

Audit Observation	Management Comments	Recommendation
The Center had not tabled the Annual Report for the year 2023 in Parliament even by 15 April 2025.	Although the 2023 Annual Report was submitted for approval by the Cabinet, due to deficiencies in it, the Annual Report could not be tabled in Parliament on the due dates and it has been prepared to be submitted for approval by the Cabinet after correcting those deficiencies.	The annual report should be tabled in Parliament on the due date.