

**1.1 Qualified Opinion**

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The audit of the financial statements of the Disaster Management Centre for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 a summary of significant accounting policies, 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 reported 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 financial statements give a true and fair view of the financial position of the Disaster Management Centre as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

**1.2 Basis for Qualified Opinion**

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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**

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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 determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

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

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Centre 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 Centre.

#### 1.4 Scope of Audit (Auditor's Responsibility for the Audit of Financial Statements)

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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, they could reasonably be expected to influence the economic decisions of users taken 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 scepticism 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, 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 Centre'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 management's use of the 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 Centre'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 Centre 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 Centre, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Centre has complied with applicable written law, or other general or special directions issued by the governing body of the Centre;
- Whether the Centre has performed according to its powers, functions and duties; and
- Whether the resources of the Centre 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 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to the relevant provision	Comments of the Management	Recommendation
(a) No action had been taken to estimate and review the useful life of 03 types of assets costing Rs. 33,918,887 which were in use despite fully depreciation and to state in the financial statements in accordance with Sri Lanka Public Sector Accounting Standard 03.	These assets have been fully depreciated and the useful life too has expired.	Action should be taken in accordance with the Accounting Standard.
(b) Although employee benefits should be calculated according to the Actuarial valuation Method and provisions should be made for the gratuity in terms of Sri Lanka Public Sector Accounting Standard 19, provision for gratuity of Rs. 47,970,000 had not been made in accordance with the terms of the Standard by the Centre.	The according to the Actuarial valuation Method has been completed at present in terms of Sri Lanka Public Sector Accounting Standard 19. Action will be taken to make necessary adjustments and submit the financial statements accordingly in the ensuing year.	Action should be taken in accordance with the Accounting Standards.

### 1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
The accounting policy relating to accounting for the capital grants received from the Treasury and local and foreign agencies for the implementation of disaster	Not replied.	Treasury grants and the receipts of grants from other institutions and the expenditure should be properly accounted

minimization programmes, a main function discharged by the Centre, had not been disclosed in the financial statements.

for and disclosed.

## 1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Financial Regulations of the Democratic, Socialist Republic of Sri Lanka.			
(i) F.R.104 (I)	Preliminary investigations had not been conducted on 11 vehicle accidents caused from the year 2018 to August 2020.	All of these accidents that occurred while on duty are minor accidents and preliminary investigations have not been carried out on 11 of the 23 accidents that occurred between 2018 and August 2020.	Action should be taken in accordance with provisions in the Financial Regulations
(ii) F.R.104 (3).	Although a preliminary report should be sent if a delay of more than 07 days is envisaged for making a full report, no such reports had been submitted in connection with 15 vehicle accidents.	No amount had to be paid by the Centre due to these repairs.	Action should be taken in accordance with provisions in Financial Regulations
(iii) F.R.104 (4)	No full reports on 33 vehicle accidents caused from 2015 to 2017 and 31 vehicle accidents from 2018 to August 2020 had been submitted.	The replies under (i) (b) and (ii) above are applicable.	Action should be taken in accordance with provisions in Financial Regulations
(iv) F.R. 105	The recommended course of action had not been implemented	Disposal committees have been appointed to deal with items to be disposed of at the end of the two	Action should be taken in accordance

on the shortage of 409 items of obsolete and disposable items identified in the Annual Board Survey from 2019 and the items that had been misplaced. financial years 2019 and 2020 and necessary steps are being taken thereon. with provisions in Financial Regulations.

(v) F.R.110	The Record of Losses and Damages had not been updated.	The Record of Losses and Damages has been updated according to the information provided.	Action should be taken in accordance with provisions in Financial Regulations.
(b)Public Enterprises Circular No.PED12 dated 02 June 2003.	The Centre had not table its annual reports relating to the years from 2014 to 2017 even by 30 March 2021.	It has been estimated that it will cost approximately Rs. 4 million to print the required annual reports for the years 2014-2019. It is informed that the Director General has informed the Additional Secretary of the Disaster Management Division in writing to make arrangements to obtain this amount from the General Treasury as it is not possible to allocate that amount from the provisions of the Disaster Management Center in the year 2021.	Action should be taken in accordance with circular provisions.

**2. Financial Review**  
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**2.1 Financial Results**  
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The operations of the Centre for the year under review had resulted in a deficit of Rs. 66.72 million as compared with the corresponding deficit of Rs. 65.03 million for the preceding year, thus observing a deterioration of Rs. 1.69 million in the financial result. This deterioration was mainly due to decrease in the grants and other revenue.

**3. Operating Review**  
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**3.1 Management Inefficiencies**  
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Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) Without taking over the legal ownership, the head office building of the Center had been built on a land	The Disaster Management Division is taking steps to take over this land on which the building under the name of the State Ministry of Defense and	Action should be taken to take over this building and the land to the

belonging to the Disaster Management is located. Disaster Meteorological Department in the year 2010 at a cost of Rs. 1,034.39 million. Management Center legally.

- (b) The National Disaster Management Plan had not been finalized by the end of the year under review and the formulation Human Resource Policy had not been completed even by 30 March 2021. The draft policy has been prepared on 03 September 2020 and submitted to the Director General and proposals have been submitted by 04 sections for this purpose. The drafts are being revised and could not be completed on the due date due to the Covid-19 pandemic situation in the country. Preparation of National Disaster Management Plan should be carried out.
- (c) Although steps had been taken to amended the Sri Lanka Disaster Management Act No. 13 of 2005 since year 2008, the relevant amendments had not been submitted to Parliament for approval until 31 December 2020. It is kindly informed that the amendment of the Sri Lanka Disaster Management Act No. 2005 is a work done by the Disaster Management Division. Having made amendments to the Act and Parliamentary approval should be obtained to it.

### 3.2 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) An agreement had been entered into with a private company for the rehabilitation and maintenance of 77 Early Warning Towers around Sri Lanka at a cost of Rs. 134,746,418. Without being verified whether the relevant task was actually done, a sum of Rs.89,764,707 had been paid to the company. Nevertheless, the expected objective of the relevant task to maintain these 77 towers in active condition had not been successful.</p>	<p>Having informed all parties of the reasons for the failure to complete the rehabilitation work on the towers within the prescribed time and considered the reasons behind thereto, the extension was granted under the approval of the Interim Management Committee and the Secretary to the Ministry.</p>	<p>Relevant work should be done in accordance with the agreement and payment should be made only upon the confirmation that the relevant work has been executed properly.</p>

- (b) As per paragraph (1) of the Disaster Risk Minimization Guidelines dated 13 February 2020, the public institutions are required to certify and make a request that they do not have adequate physical and financial resources to mitigate risk. Nevertheless, sums totalling Rs. 29,958,885 had been granted to the public institutions for 26 projects without such requests.
- The District Secretaries have recommended and submitted these projects and those institutions have not incurred expenditure for these projects. Instructions regarding the projects should be followed.
- (c) Final certificates on the completion of 11 projects worth Rs. 13,782,677 during the under the year under review had not been submitted for Audit and agreements on 03 projects for which provisions of Rs. 2,350,000 had been released were not submitted for Audit.
- It is kindly informed that action has already been taken to obtain the documents on completion of the projects. Projects should be completed in the prescribed standard according to the agreements and the relevant agreements should be furnished to Audit.

### 3.3 Underutilization of Funds

#### Audit Observation

The Treasury had allocated Rs. 247 million for the preparation of multiple risk profiles for disaster management from 2016 to 2019. Of which Rs. 201 million had been received and Rs. 53 million had been spent outside the relevant purpose.

#### Comments of the Management

Measures have been taken to legally inform the Treasury and transfer funds in accordance with the decisions taken by the Secretary to the Ministry. The Disaster Management Center is not answerable for the allocation of funds for irrelevant purposes.

#### Recommendation

Action should be taken to utilize funds for the relevant purposes.

### 3.4 Staff Administration

#### Audit Observation

The approved cadre of the Centre for the year under review was 465 and the actual cadre was 304. Accordingly, the number of vacancies was 161. The Centre had not taken steps either to fill these vacancies or develop the Human Resources Plan.

#### Comments of the Management

The Department of Management Services has approved 465 Staff Posts for Disaster Management Center and 304 staff members were in the service and 161 posts remained vacant by 31 December 2020.

#### Recommendation

Action should be taken to fill the staff vacancies and develop the Human Resources Plan.