

National Dangerous Drugs Control Board

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1. Financial Statements

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1:1 Qualified Opinion

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In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the National Dangerous Drugs Control Board as at 31 December 2011 and its financial performance for the year then ended in accordance with Sri Lanka Accounting Standards.

1:2 Comments on Financial Statements

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1.2.1 Sri Lanka Accounting Standards

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The following observations are made.

- (a) A cash flow statement had not been furnished along with the financial statements in terms of Standards No.9.
- (b) Even though the values in the financial statements should have been shown to the nearest rupee when presenting accounts in terms of Standards No.03, the income and expenditure account had not been prepared accordingly.
- (c) The accounts for the previous years had been prepared in accordance with the Companies Act No. 07 of 2007. But, the revised accounts submitted on 31 May 2012 had been prepared in accordance with the new Form. However, disclosures relating to basis of preparation of these accounts and its changes had not been made.

1.2.2 Accounting Policies

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The stocks of the Board had not been physically verified during the year under review in terms of Section 7.4.5 of the Public Enterprises Circular No. PED 12 dated 02 June 2003. Even though cost or net realizable value whichever is less should be shown in the accounts, the book value of Rs.2,315,953 had been shown in the accounts.

1.2.3 Accounting Deficiencies

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The following observations are made

- (a) Revenue aggregating Rs.419,861 received from 03 Projects implemented for collection of funds for the year under review had been inappropriately brought to account under accrued expenses.
- (b) Recurrent expenditure aggregating Rs.204,760 had been capitalized as lands and buildings.
- (c) The Board had received sums aggregating Rs.1,742,520 being 60 per cent of the project funds on 10 February 2010. It had been inappropriately brought to account under the United Nations International Drugs Control Programme – 1995 Project.

1.2.4 Suspense Account

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A suspense balance amounting to Rs.502,438 which was being shown since year 2005 had not been settled even during the year under review.

1.2.5 Accounts Receivable and Payable

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The following observations are made.

- (a) The advances aggregating to Rs. 2,128,068 had included 17 balances of Rs. 1,832,060 remaining for more than 10 years and the creditors aggregating to Rs. 1,335,034 had included 46 balances of Rs. 1,271,034 remaining for more than 07 years.
- (b) Age analysis in respect of advances amounting to Rs. 2,128,068, debtors amounting to Rs. 5,730,039 and creditors amounting to Rs. 1,335,034 had not been furnished and confirmations in respect of cash and bank balances amounting to Rs. 1,831,733 had not been called.
- (c) Advances amounting to Rs. 162,000 granted during the previous year and adjusted as expenditure in that year had not been settled up to 06 June 2012.
- (d) Ad-hoc advances aggregating Rs.330,900 granted from February of the previous year up to September of the year under review had not been settled up to 06 June 2012 and such unsettled period had ranged from 03 months to 27 months.

1.2.6 Non compliances with Laws, Rules, Regulations and Management Decisions.

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The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-compliance -----
(a) Section 13 (8) of the Finance Act No.38 of 1971	Even though the action proposed to take relating to the matters pointed out in the 13 (7) (a) report should be informed to the Auditor General within 03 months from the date of submission of that report to the Board of Directors, action had not been taken accordingly on 30 March 2011 relating

to the 13 (7) (a) report for the year ended 31  
December 2010 .

(b) Establishments Code of the Democratic  
Socialist Republic of Sri Lanka

(i) Sections 9.1 and 9.1.1 of Chapter II Even though prior approval of the Cabinet of Ministers should be obtained for a person, who has retired from the public service, to re-employ in a post in the public service or to employ in a Public Corporation and for a person, who has retired from the public service before completing 60 years of age, to employ in the public service or in a Public Corporation, contrary to this, 4 Managers of the Centers had been deployed in the service on contract basis.

(ii) Section 2.10 of Chapter VI Appointments and other matters thereon had not been reported to the Auditor General

(c) Financial Regulations of the  
Government

(i) 395 (b) and (c) Even though the bank reconciliation statements should be prepared and furnished to the Auditor General relating to position of the transactions at the end of each month before 15<sup>th</sup> day of the month follows, action had not been taken accordingly.

(ii) 454(1) Inventory registers had not been maintained.

(iii) 772 Disposal activities of the Galle Branch to be carried out according to the Boards of Survey for the year 2010 had not been carried out up to the

end of the year under review.

- (d) Public Administration Circular No.9/2009 dated 16 April 2009. Finger printing machines had not been used for recording arrivals and departures.
- (e) Paragraph 3 of the Management Services Circular No.30(i) dated 01 June 2009. The value of salary increments for grades other than executive grades should be revised with effect from 01 January 2009, revisions had not been carried out up to 16 March 2012.
- (f) Paragraph 5.1.3 of the Public Enterprises Circular No.12 of 02 June 2003. Even though copies of the organization charts approved by the Board of Directors should be presented to the relevant Ministry, Department of Public Enterprises, General Treasury and Auditor General along with the annual budget prior to the commencement of the financial year, action had not been taken accordingly.

2. Financial Review

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2.1 Financial Results

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According to the financial statements presented, the operations of the Board for the year under review had resulted in a deficit of Rs.18,676,865 as compared with the corresponding deficit of Rs.14,873,999 for the preceding year, thus showing a deterioration in the financial results by Rs.3,802,866.

2.2 Analytical Financial Review

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Even though recurrent grants for the year under review had increased by Rs.15,894,261 as compared with the preceding year, increase of salary of the staff recruited on assignment basis by Rs.11 million, increase of security charges, lease rentals of the Centre, vehicle maintenance and printing and stationeries at the rate of Rs.1 million each had effected to the deterioration in the financial results.

2.3 Irregular Transactions

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The following observations are made.

(a) Even though distress loans aggregating Rs.353,900 relating to two officers had been actually received during the year under review, those funds had not been given to the relevant officers after lapse of 5 months and 8 months.

(b) Foreign Travels

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The following observations are made.

i. Even though it was reported that per diem allowance at the rate of US Dollar 30 per day for maximum of 30 days could have been paid at the time of foreign visits for education or foreign training in terms of Section 03 of the Circular No.MFP01/2010/01 dated 11 October 2010 of the Secretary of the Ministry of Finance and Planning and Secretary to the General Treasury, sums aggregating US Dollars 260 had been overpaid for foreign travels of the officers of the Board.

ii. Even though payment of allowances should be brought to account as expenditure at the time of payment in terms of paragraph (1) of Section 9 of the Circular, payments aggregating Rs.125,543 made for persons went abroad in the year 2011 had not been brought to account for the year under review up to March 2012.

2.4 Transactions of Contentious Nature

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The Control Authority for implementation of precursor order No.1 of 2010 established affiliated to the Board from 04 May 2010 by the Gazette of the Democratic Socialist of Sri Lanka on 10 May 2010 in terms of provisions of the Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, No. 1 of 2008 had not received grants separately from the Treasury and all the expenditure had been incurred from the funds of the Board.

The following observations are made in this connection.

- (i) The Chairman of the Board had been appointed as the Chairman of the Precursor Control Authority in terms of Sections 2(1) and 4 of the relevant Gazette Notification. Even though it was pointed out that this Authority should be established within the Board and all the activities should be coordinated through the Board in terms of Section 3(1)(2) of the above Gazette Notification, the Authority had paid the Chairman allowance at the rate of Rs.25,000 per month to the Chairman of the Board.
- (ii) The accounts of the Authority had not been consolidated with the final accounts of the Board.

3. Operating Review

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3.1 Performance

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The following observations are made.

Particulars of Clients

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- (a) Five centers of the Board were being maintained for rehabilitating and preventing from drugs and the total number of clients who were received the consultancy services at those centers during the year under review stood at 1849 and number of clients who were admitted for obtaining treatment stood at 1017. It was 2313 in the year 2010.

- (b) Out of the clients who were admitted for treatments, 126 clients or 12.39 per cent were the ex-clients. Number of clients who were completed the treatment stood at 316 or 31.07 per cent and number of clients who were discharged without completing treatments stood at 591 or 58.11 per cent.
- (c) A sum of Rs.76,044 had been spent during the year under review for a client and it was Rs.77,876 during the year 2010.
- (d) It was observed that there was a considerable decreases in number of clients who were obtained treatment from the service centers, Thalangama, Kandy and Galle except Navathiganthaya as compared with the previous year and the total number of clients who obtained indoor treatments from all the service centers had reduced by 1296 or 56 per cent as compared with the previous year.
- (e) According to the information presented, it was observed that it is most suitable to take effort for utilizing those spaces instead of maintaining the centre rented out at Kottawa for 53 clients by spending annually sums aggregating Rs.1,185,613 even though there were spaces at the above centers of the Board.

### 3.2 Management Inefficiencies

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The following observations are made.

- (i) There were 769 coconut trees in the land in extent of 18 acres in which the Nawathiganmaya Centre was situated. The income received from coconut during the years 2009, 2010 and 2011 amounted to Rs.649,279, Rs.886,907 and Rs.999,291 respectively.

Accordingly, the harvest from coconut had reduced regularly as compared with previous two years and action should be taken to obtain fertile harvest through maintaining by regular utilization of fertilizer.

- (ii) The assistance of the external Advisers had been obtained for revising salaries of the officers of the Board and a sum of Rs.60,000 had been paid in this regard.



3.3 Uneconomic Transactions

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The following observations are made.

- (a) Even though a sum of Rs.53,491 had been paid in the month of December 2011 for publishing advertisements in two newspapers in the month of October 2011 relating to recruitment for the post of Accountant of the Board, any action had not been taken relating to above recruitment.
- (b) Even though sums aggregating Rs.870,000 had been paid during the year under review as rentals for district offices such as Ampara, Beruwala, Kurunegala, Anuradhapura and Ratnapura and a sum of Rs.28,298 had been paid for fixing curtain to the Kurunegala Office, it was observed in audit that the above payment had become a fruitless payment as action had been taken to remove these district offices during the year 2012.

3.4 Idle and underutilized Assets

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High Performance Capillary Gas Quadruple Mass Spectrome purchased by paying Rs.10,191,349 from the provisions received from the National Sports Fund and the Police in the month of April of the year under review had been underutilized up to 06 June 2012 due to not reporting about the relevant examination. There were 7 beds, 7 mattresses and 28 chairs had been underutilized at the Galle Centre.

3.5 Personnel Administration

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The approved cadre for the year under review was 217 while the permanent cadre was 111. In addition to this, 86 persons had been deployed in the service on assignment basis. Sums aggregating Rs.13,431,054 had been paid for them as salaries. It was observed that there was no evidence to prove that the proper approval had been obtained in this regard.

3.6 Utilisation of Vehicles

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The following observations are made.

- (a) The Board had owned 24 vehicles including motor cycles as at end of the year under review and of these, 3 vehicles had remained idle.
- (b) It was observed that it was uneconomical for incurring expenditure of Rs.286,270 during the year for repairing three idle vehicles and spending of Rs.457,330 for repairing engine of a jeep purchased in 1987.
- (c) It was unable to transfer the ownership of 05 vehicles received from the World Health Organization and 02 vehicles received from the United Nations Development Programme to the Board up to the year under review.

4. Accountability and Good Governance

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4.1 Presentation of Financial Statements

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The accounts of the Board had been presented for audit on 29 February 2012 while the revised accounts of the Board had been presented on 31 May 2012, according to the 14 (2) (c) draft report dated 25 April 2012.

4.2 Corporate Plan

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The following matters that should be included in the Corporate Plan in terms of Section 5.1.2 of the Public Enterprises Circular No. PED 12 dated 02 June 2003 had not been included.

- i. Organisation Chart.
- ii. A review of operational results for the previous three years.
- iii. Strategic plan for the year under review.

4.3 Action Plan

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The Action Plan for the year under review had been prepared in accordance with the Corporate Plan.

4.4 Internal Audit

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An internal audit division had not been established by the Board and the internal audits had been carried out by the internal audit division of the relevant Ministry.

4.5 Audit and Management Committee

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Even though 4 meetings of the Audit and Management Committee should be held in terms of the Public Enterprises Circular No. PED 12 dated 02 June 2003, only 3 meetings were held during the year under review.

4.6 Procurement Plan

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The Board had not prepared a plan for procurement.

4.7 Budgetary Control

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Variances at the range of 10 per cent to 103 per cent were observed between the budgeted figures and the actual figures for the year under review. Thus it was observed that the budget had not been made use of as an effective instrument of management control.

4.8 Publication of Annual Reports

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Annual Reports for the years from 2006 to 2009 and the copies of the English version of the Annual Report for the year 2010 had been submitted to the relevant Ministry for tabling in Parliament during the year under review and in the month of January 2012 respectively.

5. **Systems and Controls**

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairperson of the Institute from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Utilization of Centers
- (c) Financial and Internal Control
- (d) Utilization of Assets
- (e) Stock Control and Recording in the Books