

National Dangerous Drugs Control Board 2013

The audit of financial statements of the National Dangerous Drugs Control Board for the year ended 31 December 2013 comprising the balance sheet as at 31 December 2013 and the statement of income 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 12(4) of the National Dangerous Drugs Control Board Act, No. 11 of 1984.

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 conduct my audit in accordance with Sri Lanka Auditing Standards consistent with International 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the 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 Board'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 the financial statements. Sub – sections (3) and (4) of the 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 National Dangerous Drugs Control Board as at 31 December 2013 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 Accounting Deficiencies

The following observations are made.

- (a) Action had not been taken to revalue 13 fully depreciated vehicles purchased at a cost of Rs. 31,226,680 belongs to the Board which were in good running condition as at the balance sheet date. Further, four vehicles received in several years ago from a foreign funded Project had not been valued and brought to account, and ownership of these vehicles had also not been transfer in favor of the Board.
- (b) Provision for the accrued expenditure aggregating Rs. 79,988 at the end of the year under review had not been made in the financial statements. As such the deficit for the year under review had been understated by that amount.

2.2.2 Accounts Receivable and Payable

The following observations are made on debtor management of the Board.

- (a) Debtors amounting to Rs 8,902,798 appear in the financial statements as at 31 December 2013 had not been agreed with the detailed schedule for debtors amounting to Rs 9,078,050 furnished for audit.
- (b) The advances aggregating Rs.1,913,430 shown in the financial statements had comprised with 16 balances valued at Rs.1,780,060 which remained unrecovered for more than 10 years.

- (c) Age analysis in respect of deposits amounting to Rs.356,813 had not been prepared and furnished for audit. Further, the Board had not possessed the receipts of deposits valued at Rs.295,313 made in 18 outside entities indicating that the possible risk on encashment of such deposits.
- (d) Confirmations had not been called for audit purposes on the bank balances amounting to Rs.6,284,645 remained at the year end.
- (e) The Board had terminated the service of an Accountant in September 2011 and action had not been taken to recover her loan balances amounting Rs.161,554 remained outstanding at the date of termination of the service.

2.2.3 Lack of Evidence for Audit

A Fixed Assets Register for the property, plant and equipment valued at Rs.50, 835,028 as at the balance sheet date had not been properly maintained in updated manner.

2.3 Non – compliance with Laws, Rules, Regulations and Management Decisions

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

Reference to Laws, Rules, Regulations and Management Decisions	Non – compliance
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Drug Dependent Persons (Treatment and Rehabilitation) Act, No 54 of 2007 dated 13 November 2007 – Section 4(3)

Periodically reports required to be furnished by the Director of Treatment Centers in relating to successfulness of the treatments in private treatment centers had not been furnished.

Financial Regulations – 109 (1) (b)

Losses on assets belong to the Board had not been reported to the Auditor General even though the vehicles of the Board had met with accidents in two occasions during the year under review.

371(2)(c)

Out of the advances aggregating to Rs.299,000 granted in 16 instances in the year under review, a sum of Rs.136,110 or 45.52 per cent had been settled by cash without been utilized for respective purposes. Unsettled balances had remained at the hand of the employees of the Board for period ranging from 30 to 98 days.

Section 1.3.1 (iii) of the Public Enterprises Circular No.22/99 dated 08 October 1999

The group transport facility is entitled for the senior executive staff. However, the Board had granted official vehicle transport facilities to the newly appointed Assistant Directors of the Board and parked the vehicles at their residencies at nights, contrary to the circular instruction.

3 Financial Review

3.1 Financial Results

According to the financial statement presented, the operations of the Board for the year under review had resulted in a deficit of Rs.6,446,755 as compared with the corresponding deficit of Rs.15,013,481 for the preceding year thus indicating a decrease of Rs. 8,566,726 in the deficit. The balances of creditors amounting to Rs.1,335,034 written back to the income as recommended by the Department of National Budget and the proceeds of sale of a vehicles transferred from a foreign funded Project amounting to Rs.1,777,777 brought to income had influenced to reduce the deficit for the year under review.

4. Operating Review

4.1 Performance

- (a) As per the progress report of the Research Unit of the Board for the year 2013, the persons arrested on drug related matters in recent past had been increased significantly as described below.

Year	Number of persons arrested		
	<u>Female</u>	<u>Male</u>	<u>Total</u>
2010	304	29,492	29,796
2011	359	42,144	42,503
2012	706	47,220	47,926

Further, according to the information published by the Police Narcotic Bureau, 280kgs of Heroin had been seized in 46 instances in 2013 including seizure of a large stock of 261kgs of Heroin on 30 August 2013. Thus indicated the need of strong policy measures against fast growing trend in drug addiction in urban and semi-urban areas in the country.

- (b) The Board had involved in rehabilitation of drug dependent persons through four service centres. The number of persons who were obtained indoor treatments from the service centres in the year under review and the particulars on expenditure for the year under review as compared with two preceding years are given below.

Service centre	Number of Persons who Obtained Indoor Treatments			Monthly Average of Persons Treated	Total Expenditure (without staff salaries)	Monthly Average Expenditure per Person
	2011	2012	2013	2013	2013	2013
					Rs.	Rs.
Urapola	315	255	390	33	4,738,867	11,966
Thalangama	326	340	513	43	4,986,098	9,662
Kandy	165	155	82	7	2,010,909	23,939
Galle	158	134	207	17	4,025,884	19,735
Total	<u>964</u>	<u>884</u>	<u>1,192</u>	=	<u>15,761,758</u>	-

The following observations are made

- (i) Even though the indoor treatments had been provided for 1,192 persons during the year under review as compared with the 884 persons in 2012, the Kandy centre had treated only for 82 persons as compared with 155

persons in 2012, thus indicated the higher average cost of Rs 23,939 per person in 2013.

- (ii) In addition to the indoor treatments, the Board had provided counseling service for the drug dependent persons. In this connection, counseling services had been provided for 2,021 persons in 2013 as compared with 1,463 persons in 2012.
- (iii) In addition to the four rehabilitation centres managed by the Board, 12 other rehabilitation centres are also managed by other governmental and non-governmental organizations. However information relating to the persons treated by such centres were not made available for audit.

4.2 Matters in Contentious nature

The following observations are made.

- (a) As per the letter No.Gen/Dms/E3/05/04/006/1 dated 13 October 2008 of the Department of Management Services (DMS), the post of Executive Director of the Board had been upgraded as the post of Director General. According to the Scheme of Recruitment (SOR) approved by the DMS, the post of Executive Director was abolished. However, the Chairperson had issued a letter on 20 September 2013 stating that the present Director General of the Board had been demoted and returned to the post of Executive Director with effect from 01 July 2008. The Executive Director had filed a case against the Board at the Supreme Court for violation of Fundamental Right.
- (b) The security service for the offices of the Board is provided by the officers belong to Department of Civil Security. However, the security service for the private residence of the Chairperson is obtained from another security firm by incurring an additional cost of Rs 504,000 to the Board for the year under review.

4.3 Weaknesses in the Implementation of Projects by the Board

The following observations are made.

- (a) The Board had received a sum of Rs.685,540 in 2013 from United Nations Development Programme to implement a separate Project called RAS H71 Project and out of that, a sum of Rs. 237,000 had been incurred for remuneration of a Coordinating Officer and other staff members. However, no any Project activities had been carried out during the year under review.

- (b) Further, a sum of Rs. 3,088,750 had also been received and only a sum of Rs. 106,147 had been incurred to the Forensic Training Programme which organized by the Office of United Nations Drugs and Crime. It was observed that any of project activities other than that had not been carried out during the year under review.

- (c) The Board had implemented several other programmes funded by the World Health Organization and a sum of Rs. 721,076 had been incurred during the year under review thereon. However, performance reports on such programmes for the year under review had not been made available to audit as enable to review the progress of programmes.

4.4 Human Resources Management

The following observations are made.

- (a) It was observed that the Board had run with shortages of employees in 07 key posts in senior and tertiary levels and 62 posts in secondary level. Even though the paper advertisement for recruiting persons for the posts of Assistant Director of Finance, Internal Auditor, Administrative Officer, Librarian and other staff had been published in two occasions during the year under review by incurring a sum of Rs.587,372, such vacancies had not been filled even at the end of the year

under review. Another advertisement to recruit persons for the same posts had been published in the newspapers on 02 April 2014.

- (b) It was observed that services from 43 persons had been obtained continuously on assignment basis without taking action to fill the vacancies permanently.

5. Accountability and Good Governance

5.1 Vision

The Vision of the Board elaborated that to move the country towards drug free by 2020 indicating that it is time bound and narrowly defined.

5.2 Action Plan

The methodology to measure the actual performance on activities made in the action plan had not been introduced and therefore, the action plan had not been periodically reviewed in proper manner.

5.3 Procurement Plan

Although a procurement plan had been prepared by the Board, cost of procurement had exceeded the estimated amounts significantly. The actual cost of procurement of laboratory equipment, training materials and uniforms expenses had exceeded by 60 per cent of estimated amounts whilst the cost of plant and machinery had exceeded the estimated amount by 123 per cent.

5.4 Internal Audit

A separate Internal Audit Unit had not been established by the Board and the respective audit activities were carried out by the Internal Audit Division of the Ministry. However, neither the internal audit program had been submitted for approval of the Auditor General nor internal audit reports submitted.

5.5 Budgetary Control

Variances at the range of 10 per cent to over 100 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 an effective instrument of management control.

6. Systems and Controls

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

- (a) Accounting
- (b) Performance of Rehabilitation Centres
- (c) Assets Management
- (d) Stock Control