

National Dangerous Drug Control Board - 2019

1.1 Qualified Opinion

The audit of the financial statements of the National Dangerous Drug Control Board for the year ended 31 December 2019 comprising the balance sheets at 31 December 2019, statement of income, statement of changes in net assets 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 chapter 1.5 in this report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 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 based on the matters mentioned in chapter 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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

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

As per sub Section 16(1) of the National Audit Act No. 19 of 2018, the Board's 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 Board.

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

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, misrepresentations, or the override of internal control.
- Obtained 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 Company'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 Board'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 Board 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 Board, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Accounting Standards

Audit Observation	Comments of the Management	Recommendation
Fixed Assets costing Rs.160,515,223 which was being used despite being fully depreciated, had not been revealed in Financial Statements in terms of Sri Lanka Accounting Standard No 07.	The relevant disclosure will be corrected when preparing the Financial statements in the Accounting Year 2020	Assets should be revalue and stated in the Financial Statements.

1.5.2 Non-reconciled control accounts or reports

Subject	Valuation as per Financial Statements	Valuation as per corresponding reports	Difference	Comments of the Management	Recommendation
(a) Non-Current Assets	128,302,963	129,694,533	1,391,570	It is kindly informed that when certain assets are categorized, there are changes in relevant assets categories since the type of assets mentioned in Financial Statements are different from the type of assets indicated in schedules. For	Corrections should be made in the financial statements

example, an item categorised as furniture in Financial Statements may be categorised as office equipment in Schedules. Actions are taken in this year to adjust certain type of assets with the schedules and correct them through Double Entry system. However, revaluation of all assets to correct the further differences that between Financial Statements and Schedules has been delayed due to the prevailing pandemic.

(b)	Distress loans and festival advance to be received	7,984,983	7,972,548	12,435	There was a difference of Rs.12,435 between the Debtors balance in the balance sheet and the lists and it existed above as a balance difference of a higher value and it was later reduced to the above value through the investigations carried out later.	Corrections should be made in the financial statements
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However, due to the difficulty in finding the documents, it was not possible yet to further check this and it was decided at the Audit Management Committee meeting held on 27.12.2018 to seek instructions from the Treasury before taking further actions. Accordingly, the letter No NDDCB/FIN/MI N/2019/11 dated 03.07.2019 addressed to the Director General of the Public Enterprises Department, has been submitted seeking instructions to correct these mistakes, and the letter bearing the date 22.08.2019 has been referred to the Director General of the Public Enterprises Department through the Ministry of Defence. However due to non-receipt of instructions as yet, follow up actions are now being taken.

1.5.3 Suspense Accounts

Subject	Amount	Duration in suspense	Comments of the Management	Recommendation
Suspense account	Rs. 480,900	6 years	The balance shown at the audit is a result of an adjustment of accounts done in 2014. All related accounts are now being checked to settle this and it has not yet been able to trace it. It was decided at the Audit Management Committee meeting held on 27.12.2018 to seek instructions from the Treasury before taking further actions. Accordingly, the letter No NDDCB/FIN/MIN/2019/11 dated 03.07.2019 addressed to the Director General of the Public Enterprises Department, has been submitted seeking instructions to correct these errors, and the letter bearing the date 22.08.2019 has been referred to the Director General of the Public Enterprises Department through the Ministry of Defence. However due to non-receipt of instructions as yet, follow up actions are now being taken.	The Suspense Account should be settled.

1.6 Accounts Receivable and Payable

1.6.1 Advances

Audit Observation	Comments of the Management	Recommendation
An advance balance of Rs.1,782,059 has remained without being recovered for over more than 20 years and balance confirmation letters have been submitted for the audit.	Accordingly, the letter No NDDCB/FIN/MIN/2019/11 dated 03.07.2019 regarding advance balance, addressed to the Director General of the Public Enterprises Department, has been submitted seeking instructions to correct these errors, and the letter bearing the date 22.08.2019 has been referred for further actions to the Director General of the Public Enterprises Department through the Ministry of Defence.	This should be properly identified and settled.

1.7 Non-compliance with Laws, Rules and Regulations and Management Decisions.

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the management	Recommendation
Drug dependent Persons (Treatment and Rehabilitation) Act, No. 54 of 2007 Section 7	Assessment Panels had not been appointed as per this section	Assessment Panels should be appointed by the Minister under section 7(1) of the Drug Dependent Persons (Treatment and Rehabilitation) Act, No. 54 of 2007. Therefore, it is kindly pointed out that this panel cannot be directly involved with this. However, the functions assigned to Assessment Panels by the relevant Act and the Extra Ordinary gazette No 1653/19 consisting of not more than three persons to be named by the National 2 Dangerous drug Control Board and to be appointed under section 7(2) of the Act are covered and reported to the panel through the director (Namodhista Treatment center) by three investigation officers and this ed. the relevant amendments are now being done to this Act.	A sound treatment plan should be formulated to treat the drug addicts.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) Financial Regulations 753(2) It was impossible to get it confirmed whether all goods received were documented since Goods Receive Notes of Treatment and Rehabilitation Centre of Kandy had not been filed. The staff were made aware of the need to act correctly in future Action should be taken in terms of Financial Regulations

(ii) Financial Regulation 754 At the end of each financial year, the Inventory Book must be balanced in the following manner. The receipts and issues relating to each type of article must be totalled. The "balance on hand", i.e., the difference between the total of the receipts and the total of the issues, must then be entered in respect of each type of article, beneath the total of the issues, and be added thereto. The balance on hand must be earned forward to the next financial year. However this procedure had not been followed in respect of Treatment and Rehabilitation Centre in Kandy. taking actions as per Audit recommendations in future Action should be taken in terms of Financial Regulations

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| (c) | Public Administration Circular No 09/2009 dated 4 April, 2009, Public Administration Circular No 09/2009 (1) dated 17 June, 2009 and Public Administration Circular No.03/2017 dated 19 April 2017. | Although signals from the fingerprint Scanner fixed in 2016 at the Treatment and Rehabilitation Centre in Galle indicated that the fingerprints were correct, data report of it could not be taken via the computer. | Taking actions to immediately Repair the defects and update the fingerprint scanner. | Action should be taken as per circulars |
| (d) | Government Procurement Guidelines-2006 | | | |
| (i) | Guideline 5.2.1 (a) | Bids pertaining to the purchase of 12 steel admirals and 12 steel cupboards which had been received after the closing date had been entertained and evaluated. | A delay had occurred in the delivery of relevant letters and action will be taken to prevent such delays in future. | Action should be taken in accordance with the Government Procurement Guidelines. |
| (ii) | Guideline 7.8.4 (d) | Although the bids which had not been signed by the bidders in respect of the bids invited for the purchase of book shelves and 12 steel admirals to use at the treatment and rehabilitation centres could have been disregarded considering it as a serious negligence, Board had subjected unsigned bids for evaluation. | This is a mistake. Action will be taken to avoid such shortcomings in future. | Action should be taken in accordance with the Government Procurement Guidelines |

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| (iii) Guideline
8.12.3 (a) | Even though request had been made to obtain book shelves for the Talangama Rehabilitation Centre, specifications containing the type, quantity, height, length and the width thereof had not been submitted. | These have been obtained in accordance with the specifications prepared for the library after having telephone discussions with the Manager of the Centre. | Action should be taken in accordance with the Government Procurement Guidelines |
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2 Financial Review

2.1 Financial Result

The operations of the Board during the year under review had resulted in a deficit of Rs.38,259,644 as compared with the deficit of Rs.28,291,721 of the preceding year, thus observing an increase of the deficit by Rs.9,967,923 of the financial result. This increase was mainly attributed to the increase in the other operating expenditure by Rs.4,294,124 and personal and administrative expenditure by Rs.11,160,824.

3. Operating Review

3.1 Management Inefficiencies

Audit Observations	Comments of the Management	Recommendation
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(a) Repairs to the roof of the Vocational Training Division building of the Nawadiganthaya Treatment and Rehabilitation Centre had not been carried out over a period of 04 years. Since the Board had not taken steps regarding these repair activities, the machinery purchased at a high cost and the lives of the trainees remained at a risk.	Repairs to the roof of the Vocational Training Division building are in progress.	Action should be taken to carry out repairs immediately.
(b) The CCTV cameras purchased at a cost of Rs.612,000 for the Kandy, Nawadiganthaya and Galle Treatment and Rehabilitation Centres were inoperative and the Board had not taken steps to repair those cameras or purchase new CCTV cameras which are essential to ensure security of those centres.	Due to the inadequacy of the provisions received by the Board, this requirement could not be fulfilled.	Purchase should be made according to the proper specifications.

3.2 Operating Inefficiencies

----- Audit Observations -----	----- Comments of the Management -----	----- Recommendation -----
<p>(a) Particulars on 12 types of dangerous drugs provided by various institutions to the Board to use in the laboratory tests had not been disclosed in the financial statements.</p>	<p>The drugs specified in the query and available in the laboratory have been referred by the relevant institutions to carry out analysis and in providing those samples to the laboratory, the supply party do not fix any price on those drugs.</p> <p>Similarly, drugs are not covered by any Act and penalties and fines have been imposed on the weight of the drugs.</p> <p>Eg: Poisons, Opium and Dangerous Drugs (Amendment) Act No.13 of 1984.</p> <p>Further, the value of these drugs is an unrealized price fixed by the dealers solely to the users and there are certain substances which cannot be valued in assessing prices.</p> <p>Therefore, I would like to inform that it is not possible to assess the value of the relevant haul of drugs.</p> <p>Further, since there is no legal framework in this connection, the value of those drugs cannot be stated in the financial statements.</p>	<p>Value should be assessed and stated in the financial statements.</p>
<p>(b) In the examination of files of the relevant institutions, there observed a trend that the persons who had been addicted to drugs over a long period were seeking services of the treatment and rehabilitation centres over and over again and the drug addicts who completed 02 or 03 months period of treatments at the Nawadiganthaya Treatment and Rehabilitation Centre had again admitted to the</p>	<p>This situation depends on the dedication of the beneficiaries and the custodians.</p>	<p>Follow up process should be properly implemented.</p>

Centre for treatments within a short period as one year. It was observed at the audit that the failure in the proper implementation of follow up process had given rise to above situation.

- (c) Action had not been taken to properly dispose of 12 types of chemicals worth Rs.210,883 since a period of two years. The Survey Committee have identified that the relevant chemicals should be destroyed. Expired items should be disposed of from the stores.
- (d) According to the research report 2016/2017 on the Proliferation and Modern Trend of the Use of Drugs, it had been disclosed that 13 per cent of the persons below 14 years of age, 16 per cent between 15 and 19 years and 19 per cent between 20 and 24 represented the drug addicts in terms of age groups. Herein, the age of its first use had been stated as the adolescence and the subsequent age, that is, the use of drugs as aerial or due to curiosity, in case of problems, influences of the friends and for pleasure and enjoyment. Accordingly, a considerable percentage of the drugs prevention, training and educational programmes should be conducted aiming at the school children. Nevertheless, of more than 10,000 schools in Sri Lanka, training programmes had been conducted only in 3109 or 30 per cent of the schools during the period from 2013 to 2019. With the objective of minimizing the use of drugs, the Preventive Education and Training Division implements scientific and qualitative programmes based on the evidence while addressing the psychological factors inducing the school children for risk behavioural patterns. Amidst the scarcity of human and physical resources of the division, only 21,605 students could be addressed through 137 programmes during the year 2013. Thereafter, with the considerable human resources attached to the Divisions from the second quarter of the year 2014, a gradual increase of the programmes could be observed. The Preventive Education and Training Division was successful in implementing 670 programmes exceeding the 500 programmes scheduled to be implemented in the year 2018. Nevertheless, it was not possible to reach the target in the year 2019. Due to the close down of schools for a considerable period after the Easter Sunday attack and not granting permissions for the external persons and institutions to enter in the schools, number of programmes decreased. Likely, schools allocated a minimum time for the programmes since adequate time was needed to Drugs prevention, training and educational programmes should be conducted targeting more school children by categorizing them according to age groups.

cover the school syllabus. However, the Preventive Education and Training Division could exceed the annual targets during the period from 2015 to 2018.(relevant statistics are given below)

The Number of School Drugs Prevention Programmes conducted by the Preventive Education and Division from the year 2013 to 2019 and the number of participants.

(According to the annual report of the Board.)

	Year	No.of Programmes	No. of Participants
01	2013	137	21,605
02	2014	315	70,330
03	2015	564	99,950
04	2016	607	120,876
05	2017	614	126,456
06	2018	670	121,536
07	2019	390	79,863

Nevertheless, since our division lacks necessary human resources to cover more than 10000 schools throughout the island, those targets could not be reached. However, it has been possible to provide certain positive solution to that condition through the conduct of programmes to train school teachers and officers of the line institutions as the trainers. It is informed that as the available human resource has been deployed island wide through the 16 divisions, it was practically found difficult to reach the above targets.

- (e) In considering sales and trafficking of drugs, the trend of the involvement of the women is on the increase and therefore, awareness programmes should be conducted for women to minimize women's contribution for the sale of drugs. Nevertheless, preventive, education and training programmes targeting at the women had not been conducted during the period of past five years.
- For the purpose of fulfilling the responsibility assigned to the Board relating to the minimization of the proliferation of drugs abusing and the damages caused by the drugs in accordance with the statutory laws in Sri Lanka and the international conventions, the Preventive Education and Training Division implements the programmes island wide under the following 16 sectors.
- Drug prevention, training, and educational programmes should be conducted aiming at the women.
1. Preventive education and training programmes for school children.
 2. Preventive education and training programmes for international schools.
 3. Programmes for the improvement of preventive education for the students in the vocational training and tertiary education centres.
 4. Awareness programmes on the early childhood development and drugs prevention for the parents and preventive education and training programmes for the students.
 5. Programmes for the improvement of education on drugs for the university students.
 6. Drugs preventive programmes for the teachers and the pupils of the Dhamma schools.
 7. Drugs preventive programmes for the Government officers.
 8. Drugs preventive programmes for the officers in the health sector.
 9. Drugs preventive programmes for the estate communities.
 10. Programmes aiming at the law enforcement officers.
 11. Programmes aiming at the community.

12. Public exhibitions
13. Programmes for training young leaders as the trainers.
14. Training of teachers as the drugs preventive trainers.
15. Drugs preventive programmes for the workers at the large worksites.
16. Individual and group counselling.

Early childhood development and drug prevention programme for the parents, a programme conducted for the community, and preventive programme for the estate sector as well as programme conducted at the large worksites can be introduced as the sectors with more women involvement among the above 16 sectors. Through those programmes, the matters on the minimization of women's contribution to the use, sale, and trafficking of drugs will be discussed. In addition, programmes aiming at women are also conducted through other sectors.

3.5 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
<p>Although the land containing 40 perches in extent costing Rs.4,027,518 belonging to the Board and situated at Homagama had been purchased on 30 years lease basis on 30 April 2014, it remained idle up to the year under review, for 6 years, without being used for an effective purpose.</p>	<p>The initial steps for the construction of "National Education and Training Centre on Substance Abuse Management" have already been taken and the following activities will be done relating to that matter.</p>	<p>The land should be used for an effective purpose.</p>

3.6 Procurement Management

Audit Observation	Comments of the Management	Recommendation
<p>(a) Even though the preparation and the review of draft bidding documents including specifications are the responsibilities rests with the Board, without doing so, the Procurement Manager had decided the necessary specifications and called for bids for the purchase of 8 bookshelves and 12 steel cupboards.</p>	<p>Action will be taken to avoid these errors in the future.</p>	<p>Procurements should be correctly carried out.</p>
<p>(b) The video panel purchased at cost of Rs.3,884,160 in April had been installed without technical guidance. This panel had become dysfunctional on 06 occasions within 03 years warranty period from the date of its opening. Therefore, it had remained idle without being achieved the desired objectives.</p>	<p>Having prepared specifications relating to the LED Panel by the Technical Evaluation Committee including the Information System Manager of the University of Colombo and carried out procurement activities with the approval of the Procurement Committee, the LED panel was installed and after the installation, the Information System Manager of the Colombo University checked and recommended the same. There was a warranty period of three years for this panel and repairs were attended, free of charge, in case of defects during this period. As agreements had not been entered into concerning the repairs after the warranty period, repairs were not done.</p>	<p>Action should be taken to achieve desired objectives.</p>
	<p>Since the LED Panel remains inoperative at present, a technical report has been requested from the Moratuwa University and the report has been sent via e-mail message. A reminder has been referred on 11.06.2020 requesting the original copy of the report. A decision in this regard will be taken by a committee consisting of Technical Officers and further steps will be taken accordingly.</p>	

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| <p>(c) A lightning conductor had been installed at the Nawadiganthaya Rehabilitation Centre, Kandy in the year 2016 at a cost of Rs.3,254,469 and it had not properly functioned. Therefore, the equipment of that centre had been damaged due to a lightning and the purpose of the installation of lightning conductor had not been achieved.</p> | <p>Necessary steps will be taken by sending an officer of the relevant private institution.</p> | <p>Purchasing should be made according to the proper specifications.</p> |
| <p>(d) A Narcotic Trace Detector machine had been purchased to the National Drug Laboratory at a cost of Rs.3,625,360. Since the required humidity level had not been set, it could not be used.</p> | <p>Since there was no any indication about the humidity level in the installation of this machine, procurement activities were not carried out thereon and it will be done in the year 2020.</p> | <p>The machine should be used for the activities of the Board.</p> |

3.7 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
<p>Without being obtained approval of the Department of Management Services for 8 Assistant Counselling Officer's posts, those had been filled only upon the Board Approval No.98/2017.</p>	<p>Action has been taken to avoid these shortcomings in the future.</p>	<p>Prior approval should be obtained in recruiting officers.</p>

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observations	Comments of the Management	Recommendation
Even though the Internal Audit Plan had been scheduled under 7 key activities, only two of such activities had been carried out. Accordingly, action had not been taken in accordance with Financial Regulation 134(3). In addition, the Board of Directors had approved that plan subject to inclusion of the audit activities of external services, but there was no evidence that it had been fulfilled. Likely, salaries and allowances of Rs.1,214,550 had been paid for the Internal Auditor and the supporting staff from January to December 2019, whereas the Board had not received an effective benefit of it.	In consequence of the Covid-19 pandemic experienced in the bygone days, the audit activities specified in the serial Nos. 02, 06 and 07 of the Audit Plan 2019 could not be carried out, and since the reports of the Committee on Public Enterprises had to be prepared from May to December 2019, the audit activities referred to in serial No.01 and 05 could not be done according to the audit plan. However, action will be taken to submit the audit queries which have not been presented as yet.	The internal audit should ensure a high level of performance.

4.2 Budgetary Control

Audit Observation	Comments of the Management	Recommendation
When comparing the budgeted and actual expenditure of the year under review, variation ranging from -260 per cent to 51 per cent was observed relating to 18 Objects and accordingly, the budget had not been made use of as an effective instruments of management control.	The audit has observed variations between budgeted and actual expenditure relating to 10 Objects during the year under review. Therein, due to not arising anticipated expenses in the early part of 2019 for unfavourable civil conditions, certain figures shows less actual expenditure than the estimated expenditure. On the other hand, certain expenditure shows more actual expenditure than the estimated amount due to the variations occurred as a result of changing policies, and up on the	The budget should be prepared correctly.

management decisions. Eg: Increase in the overtime allowances and establishment of women security service to the Thalangama Centre according to the Management decisions.