

National Dangerous Drugs Control Board

1. Financial Statements

1.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the National Dangerous Drugs Control Board had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of matters referred to in paragraph 1:2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the National Dangerous Drugs Control Board as at 31 December 2010 and the financial results of its operations for the year then ended.

1.2 Comments on Financial Statements

1.2.1 Sri Lanka Accounting Standards

The following matters were observed.

- a) A cash flow statement had not been furnished together with the financial statements in terms of Standards No.9.
- b) The values in the financial statements had not been shown to the nearest rupee in terms of Standards No.03.

1.2.2 Accounting Deficiencies

The following matters were observed.

- i. Instead of adjusting the deficit in the gratuity provision in the Board amounting to Rs. 5,146,604 for the capital reserve balance, this amount had been adjusted to the profit of the year; hence, the loss for the year under review had been overstated by that amount.
- ii. The bank charges amounting to Rs. 3,764 and payments amounting to Rs. 127,608 directly debited by the bank had not been identified and accounted. A cancelled receipt amounting to Rs. 17,500 had been accounted as receipts.

iii. A suspense balance of Rs. 502,438 showing since 2005 and a balance of Rs. 2,041 showing in the bank reconciliation had not been identified and adjusted in the accounts.

iv.

1.2.3 **Unreconciled Control Accounts**

Debtors balance according to the financial statements amounted to Rs.7,483,347 for the year under review and the balance was Rs. 7,489,218 according to the debtors schedule. Steps had not been taken to identify and adjust the un-reconciled balance of Rs. 5,871.

1.2.4 **Accounts Receivable and Payable**

The following matters were observed.

(a) The advances aggregating to Rs. 2,304,720 had included a balance of Rs. 1,832,060 remaining for more than 10 years and the creditors aggregating to Rs. 1,356,549 had included a balance of Rs. 1,271,034 remaining for more than 5 years.

(b) Age analysis in respect of advances amounting to Rs. 2,304,720, debtors amounting to Rs. 7,483,347 and creditors amounting to Rs. 1,356,549 had not been furnished and confirmations in respect of cash and bank balances amounting to Rs. 5,831,025 had not been furnished.

(c) Advances amounting to Rs. 316,575 granted through the project fund had not been settled within 3-6 months time range.

(d)

1.2.5 **Lack of Evidence for Audit**

As the properly prepared Register of Fixed Assets in respect of fixed assets amounting to Rs.33,972,250 and invoices, G.R.N's and delivery notes to confirm the purchases amounting to Rs.1,289,046 were not made available, those items could not be satisfactorily vouched.

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

The following non-compliances with Laws, Rules, Regulations and Management Decisions. were observed.

<u>Reference to Laws, Rules, Regulations and Management Decisions.</u>	<u>Non-compliance</u>
Financial Regulations of the Democratic Socialist Republic of Sri Lanka 395	Though the bank reconciliation statements should be prepared and furnished to the Auditor General for transactions at the end of each month before 15 of the following month, this had not been done.
454(1)	Inventory registers in the format of General 44 had not been maintained.
756	Board of Survey had not been carried out for the year under review.
Service Gratuity Payments Act No. 12, 1983	Though the payments should be made within 30 days according to the Act, 3 payments aggregating to Rs. 476,518 had been made with a delay between 1-3 months time range.
Section 02 of Public Enterprise Circular No. 95 dated June 14 , 1994.	Allowances aggregating to Rs. 126,000 had been paid contrary to the Circular instruction.
Treasury Circular No. IAI/2002/02	A Separate fixed assets register for computers and accessories had not been maintained.

2. Financial and Operating Review

2.1 Financial Review

2.1.1 Financial Results

According to the financial statements presented, the operations of the Board for the year under review had resulted in a deficit of Rs.14,873,999 as compared with the corresponding deficit of Rs.4,339,145 for

the preceding year, thus showing a deterioration in the financial results by Rs.10,534,854 as compared with the preceding year.

2.1.2 Analytical Financial Review

The following matters were observed.

- (a) Decrease of the Government recurrent grants by Rs. 1,840,000 as compared with the preceding year and adjusting the under provision of gratuity for preceding years amounting to Rs. 5,146,604 to the profit of the year, had resulted in the deterioration of the financial result.
- (b) Capital and Recurrent grants from the Government amounting to Rs. 3,500,000 and 70,680,000 respectively had been received by the board for the year under review.
- (c) Total income of the Board was amounting Rs.75,768,824 and out of that 93.28% was Government grant and balance 6.72% was from foreign aids and other income.

2.2 Operating Review

2.2.1 Performance

The following matters were observed.

(a) Particulars of Clients

(I) The total number of clients who were received the consultancy services at the service centers of the Board during the year under review amounted to 3,500 out of that, 2,313 or 66 % had been received indoor treatments.

(II) It had been confirmed that, out of the clients who undergo indoor treatments at service centers, more than 50% were the ex-clients who visited often.

Example :- Out of the 1079 clients who received indoor treatments from the service centre at Thalangama, 61% equivalent to 658 were ex-clients.

(III) Particulars of the clients who underwent indoor treatments at the service centers are as follows :

	<u>No. of Clients Attended</u>			<u>Expenditure per Client</u>		
	<u>2010</u>	<u>2009</u>	<u>Increase/ (Decrease)</u>	<u>2010 Rs.</u>	<u>2009 Rs.</u>	<u>Increase Rs.</u>
Navadiganthaya	278	345	(67)	30,919	27,778	3,141
Thalangama	1,074	1,188	(114)	8,289	6,851	1,438
Kandy	414	431	(17)	20,967	20,143	824
Galle	547	522	25	17,701	16,681	1,020
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	<u>2,313</u>	<u>2,486</u>	<u>(173)</u>	<u>77,876</u>	<u>71,453</u>	<u>6,423</u>

- Though the number of clients who obtained treatment during the year under review as compared with previous year had decreased by 173 or 6.96 %, the cost per client had increased by Rs.6,423 or 8.99% and the total cost had increased by Rs. 2,495,030
- The lowest cost per client amounting to Rs. 8,289 had existed at the Thalangama Service Centre and the highest cost per client remained at the Nawa Diganthaya Service Centre had exceeded the cost by Rs.22,630 or 273% as compared with the Thalangama Service Centre.
- The highest No. of clients who underwent indoor treatments were from the service centre at Thalangama, which was an increase by more than 200% in comparison with other service centers.

(b) Income from Coconut

The income from coconut was Rs. 886,907 for the year under review, which was an increase by 36.6% or Rs. 237,628 in comparison with that of the previous year amounting to Rs. 649,279. However, no evidence was available that the Board had benefitted through the increased coconut prices in the year under review compared to the previous year.

2.2.2 Implementation of Projects

The following matters were observed.

- (a) Expenses amounting to Rs. 960,780 contrary to the objectives of the United Nations Drugs and Crimes Project had incurred to the project fund. It had been informed by the Chairperson that the cash would be credited to the project, when received from the Treasury ,though the cash belonging to the Project had been utilized,
- (b) Two officers of the Institute had been paid an amount of Rs. 28,000 by Rs. 2,000 for 14 days of field duties contrary to the regulations in the Establishment Code.
- (c) Due to all the cash received for each project for different activities and the expenses noted in a same cash book, it was not possible to separately identify the cash received for each project, expenses incurred and the balance amounts.

2.2.3 Management Inefficiencies

The following matters were observed.

- (a) The balance of the distress loan amounting to Rs. 242,368 had not been deducted from the gratuity amounting to Rs. 374,178 paid to a retired staff member.
- (b) Though a stamp fee of Rs. 25 should be charged from the officers who earned a salary exceeding Rs. 25,000, that amount had not been charged from 7 officers whose salaries were credited to the bank accounts.
- (c) The monthly premiums of a distress loan amounting to Rs. 176,950 granted to a staff member in the month of October , had not been deducted monthly from the salary.

		<u>Approved Cadre</u>	<u>Actual Cadre</u>	<u>Cost</u>		
				<u>Rs.</u>	<u>Personnel</u>	
2.2.4	<u>Cost of</u>	<u>Permanent</u>				
		Staff	60	41	16,766,331	Number of employees of Board and the personnel the year under review were as follows.
		Non staff	101	57	14,834,835	
		Junior	27	22	4,983,515	
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			<u>188</u>	<u>120</u>	<u>36,584,681</u>	
		<u>Assignments</u>				
		Staff -		09	244,011	
		Non staff -		29	1,930,327	
		Junior -		08		
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				<u>46</u>	<u>2,174,338</u>	

The following matters were observed.

- (a) The No. of approved Managers for the staff in the Board was 05 and as there were 05 Managers being employed, there were no vacancies. But, contrary to the approved No. of staff, 03 additional Managers had been recruited on assignment basis and each of them had been paid a monthly salary of Rs. 20,490 since November in the year under review.
- (b) Officers, recruited in the 4 service centers on the assignment basis, had been employed as Managers since November in the year under review and the Managers attached to those service centers on permanent basis had been deployed in other duties. The Chairperson had informed that the recruitments had been made on the service requirements with the opening of provincial offices in 6 districts.
- (c) A schedule prepared on the seniority of the officers in the Board was not available.

2.2.5 **Idle and Under-utilized Assets**

An amount of Rs. 25,693 granted to the Project for Prevention of Drugs in Schools by the United Nations Child and Education Fund and an amount of Rs. 37,757 granted by the project fund of the World Health Organization to the Board had remained idle throughout the year under review.

2.2.6 **Identified Losses**

The following matters were observed.

- (a) Compensation amounting to Rs. 626,750 had to be paid in compliance with judgment for the 4 court cases filed at the Kandy Labour Tribunal against the Board.
- (b) A monthly rental amounting to Rs. 12,000 had been paid since May 2009 for the house rented for the provincial office in Anuradhapura where only 3 had been officiating including the Manager and an amount of Rs. 18,000 had been paid monthly since May 2010 without assessing the rental. Due to the office rented without a proper plan, an additional expense of Rs. 48,000 equaling to 50% had incurred.

2.2.7 **Utilization of Vehicles**

The following matters were observed.

- (a) Out of the 21 vehicles including Motor Cycles that had been in the possession of the Board, 3 vehicles had remained idle or underutilized. Expenses totalling to Rs. 281,655 had incurred during the year under review for repairing a motor vehicle that had remained idle, but the vehicle had not been utilized even after the repair.
- (b) Officers in charge of the vehicles had not signed in the running charts for vehicles, nor had the relevant summaries been written. In addition to that, speedometers of the vehicles under PB-4613 and 16-3361 had malfunctioned on several occasions.

2.2.8 **Uneconomical Transactions**

The following matters were observed.

- (I) Houses had been obtained on rent for the provincial offices in Ampara, Beruwala, and Ratnapura by paying a deposit of Rs. 210,000. In comparison with the staff deployed in the offices, it was observed that the rentals for the offices were relatively high.

<u>Area of the office</u>	<u>Monthly Rental</u>	<u>Deposit Amount</u>	<u>No. of Staff Members</u>
	<u>Rs.</u>	<u>Rs.</u>	
Ampara	10,000	30,000	02
Beruwala	14,000	84,000	01
Rathnapura	16,000	96,000	03

Total		<u>210,000</u>	

- (II) In addition to that, an expense amounting to Rs. 10,000 had incurred for the inauguration ceremony of the provincial office in Ampara and an amount of Rs. 93,150 had been spent on office equipment. But, the office had been closed since February 2011.

2.2.9 Corporate Plan

Though it had been necessitated as per the Circular No. PED 12 dated 02 June 2003 that the corporate plan should be prepared for 3 years and updated yearly, the Corporate plan for the Board had been prepared for 5 years. Plans had not been prepared to gain the maximum use of the resources belonging to the Institute by separately identifying the strengths, weaknesses, opportunities and threats possessed by the Institute.

2.2.10 Audit and Management Committees.

Though it had been necessitated as per the Circular No. PED 12 dated 02 June 2003 that 04 sessions of meetings should be held per year, only 2 sessions had been held during the year 2010. No evidence were observed that sufficient work had been carried out in those meetings and there was no representation of the Government Audit division as per Section 06 of the Management Audit Department Circular No. 2009/01 dated 19 June 2009.

2.2.11 **Publication of Annual Reports.**

Annual report for the year 2006 had been submitted to the Line Ministry, but no steps had been taken to publish the annual reports from 2007 to 2009.

2.2.12 **Internal Audit**

No internal audit division had been established by the Board and the internal audits had been carried out by the internal audit division of the Line Ministry. Internal audit programs had not been prepared and submitted for the approval of the Auditor General and there were no evidence to prove that internal audits had been carried out sufficiently. Furthermore, no copies of the reports issued by the internal audit division had been furnished to the Government Audit Division.

2.2.13 **Budgetary Control**

Variances in the range of 2.72% to 374% were observed between the budget for the year under review and the actual. Thus it was observed that the budget had not been made use of as an effective instrument of management control.

3. **Systems and Controls**

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

- (a) Accounting
- (b) Utilization of Centers
- (c) Financial Control
- (d) Utilization of Assets
- (e) Stock Control