

## National Dangerous Drugs Control Board - 2022

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### 1. Financial statements

#### 1.1 Qualified Opinion

The audit of the financial statements of the National Dangerous Drugs Control Board for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in equity, and cash flow statement for the year then ended and notes to 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 presented in 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 Board as at 31 December 2022, 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

My opinion is qualified based on the matters described in paragraph 1.5 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 determines 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 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 Board.

#### 1.4 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 skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council'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 audit 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 audit 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;
- 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 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 Standard   | Comment of the Management  | Recommendation  |
|--|--|---|
| (a) If assets in a class are revalued, the entire class of assets should be revalued in terms of Section 49 of the Sri Lanka Public Sector Accounting Standard 07. However, revaluation had been done partly. Accordingly, buildings costing Rs. 130,951,185 had been shown to its cost whereas the buildings costing Rs. 21,920,729 had been shown to its revalued amount in the financial statements as at 31 December 2022. | It is kindly informed that revaluation will be done once officers of the Department of Valuation make their presence in due course.            | Action should be taken in accordance with Sri Lanka Public Sector Accounting Standards. |
| (b) Due to failure in reviewing the remaining value and useful life of assets at least at the end of every annual reporting period as per Paragraph 65 of Sri Lanka Public Sector Accounting Standard 07, motor vehicles   | Action will be taken to make the revisions expeditiously and adjust in the financial statements as being pointed out in the audit observation. | Action should be taken in accordance with Sri Lanka Public Sector Accounting Standards. |

costing Rs. 43,265,362 (non-current assets) were still in use despite being fully depreciated. Action had not been taken to revise the estimated error in terms of Sri Lanka Public Sector Accounting Standard 03.

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|-----|---|---|---|
| (c) | Estimated cost of the “Nawa Digantha” treatment and rehabilitation center being constructed on donations contrary to Paragraph 42 of the Sri Lanka Public Sector Accounting Standard 07, amounted to Rs. 5,816,589. The amount spent on constructions was Rs. 3,598,600, but the revalued amount of Rs. 4,500,000 had been shown under work in progress instead of showing the construction cost of the building. | As the present market value of work in progress should be computed, the Government Valuation Department had given an assessment value of Rs. 4,500,000. As such, that value had been shown in the final accounts.   | Action should be taken in accordance with Sri Lanka Public Sector Accounting Standards. |
| (d) | Receipt of materials and financial donations for construction of the “Nawa Digantha” building and the UNODC building had been recorded though, the Board had not taken action to ascertain the revenue on fair value as at the date of acquisition in terms of Paragraph 97 of the Sri Lanka Public Sector Accounting Standard 11 and disclose that value in the financial statements as per Paragraph 106.       | As this building had not been completed and handed over properly even as at the date of the balance sheet, the said value had been shown under work in progress. As the building has been formally handed over at present, action will be taken to update the accounts. | Action should be taken in accordance with Sri Lanka Public Sector Accounting Standards. |
| (e) | The liabilities for settlement of future employee benefits should be measured on a  | Action will be taken in the ensuing financial year as per the Accounting Standards.   | Action should be taken in accordance with Sri Lanka Public Sector                       |

discounted basis in terms of Paragraph 59 of the Sri Lanka Public Sector Accounting Standard 19. In computing allocations for employees' gratuity, the Board had not considered the present value / discounted method.

Accounting Standards.

#### 1.5.2 Accounting Policies

| Audit Observation   | Comment of the Management  | Recommendation  |
|---|--|---|
| The accounting policy being followed on leased lands had been disclosed in the financial statements with respect only to the leased land of the Janatha Estate Development Board pertaining to the "Nawa Digantha" rehabilitation center. As such, the accounting policy that the Board had followed with respect to the leased lands, was not disclosed. | The accounting policy followed with respect to all the leased lands of the Board, will be disclosed in the financial statements in due course. | Disclosures should be made in the financial statements. |

#### 1.5.3 Accounting Deficiencies

| Audit Observation   | Comment of the Management   | Recommendation  |
|---|---|---|
| The gratuity of Rs.6,193,135 payable to 09 officers had been brought to accounts under current liabilities and non-current liabilities as allocations for gratuity. As such, the deficit and non-current liabilities of the year under review had been overstated by Rs. 6,193,135. | The officers responsible have been instructed to correctly account for in due course. | Action should be taken to correctly account for the gratuity payable. |

#### 1.5.4 Suspense Account

| Item             | Amount           | Period of Suspense | Comment of the Management  | Recommendation  |
|------------------|------------------|--------------------|--|---|
| Suspense Account | (Rs.)<br>185,685 | 09 Years           | It is informed that every possible effort will be taken to identify and settle the | Action should be taken to identify and settle the balance of the Suspense |

balance.

Account as soon as possible.

## 1.5.5 Lack of Documentary Evidence for Audit

| Audit Observation      |                 |                              | Comment of the Management  | Recommendation  |
|------------------------|-----------------|------------------------------|--|---|
| Item                   | Amount<br>(Rs.) | Audit Evidence not Furnished |  |   |
| Revenue from Coconuts. | 1,734,826       | Revenue reports              | Action will be taken in due course to maintain a register of reconciliation in a manner that revenue from coconuts will be reconciled. | The revenue reports should be marinated in an up-to-date manner by the Accounts Division. |

## 1.6 Accounts Receivable and Payable

## 1.6.1 Advances

| Audit Observation  |  | Comment of the Management | Recommendation |
|--|--|---------------------------|----------------|
| The debit balance of Rs. 1,087,009 in the advance account as at 31 December 2022 remained non-moving over a period of 20 years. There existed no information sufficient to confirm those balances. |  |                           |                |

## 1.7 Non-compliances with Laws, Rules, Regulations and Management Decisions

| Reference to Laws, Rules and Regulations etc.   | Non-compliance | Comment of the Management | Recommendation |
|---|----------------|---------------------------|----------------|
| (a) Directive made in pursuance of Section 18 of the Conventions Against Illicit Traffic in |                |                           |                |

Narcotic Drugs and Psychotropic Substances Act, No. 01 of 2008 and Section (2) of Article 44 of the Constitution;  
Gazette Extraordinary No. 1653/07 dated 10 May 2010.

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|-------------------------------------|--|---|--|
| (i) Directive 05.                   | The Authority should appoint a Secretary, other officers and employees required to discharge and execute duties and functions of the Authority. Nevertheless, the necessary staff had not been appointed even up to the end of the year 2022, but only 02 officers had been attached.  | According to the instructions on filling vacancies given in the letter sent by the Prime Minister's Secretariat, the necessary matters were forwarded to the Line Ministry again through the Letter No. NDDCB/HR/01/02-1 dated 23 May 2023. | Action should be taken in accordance with provisions of the Act. |
| (ii) Directive 08 and Directive 10. | The Authority should conduct meetings in accordance with provisions given in the Conventions Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, No. 01 of 2008, and members of the Authority should review on the duties thereof as per Paragraph 10 of the said Act. Nevertheless, it had not been so done. | As pointed out in the audit observation, approval and instructions to take further action had been given at the meeting of the senior staff members held on 23 May 2023.  | Action should be taken in accordance with provisions of the Act. |
| (iii) Directive 13.                 | Members of the Authority, at least once  | Action will be taken expeditiously to   | Action should be taken in  |

per 03 months, should formalize the process accordance with visit the registered mentioned in the provisions of the premises of the audit observation. Act. licensee, and inspect the activities executed using the materials mentioned in the Schedule, the manner in which the materials are stored, and the books and registers maintained by the licensee. Nevertheless, only 24 out of 636 premises had been inspected in the year 2022. Furthermore, licenses could not be issued to 18 institutions registered for obtaining licenses due to failure in conducting field inspections.

- (b) Gazette No. 1653/19-2010 issued on 10 May 2010 incidental to the Drug Dependent Persons (Treatment and Rehabilitation) Act, No. 54 of 2007. Validity periods of the licenses issued to 26 private treatment centers had expired as of 2022. Although a grace period had been given to further improve the minimum standards to be followed in renewing the licenses of treatment centers, license of any center whatsoever had not been renewed in the year 2022. The private treatment centers were again investigated by April 2023, and licenses of 08 treatment centers the minimum standards of which had been improved, were renewed. Necessary measures have been taken to renew the licenses of other private treatment centers scheduled to renew their licenses in July. Action should be taken in accordance with Directives made in pursuance of provisions of the Act.
- (c) Section 15.1 of the Establishments Code, and Officers recruited in accordance with the revised Service Minute, should pass their Action will be taken in due course as being pointed out in the audit observation. Action should be taken in accordance with the



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|---|---|---|
| Circular No. 03/2016 of the Public Services Commission. | efficiency bar examination within 03 years. However, the Board had conducted the efficiency bar examination on 26 May 2019, but no such examinations had been conducted thereafter. A number of 137 officers who had not passed the efficiency bar examination within 03 years, were employed at the Board, and action had been taken to grant annual salary increments for them. | Establishments Code and the relevant Circulars. |
|---|---|---|

(d) Part 11 of the Payment of Gratuity Act, No. 12 of 1983 ;

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|-----------------------|--|--|--|
| (i) Sub-section 5 (1) | Payment of gratuity to the officers of the Board should be completed within 30 days from the termination of their services. Nevertheless, a sum of Rs. 3,010,131 had been paid in cash to 09 officers in the year 2022 after a delay ranging from 01 month to 15 months. An accrued gratuity of Rs. 4,281,615 had been paid to 05 officers in the year 2023 after a delay of 01-03 months thus failing to adhere to the Act. | It is kindly informed that such delays occurred due to lack of receipt of imprests by the Board. | Action should be taken in accordance with provisions of the Act. |
|-----------------------|--|--|--|

- (ii) Sub-sections 5 The liability imposed on an employer, in the event of death of that employer before that liability is discharged, be discharged by his legal representative. However, it had not been so done in respect of 02 employees who had been deceased.
- It is kindly informed that no payments have been made as no claim has thus far been made on their gratuity.
- Action should be taken in accordance with provisions of the Act.

(e) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

Financial Regulation 880.

The officers who should give securities, had not been identified by the Board (Cap. 612), and securities had not been given in accordance with Public Officers' (Security) Ordinance.

Action will be taken to identify the officers who should give securities as per Financial Regulation 880 thereby obtaining securities.

The Financial Regulations should be followed.

2. Financial Review  
2.1 Financial Results

The operating result of the year under review was a deficit of Rs. 48,359,337 as against the surplus of Rs. 15,018,049 for the preceding year, thus observing a deterioration of Rs. 63,377,386 in the financial result. This deterioration had mainly been attributed by the increase in expenditure on treatment and rehabilitation of persons addicted to psychotropic drugs, by Rs. 21,198,901, and decrease in miscellaneous income.

3. Operating Review  
3.1 Uneconomic Transactions

| Audit Observation  | Comment of the Management   | Recommendation  |
|--|---|---|
| The 1927 Hotline service unit had been established at the premises of the Head Office of the National Dangerous Drugs Control Board in March 2020 with the objectives of | There was a decrease in the number of calls received during the said period due to the limited number of officers. Considering the scarcity of staff at present, it | Necessary facilities should be provided for the proper functioning of 1927 Hotline service. |

providing consultancy services for drug addicts and their family members, making initial involvements, referring them to relevant treatments (treatment centers / psychological clinics and other services), and disseminating information. As the progress of this Hotline had decreased by 38 per cent in the year 2022 as against the year 2021 owing to the limited number of officers, it was observed that expected objectives could not be achieved in a productive manner.

has been planned to continue the services with University undergraduates being attached as interns or on voluntary basis by providing them with necessary technical training.

### 3.2 Management Inefficiencies

| Audit Observation   | Comment of the Management   | Recommendation   |
|---|---|--|
| <p>A donation of Rs. 5,000,000 had been received from a private institution in the year 2021 for construction of the “Nawa Digantha” treatment and rehabilitation center of the Board. An estimate valued at Rs. 8,948,612 had been prepared on construction works, and a sum of Rs. 3,132,014 had been deducted as labour had been provided by Sri Lanka Navy thus preparing a cost estimate of Rs. 5,816,589. Although a sum of Rs. 3,598,600 had been spent for purchasing construction materials, the construction works had been suspended. According to the report of the board of inquiry prepared after the physical inspection carried out on 25 March 2022, materials worth Rs. 1,310,475 had remained at the site, thus observing that the funds received as donations had not been utilized economically and productively. Furthermore, as the constructions of the building had been suspended, 100 bags</p> | <p>As the works progresses at a site, excesses or shortages of items could be expected. However, to ensure productivity, the Board had decided that the said items be provided for the UNODC building being constructed on aid as well.</p> | <p>Economy and productivity should be ensured with respect to funds received as donations.</p> |

of cement received as aid had been given to be used for a building constructed on aid from UNODC following the approval of the Board.

### 3.3 Operating Inefficiencies

| Audit Observation   | Comment of the Management  | Recommendation   |
|---|--|--|
| (a) The Board could not amend the Drug Dependent Persons (Treatment and Rehabilitation) Act, No. 54 of 2007 in accordance with the Cabinet Paper No. අමප/21/2279/303/176 dated 24 January 2022 relating to the amendment of the said Act.   | The final draft has been presented by the Legal Draftsman, and forwarded to the Department of Legal Draftsman and Ministry of Justice on 02 May 2023 together with the English translation.  | Amendments to the Act should be brought without delay.           |
| (b) An Assessment Panel consisting of not more than 10 persons from amongst persons who have gained eminence or experience in the fields of law or persons having experience or knowledge in the fields of physiological or social problems connected with drug dependence, had not been appointed in terms of Section 07 of the Drug Dependent Persons (Treatment and Rehabilitation) Act, No. 54 of 2007. | Due to practical issues relating to the appointment of Assessment Panel, the Assessment Panel had been replaced with the Assessment Committee when preparing the amended Act.  | Action should be taken in accordance with provisions of the Act. |
| (c) An officer authorized in terms of Sections 4 (02) and (03) of the Drug Dependent Persons (Treatment and Rehabilitation) Act, No. 54 of 2007, may enter any Treatment Center designated or licensed under this Act at all reasonable times and make such examinations as he considers necessary  | It was proposed at the meeting held on 22 may 2023 for the senior staff that Treatment Centers be examined with assistance of officers of the control, education and training section and external services division. Until decisions are taken in due course for filling the vacancies, it has been | Action should be taken in accordance with provisions of the Act. |

thereon. Nevertheless, only 16 of the 26 institutions had been examined in the year 2022, and information on the progress of Treatment Centers had not been brought to the notice of the Board through periodic reports.

planned to examine the private Treatment Centers using this alternative method.

### 3.4 Underutilized or Idle Property, Plant and Equipment

| Audit Observation   | Comment of the Management  | Recommendation  |
|---|--|---|
| The land in Pitipana, Homagama obtained on a 30 year lease at the value of Rs. 4,085,018 on 30 April 2014, remained idle and unutilized due to failure in informing the Urban Development Authority on the specific purpose for which the land would be used. | As soon as the receipt of Government grants or donations from the public, a building would be constructed temporarily so as to be used by the external officers or consultants. The Board has made the requests for the deed of lease, and further action is being taken in this regard. | Action should be taken to ensure productive use of lands. |

### 3.5 Human Resource Management

| Audit Observation   | Comment of the Management   | Recommendation  |
|---|---|---|
| A staff of 374 cadres had been approved for discharging the functions mentioned in National Dangerous Drugs Control Board Act, No. 11 of 1984. Nevertheless, the actual cadre stood at 225 with 149 vacancies as at 31 December 2022. As such, the performance expected in discharging the duties and functions of the Board could not be achieved. | Such vacancies could not be filled owing to the Cabinet Decisions and National Budget Circular No. 03/2022 of the Ministry of Finance. With a view to filling the vacancies in essential posts of the Board, the employee requirement had been forecasted and informed the Line Ministry through the Letter, No. NDDCB/HR/01/02-1 on 23 May 2023. | The approved cadre should be amended after a careful study. |

4. Accountability and Good Governance  
4.1 Annual Action Plan

| Audit Observation   | Comment of the Management  | Recommendation   |
|---|--|--|
| (a) The physical progress of only 03 of the 07 divisions of the National Dangerous Drugs Control Board had been presented to the Audit through the Action Plan approved for the Board relating to the year 2022. The physical progress of 03 of the 06 programmes proposed for the Research Division, remained around 50 per cent.  | Action is being taken to present those reports to the Audit without delay.   | Action should be taken to execute the activities as scheduled. |
| (b) According to the data presented in the Action Plan on the physical progress of establishing the national narcotics laboratory to ensure productive implementation of law and order against the production, transportation, trafficking, sale and use of illicit drugs, there were 08 proposed programmes with zero progress whereas 03 programmes had achieved a progress less than 10 per cent in the year 2022. | As the institution did not maintain documents properly, the progress could not be mentioned. Failure in coordinating the institutions. Lack of officers of the scientific service in the narcotics laboratory. | Action should be taken to execute the activities as scheduled. |