

The audit of the operating activities of the Sri Lanka Youth Services Private Limited for the year ended 31 December 2018 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. My comments on the operations of the Company for the year under review which I consider should be tabled in Parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report.

2. Financial Statements

2.1 Non-presentation of the Financial Statements for Audit

Although financial statements of the State Corporations should be furnished to the Auditor General within 60 days from the close of the year of accounts in accordance with Section 6.5.1 of the State Finance Circular No.PED/12 dated 02 June 2003, Sri Lanka Youth Services Private Limited had not presented the financial statements relating to the 2017/2018 accounting year to audit even by the date of this report.

2.2 Non-compliance with laws, rules, regulations and management decisions

The following non-compliances were observed.

| Reference to laws, rules, and regulations | Non-compliances |
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| (a) Section 23.1 (a) of the Right to Information Act No.12 of 2016. | Although one or more officers as information officers and a designated officer to hear appeals should be appointed for the company, action had not been taken accordingly. |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 103 (1) F | Due to the delays occurred in remitting contributions to the Employees Trust Fund and submitting the reports, surcharge totalling Rs.215,029 had to be paid by the Company during the year under review. Nevertheless, steps had not been taken according to the above regulation with respect to that matter. |
| (c) Public Enterprises Circular No.PED/12 of 02 June 2003. (i) Paragraph 4.2.2 | Although the Board of Directors should meet monthly to evaluate the performance of the Company and establish the necessary controls, Board of Directors' meetings had been conducted only in 05 instances and 03 instances during the year under review and the preceding year respectively. |
| (ii) Paragraphs 9.2 and 9.3.1 | Every public institution should have an approved cadre and it should be registered |

with the Department of Public Enterprises, General Treasury. The scheme of recruitment and promotion should be approved by the Board of Directors and the appropriate Ministry with the concurrence of the above Department. Nevertheless, it was not confirmed to audit that the Company had taken action accordingly.

- (d) State Finance Circular No.01/2014 dated 17 February 2014. It is the whole responsibility of the Board of Directors to drive the organization to accomplish the set targets/ objectives according to the Corporate Plan prepared for minimum three year period to manage affairs with a long term and short term vision. Nevertheless, a Corporate Plan had not been prepared for the Company.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a) The scheme of recruitment of the Company furnished to the audit had not been properly approved and in terms of the above circular, the copies in support of the educational, professional or service experience of the officer appointed to the post of Project Manager (Cafeterias) had not been included in the personal file of the officer. Further, the company had failed to submit the copies of those certificates to the audit. Similarly, duties of the above officer had not been assigned in writing and he had not recorded his arrival and departure either in attendance register or the finger scanner. Accordingly, without making confirmation on his arrival, departure and the duties performed, allowances of Rs.1,690,000 had been paid at Rs.32,500 per month from June 2015 to September 2019.
- (b) Income of the Security Services Division had significantly decreased during the year under review and the preceding year and the above decrease had been Rs.41,406,545 or 26 per cent and Rs.26,496,258 or 17 per cent respectively in relation to 2015/2016 accounting year. The number of customers who had been supplied security services during the 2015/2016 accounting year stood at 20 and decrease in the number of customers up to 03 in the year under review resulted in the above situation. Management had not focused attention on increasing the income by adopting the sales promotion strategies.

Further, sums aggregating Rs.7,465,013 comprising Rs.7,016,658 from 06 institutions of which security services agreements had come to end during the period from 2013 to 2018 and Rs.448,355 from institutions and individuals who had supplied security services without entering into agreements remained receivable as at 31 December 2018.

3.2 Operating Inefficiencies

The following observations are made.

- (a) Six orders for meals worth Rs.3, 710,750 and 04 printing orders worth Rs.1, 476,275 received by the Company from the National Youth Services Council during the year under review had been carried out from an external institution without getting it done from the relevant sections. The order had been placed to the external institution without being adhered to the Government Procurement Guidelines and thereby a least profit had been earned. Accordingly, the management had not drawn attention on optimum use of the main business sectors of the company and thereby increases the profitability.
- (b) According to Cabinet Paper No.331 dated 31 September 1982 relevant to the establishment of Sri Lanka Youth Services Private Limited, the approval had been granted to establish the Company to assist in the provision of self-employment opportunities to the youths for the achievement of one of the objectives of the National Youth Council, “ Provision of employment opportunities for the youths gradually through the effective investments of funds on a long term policy basis for strengthening the government economic plan”. Since a substantial income had not been generated from the projects implemented by the company, it had not been possible to make any financial contribution to the Council to achieve the above objective from the inception of the company.

3.3 Irregular Transaction

In terms of Section 68.a of the Article of Associations of the Sri Lanka Youth Services Private Limited, whilst remained vacant the post of Managing Director of the Company during the period from 02 March 2019 to 07 November 2019, sums totalling Rs.336,740 comprising monthly allowances, fuel expenses and telephone allowances relating to the above period had been paid to the officer who held the post of Managing Director before the post fall vacant.

4. Sustainable Development

Achievement of Sustainable Development Goals

With the objective of ensuring economic growth, social development and environmental security of all the member countries by 2030, the United Nations has introduced the 2030 Agenda for Sustainable Development and it is a universal declaration to be implemented by all the member countries. Nevertheless, the Sri Lanka Youth Services Private Limited had not identified the sustainable development goals applicable to its scope.