

National Youth Corps - 2018

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Youth Corps for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity 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 report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the National Youth Corps as at 31 December 2018, 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 on the matters described in paragraph 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 corps' 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 fund or to cease operations, or has no realistic alternative but to do so.

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

As per Sub Section 16(1) of the National Audit Act No. 19 of 2018, the corps 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 corps.

1.4 Audit Scope

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.
- Obtain 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 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 corps' 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 fund 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 fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the corps has complied with applicable written law, or other general or special directions issued by the governing body of the corps ;
- Whether the corps has performed according to its powers, functions and duties,
- Whether the resources of the corps 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 Non-compliance with Sri Lanka Public Sector Accounting Standards

Audit Observation	Management Comment	Recommendation
(a) Although disclosures are required to be made regarding the limitations imposed on the ownership of assets owned by the entity in accordance with paragraph 87 (a) of Sri Lanka Public Sector Accounting Standard No. 07, the ownership of the lands on which the buildings were valued at Rs. 331,030,233 in the corps had not been taken over the ownership and it was not disclosed in the financial statements.	The ownership of the land on which the buildings used by the National Youth Corps has not been taken over the ownership under the accounting policies, but it has been disclosed that the capital allocation used to construct the asset will be depreciated at the rate of 5 percent since the year 2011.	When preparing the financial statements, due disclosures should be made according to the Sri Lanka Public Sector Accounting Standards.
(b) Although notes containing a summary of significant accounting policies and other explanatory notes should be included in the financial statements in accordance with paragraph 21(e) of Sri Lanka Public Sector Accounting Standard No. 01, accounting policies relating to government grant receiving were not disclosed in the financial statements.	These accounting policies have been disclosed in the financial statements of the year 2021.	-Do-

1.5.2 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
Due to that Rs. 100,653,154 payable to the building department for the provision of engineering services regarding the construction of training center buildings of the corps during the year under review was not indicated in the financial statements, current liability and uncompleted work was indicated less from that amount.	Although the building department had to be paid Rs. 100,653,154 for the provision of engineering services related to the construction of buildings in the year 2018, I accept that it was omitted to be mentioned in the statement of accounts. Appropriate adjustments have been made while preparing the 2019 annual accounts.	Should be prepared financial statements in accurately.

1.6 Non-compliance with Laws, Rules, Regulations and management decisions etc.

Reference to the Laws, Rules and Regulations	Non-compliance	Management Comment	Recommendation
(a) Financial Regulations 103 and 104 of the Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Although there were 08 vehicle accidents related to 07 vehicles during the reviewed year, vehicle accidents were not act in accordance to the financial statements.	Ae per F.R. 103 and 104 regarding vehicle accidents, the work is going on now.	Should be act in accordance with Financial Regulations.
(b) Public Enterprises Circular No. PED/12 dated 02 June 2003.			
- Paragraph 5.1	The corps had not prepared a corporate plan.	With the plan to increase the National Youth Corps training centers to 100, related activities were prepared to prepare the corporate plan for the coming years, but as the cabinet has now	Should be act in accordance with the provisions of circulars.
- Paragraph 6.5.1	Although the financial statements should be submitted to the Auditor General within 02 months after the end of the accounting year, the corps		

had submitted financial statements with 02 years late on the due date. approved the National Youth Corps Authority Act and further action is underway for the same and I also point out that a corporate plan is to be prepared and submitted with the new authority act.

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| (c) Ministry of Public Administration and Management Circular No. 05/2008 dated 06 February 2008 as amended by Circular No. 05/2008 (1) dated 24 January 2018 | I. | The institution had not prepared and implemented the citizen/client charter in accordance with the citizen/client charter. | I accept that a citizen/client charter was not prepared for the National Youth Corps. | Should be act as per the circular. |
| | II. | The institution had not developed a system to monitor and evaluate the preparation and implementation of the citizen/client charter. | Our company's vision, mission and the services and our providing services have also been displayed in the training centers all over the island. | -Do- |
| | III. | Annual performance contracts were not signed for all staff. | No annual performance contracts have been signed for staff and I am also informed that arrangements will be made to sign the relevant agreements as soon as possible. | -Do- |
| | IV | A senior officer was not appointed with the responsibility of preparing a human resource development plan, organizing capacity | The responsibility of this work has assigned to an Additional Director. Arrangements are being made to appoint an officer to assign that | -Do- |

development programmes and conducting skill development programmes. responsibility in future.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a excess of Rs. 56,093,422 and the againsting deficit in the preceding year amounted to Rs. 73,070,284. Therefore an improvement amounting to Rs. 129,163,706 of the financial result was observed. The main reason for the deterioration was the decreasing of total expenditure by Rs. 182,628,694.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation -----	Management Comment -----	Recommendation -----
<p>The Corps had maintained 49 training centers as at 31 December 2018 and the size of the land where those centers were located was 116.8769 hectares. Although 10.8859 hectares of land related to 06 centers had been assigned to the Corps through the certificates of allotment of land to the government departments, their values had not been assessed and accounted. Land acquisition related to 35 centers was proceeding very slowly. 08 centers were maintained in buildings located on lands belonging to other institutions. But, Rs. 128,934,770 had been spent on buildings and building improvements and Rs. 1,694,222,933 on uncompleted capital works as at 31 December 2018.</p>	<p>At the time of the commencement of the Youth Corps, vacant land and land with buildings in the custody of the regional secretaries (Government), Sri Lanka Mahaweli authority, Sri Lanka Board of Investment, Land Reform Commission, Ministry of Education were acquired and Youth Corps training centers were established. That land and buildings were not formally acquired at that time. At present, related activities are being carried out to formally take over these lands. The related activities have been completed to formally take over the land where 06 Youth Corps training centers were</p>	<p>Land acquisition and accounting should be done promptly and properly.</p>

established and the number of that has been increased to 18 now. Also, the land related works belonging to the other 02 centers have almost been completed.

3.2 Management Inefficiencies

----- Audit Observation -----	----- Management Comment -----	----- Recommendation -----
<p>It was planned to recruit 7500 trainees for the two batches, 3750 for the 2019 batch and 3750 for the second batch for 49 training centers in the year under review. 7,271 trainees were recruited in two batches each for 49 centers for the year under review and out of that, 1,883 or 26 percent of the trainees enrolled had left the course and the number of successfully completed the course was 5,388. As the enough trainees were not registered for the first batch of Kanthale center, trainees were not recruited. Although training facilities were provided for 4 classrooms of 50 students per classroom in the centers, the number of students in 35 centers was less than 50 and due to that, the resources of those centers remained underutilized. Also, no cost calculation method was implemented for each center.</p>	<p>7271 trainees have been recruited for 02 batches. I would like to point out that 97 percent of the expected number has been recruited.</p> <p>Accordingly, the number of successful completion of the 2018 course can be shown as 5388. Accordingly, the success of the course has grown by 4.3 percent compared to the previous year.</p> <p>The number of successful completion of the course in all the canters is 5833 and it can be pointed out that 80 percent success has been achieved compared to the total number of recruits.</p>	<p>Should be managed the necessary to achieve the desired performance goals.</p>

3.3 Underutilization of Assets

----- Audit Observation -----	----- Management Comment -----	----- Recommendation -----
<p>(a) Out of the 18 three-wheelers purchased at Rs. 650,000 each on 31 December 2017 for the work of the centers which were scheduled to start in 2018, 3 three-wheelers were handed over to the small business</p>	<p>18 three-wheelers were parked in the warehouse due to delays in the construction of the centers that were to be opened. I would like to point out that 13 of the 18 three-</p>	<p>Assets should be managed effectively to achieve the desired objectives as planned.</p>

development division which is an external institution of the Corps and 2 three-wheelers were handed over to the head office in the year 2019 due to the delay in the construction work of the centers. The remaining 13 three-wheelers were given to 09 provincial offices, 03 training centers and the head office on February 2022.

wheelers placed in this way have been distributed to the training centers yet. Also, as per the instructions of the Ministry of National Policy, Resettlement and Rehabilitation, Northern Provincial Department and Youth Affairs, 03 vehicles out of the remaining three-wheelers had been handed over to the Small Business Development division. I also point out that the remaining three-wheelers have been used for the duties of the youth division headquarters vehicle pool.

(b) The value of the stock of uniforms as at 01 January 2018 was Rs. 23,357,753 and out of that, Rs. 13,888,735 worth of uniforms had been used. Although the requirement of ready-made clothes during the year was only 59 percent of the stock at the beginning of the year, uniforms worth Rs. 3,078,685 were repurchased in the year 2018 without evaluating the need.

Through the pilot project initiated by the National Youth Corps, plans were made to recruit 30,000 trainees for the year 2018 by starting 75 training centers all over the island. As the uniforms in stock were not sufficient for that batch considering the total expected intake, arrangements were made to purchase 2,252 canvas shoes, 750 t-shirts and 5,620 belts.

Action should be taken to ensure regular planning and frugality in procurement of stock and effective management of assets.

3.4 Uneconomic Transactions

----- Audit Observation -----	----- Management Comment -----	----- Recommendation -----
(i) Although commencing 12 new centers was considered as a necessary and urgent task and the goods were purchased, Rs. 5,147,125 had been spent idly in storage rent, insurance charges, security service charges, salaries and pest control	Arrangements were made to commence new training centers under the pilot project in the years 2016 and 2017. Accordingly, the construction work was awarded to the National Machinery Institute	Should be prepared accurate planning, procurement and effective cost management.

charges up to May 2019 for storing the purchased goods due to non-commencing of the said centers.

and other private companies. The necessary items for those centers were purchased on the advice of the then directors with planning to commence the new training centers being built in the last half of the year 2017. Due to the delay in the construction work of the National Machinery Institute, it was mandatory to keep the goods purchased during those years safety as that they can be used in future. Accordingly, I acknowledge that an expense of Rs. 5,147,125 had to be incurred up to May 2019.

- (b) Although advance payments of Rs. 19,662,001 and Rs. 17,018,461 were made respectively for the construction of the proposed Youth Corps centers in Meegahakivula and Pelmadulla, the construction was canceled due to land ownership issues, but the advance was not collected even on 31 December 2021. Necessary arrangements are being made to obtain advance guarantees paid for the construction of the Meegahakivula training center and it has been referred to settler for that. Accordingly, further steps will be taken to collect the advance money. Contract management should be done in efficient and orderly manner.
- (c) The Welimada center construction work has been stopped due to the unstable risk of building construction due to the location of the land and topography, but the advance payment of Rs. 19,259,020 has not been recovered by 31 December 2021. Necessary arrangements are being made to obtain advance guarantees paid for the construction of the Welimada training center and I am informed that I have been referred to a settler for that. Accordingly, further steps will be taken to collect the advance money. -Do-