

## National Youth Corps – 2018

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The audit of the operational activities of the National Youth Corps 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 read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971.

### 1.2 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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In terms of Section 16 (1) of the National Audit Act No. 19 of 2018, every auditee entity shall maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared in respect of such entity. In terms of Section 16 (2) of the Act, annual financial statements in relation to every auditee entity along with the annual performance reports of the entities shall be submitted by the Chief Accounting Officer to the Auditor-General within such period as may be provided by rules. In terms of Section 38 (1) (d) of the Act, it should be ensured that the annual reports and other financial statements are prepared within the required time periods and in addition to that, the Chief Accounting Officer shall be responsible to submit the annual reports pertaining to the auditee entity to Parliament. However, even though annual financial statements of the Statutory Boards should be submitted to Auditor General within 60 days after the end of the financial year in terms of Section 6.5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003 and Treasury Circular bearing No. 01/2004 of 24 February 2004, financial statements of the year 2018 had not been submitted to the audit even by the date of this audit.

### 1.3 Financial Statements

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#### 1.3.1 Existence of Assets and Liabilities of the Youth Corps

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As per the Financial Statements as at 31 December 2017, prepared last by the National Youth Corps, details of the financial position and financial performance are indicated below.

##### 1.3.1.1 Statement of Financial Position

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<b>Particulars</b>	<b>Rs.</b>	<b>Rs.</b>
Non-current Assets		1,800,963,263
Current Assets		650,296,889
<b>Total Assets</b>		<b>2,451,260,152</b>
Non-current Liabilities	2,090,656,400	
Current Liabilities	98,766,550	
<b>Total Liabilities</b>		<b>(2,189,422,950)</b>
<b>Net Assets</b>		<b>261,837,202</b>

### 1.3.1.2 Statement of Financial Performance

Particulars	Rs.	Rs.
Treasury Grants		871,546,598
Other Income		124,490,228
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Total Income		996,036,826
Operational Expenses	705,847,321	
Youth Development Expenses	358,659,502	
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Total Expenses		(1,064,506,823)
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Deficit		(68,469,997)
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### 1.4 Accounts Receivable and Payable

#### 1.4.1 Receivables

Audit Observation	Comment of the Management	Recommendation
A total of Rs. 8,815,375 comprised of Rs.2,234,504 for the year under review and Rs. 6,580,871 for the years 2015, 2016 and 2017 that should be charged from an external institution for electricity and water charges had not been recovered even by 31 December 2018.	The institution has been notified on the values that should be charged for the respective years and necessary action would be taken to charge the relevant percentage from that institution in the future.	Action should be taken to recover the amounts receivable.

#### 1.4.2 Payables

Audit Observation	Comment of the Management	Recommendation
An amount of Rs.100,653,154 that should be paid to the Buildings Department for the provision of Engineering services for the activities related to the construction of buildings of the training centre of the Youth Corps had not been settled in the year under review and this liability had not been mentioned in the accounts. .	Necessary action should be taken to make rectifications after doing relevant adjustments in the preparation of annual accounts in the year 2019.	Action should be taken to identify the liability accurately and to mention the liability in accounts and to settle the liabilities after discussing with the relevant institutions.

## 1.5 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

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 Following Observations are made.

	<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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(a)	Youth Corps Act, No. 21 of 2002 (i) Section 2 (4)	Three committees had not been appointed for the purpose of vocational training, youth development and placement as are necessary for the administration of the affairs of the Youth Corps Council.	The Committees which are for the administration had not been operated due to the changes that took place in the scope of the Ministries from time to time.	Action should be taken to operate the committees, which are for administration.
	(ii) Section 19	Even though the trainees recruited should be not below the age of eighteen years and not above the age of twenty eight years, persons of the age limit below eighteen years had been recruited.	Action should be taken to extend the age limit of recruiting up to 16 years by amending the Act.	Action should be taken in terms of the prevailing Act as the Act has not been amended.
(b)	Section 8 (a) of the Urban Development Authority (Amendment) Act, No. 04 of 1982	The Centre buildings had been constructed without obtaining the approval that should be obtained from the relevant Local Authorities.	Construction activities should be carried out on the approval of the Divisional Secretary until the lands are duly transferred.	The approval should be obtained from the relevant Local Authorities.
(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka – FR 264 (1)	Every payment should be supported by a receipt from the payee, duly stamped where necessary, in acknowledgement of the gross amount of the Voucher. However, such a receipt had not been	The Youth Corps would issue a crossed cheque to vocational training institutions and there is a practical difficulty in carrying out this	Action should be taken in terms of the Financial Regulations.

submitted along with the payment voucher in relation to the payments made during the year under review pertaining to the vocational training.

process in conducting transactions with training centres of the Youth Corps and vocational training institutions.

However action should be taken to follow this methodology in the future.

(d) Section 5:4:8 of the Government Procurement Guidelines of 25 January 2006

Even though a performance security worth not less than five percent (5%) of the estimated contract value for contract work should be obtained from the Contractor, performance securities had not been obtained for contracts awarded to the NEMO institute.

According to the Cabinet Memorandum bearing No.8/0173/344/00 2 of 11 January 2008 and the Cabinet Decision of 06 February 2008, the Youth Corps had not obtained securities from the NEMO institution since State Development & Construction Corporation and Sri Lanka State Engineering Corporation are exempted from the requirement of providing Performance Bond / Advance Payment Bonds for construction industries performed by State

According to that decision of the Cabinet, performance securities should be obtained from Contractors, to whom sub contracts had been provided by NEMO institution since the relief is not related to the functions performed under sub contracts.

Development &  
Construction  
Corporation and  
Sri Lanka State  
Engineering  
Corporation.

(e) Public Enterprises  
Circular No. PED/12  
dated 02 June 2003

(i) Section 6.5.3

Even though the Annual Report should be tabled in the Parliament within 150 days after the end of the year of accounts, action had not been taken by the Youth Corps to table the annual reports of the years 2015, 2016, 2017 and 2018 in the Parliament.

The Annual Report had not been submitted to the Parliament.

Action should be taken in compliance with the Provisions of the Circulars.

(ii) Section 8.3.9

Even though it is not permitted to provide resources owned by a Corporation to the line Ministry or to other Government institutions, 03 members of the Staff of the Youth Corps had been released to other Government Institutions and an amount of Rs. 505,669 had been incurred by the Youth Corps as their salaries and allowances.

Three (03) officers of the Staff had been attached to the other institutions with the recommendation of the Ministry.

Action should be taken in compliance with the Provisions of the Circulars.

## 2. Operational Review

### 2.1 Uneconomic Transactions

The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
Even though goods had been purchased by considering that the initiation of 12 new centres is an essential and urgent activity, a sum of Rs.5,147,125 had been spent up to May 2019 as rentals for warehouses, insurance charges, security service charges, salaries and charges for controlling insects in order to store goods that had been purchased as those centers had not been initiated.	Even though goods necessary for those centres had been purchased as per the instructions of the Directors functioned in that period after scheduling to commence new training centres at the end of the year 2017, an expenditure of Rs. 5,147,125 had to be incurred for maintaining the purchased goods securely in order to use them in the future due to the delay in the construction activities of the National Equipment and Machinery Organization, which had been entrusted with the task of constructing the centres under the pilot project in the years 2016 and 2017.	Activities of constructing the centres should be carried out expeditiously as scheduled and action should be taken to purchase the necessary equipment only after the completion of the relevant construction activities.

### 2.2 Management Inefficiencies

The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
<b>2.2.1</b> Lands, where centres of the Youth Corps have been established		
(a) The Youth Corps had conducted 49 training centres regionally by 31 December 2018 and the extent of lands related to those centres was 116.8769 hectares. Even though an extent of lands amounting to 10.8859 hectares in relation to 06 centres had been transferred	Even though the Youth Corps had initially commenced training centres by obtaining vacant lands as well as lands with buildings under the custody of Divisional Secretaries (Government) and Government Institutions, such lands had not been	Relevant action should be taken to properly transfer and account the lands.

to the Youth Corps using certificates for the provision of lands to the government departments, action had not been taken to evaluate and account their values.

transferred properly and activities related to the systematic transfer of these lands are being carried out at present. It was possible to formally transfer the lands where 06 training centres had been established by 31 December 2018. However, action had not been taken to evaluate and to account its value since these lands are transferred to the line Ministry under which the Youth Corps is operated, using the certificates for granting lands to government departments.

(b) Activities of transferring lands related to 35 centres were being carried out very sluggishly.

Transferring activities are delayed due to issues such as constant changes in Ministries.

Activities pertaining to transferring activities should be carried out efficiently.

(c) Eight (08) centres had been conducted in buildings located in lands that belong to the other institutions.

Training Centres located in Divulapitiya, Hanguranketha, Sooriyawewa, Kinniya, Kekirawa, Mutur, Dehiattekandiya and Ampara are being conducted in lands belonged to the other institutions. Action is being taken to transfer the legal possession of lands, where those centres are located to the Youth Corps.

Activities pertaining to transferring activities should be carried out efficiently.

(d) A sum of Rs. 128,934,770 had been incurred on these centres for buildings and improvement of buildings in the year under review and an amount of Rs.1,694,222,933 had been incurred for capital work in progress as at 31 December 2018.

Improvements of Buildings had been carried out for centres as action is being taken to transfer the legal possession of the lands, where those centres are located, to the Youth Corps.

Activities pertaining to transferring activities should be carried out efficiently.

## 2.3 Operational Inefficiencies

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### 2.3.1 Recruitment and Training of Trainees

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Audit Observation	Comment of the Management	Recommendation
(a) During the previous year, the Youth Corps had conducted trainings for the group one during the period of January to June 2017 and for the group two for the period of September 2017 to February 2018. Accordingly, courses had not been conducted within the first half of the year under review and the course duration for one group had reduced up to 03 months and courses were conducted from June to August 2018 and from October to December 2018. Even though the course duration had revised in two occasions during the previous three years, a formal approval for that had not been submitted to the audit.	There was a difficulty in conducting 02 courses for the duration of 06 months during the year 2018 since the training course had been conducted from January 2017 to February 2018 for 02 groups related to the year 2017. It was scheduled to conduct two courses for the duration of 03 months on the instructions of the Director who was functioned at that period considering the requirement of directing the male/female trainees to the vocational training within a short period of time according to the discussions conducted at the Temple Trees. Prior to this, it was also proposed at the discussions held under the leadership of the Senior Advisor to the Prime Minister to reduce the duration of courses. However, it was not possible to obtain the approval of the Council of the National Youth Corps since the Council was not held after the date of 05 April until the occasion of starting the first course in the year 2018.	Revisions should be made after conducting a due evaluation and obtaining a proper approval.



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| (b) | Seven thousand two hundred and seventy one (7,271) trainees had been recruited to two groups for 49 centres for the year under review and twenty six (26) per cent, viz, 1,883 trainees out of the trainees, who had registered for the training left the course and the number of trainees who had successfully completed the course was 5,388.  | It had been scheduled to recruit 7500 trainees for the two groups made up of 3750 in the group one of 2019 and 3750 trainees in the group two for 49 centres for the year under review and accordingly, 7271 trainees had been recruited for two groups and it was 97 per cent out of the expected number of trainees. Likewise, the number of trainees, who had successfully completed the course was 5388 and the success rate of the course had improved by 4.3 per cent when compared with the success of the course in the previous year. | Planning should be carried out accurately since it is not acceptable to do purchases by the Youth Corps on the basis of 200 trainees per one centre and making recruitments on the basis of 75 trainees per one centre and action should be taken to maintain the level of trainees leaving the course in a minimum level. |
| (c) | First group had not been recruited to the Centre at Kantale as a sufficient number of trainees had not been registered for the first group during the year under review.  | Since a sufficient number of trainees had not been registered for the first group, the Director, who had functioned at that period, decided that course should not be commenced.   | Reasons for not registering a sufficient number of students for the course have to be examined and mitigation steps should be taken for that issue.  |
| (d) | Facilities for 4 class rooms with 50 trainees per each class room had been provided in the Centres. It was observed that resources were underutilized as the number of students was less than 50 in 12 centres in relation to the first group of 2018 and in 35 centres in relation to the second group. Further, it could not be examined whether the cost reduction had taken place in relation to the reduction in the number of trainees in these centres as there was no | Generally, the first course commences in the month of January and a large number of students participate in the first course. Therefore, conduct of a class with 50 trainees could be practically expected in the first course. However, it is not possible to expect the participation of 50 trainees per one class as the participation of trainees for the second course is low. Since the  | Action should be taken to derive maximum benefits.   |

methodology to compute the cost for each centre.

first course of the year 2018 was started in June, it is not possible to expect a large number of participants as indicated above.

**2.4 Transactions of Contentious Nature**

The following observations are made.

Audit Observation	Comment of the Management	Recommendation
<p>Even though the approval had been granted to pay an allowance for daily expenses subject to a maximum of Rs. 6,500 and at the rate of Rs. 325/- per day in accordance with the letter bearing No. BD/NYC/CR/2018 of 22 June 2018 submitted to the audit declaring that it is the letter of the Director General of General Treasury, it had been indicated in the letter of the Additional Director of Training and Development bearing No. NYC/03/1/8 of 02 July 2018 that the expenses for food per day was Rs. 225 with effect from the date of the letter. Likewise, the training allowance was stated as Rs. 125/-. The following observations are made in this regard.</p>	<p>It had been requested to increase the allowance by the letter of 29.06.2018 referred by the Director of the Youth Corps to the Secretary of the Ministry. Action had been taken to provide food subject to a maximum of Rs. 200 and to provide an</p>	<p>The allowance for daily expenses in two parts, namely, food allowance and training allowance should be provided on a formal approval.</p>
<p>(a) The approval to divide the daily allowance in to two parts such as food allowance and training allowance had not been submitted to the Audit.</p>		

allowance of Rs. 125 per day per one trainee within the approved provisions on the approval of the Council until the relevant approval is granted in this regard.

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| <p>(b) As per the letter of the Director mentioned above, when Rs.225/- is paid for food and Rs. 125/- for daily allowance, the total is Rs. 350/- and therefore, the approved limit per day had exceeded by Rs.25/-</p> | <p>Action has been taken to provide an extra amount of Rs. 25.00 as food allowance on the approval of the Council until the approval of the General Treasury is obtained. As the approval of the General Treasury had not been granted for the payment of this allowance, action has been taken to recover the relevant amount from the allowance paid to the trainees on their consent and to pay the amount collected from the trainees to the supplier.</p> | <p>The approval of the General Treasury should be obtained.</p> |
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## 2.5 Underutilization of Funds

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 The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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<p>(a) Unutilized funds amounting to Rs.17.6 million was observed by the end of the year under review which comprised of Rs.13 million and Rs.4.6 million granted in the year 2016 and the year under review respectively for the establishment of 3 Chinese language laboratories.</p>	<p>That construction of classrooms at the Galle Centre has been completed and it has been planned to submit the Estimate of Expenditure obtained from the Vennappuwa Centre to the Department of Buildings for further action and that estimates have been prepared for construction of the Yakkala Centre</p>	<p>Funds should be effectively used for the relevant purpose without leaving them idle.</p>

- (b) A sum of Rs.2,072,139 expended by the Corps on 30 December 2017 under the Pilot Project for purchase of loudspeaker sets, was remitted on 11 October 2018 to the Youth Corps as the said loudspeakers were rejected due to a defect. However, the said sum had been returned to the Ministry by the Corps on 27 December 2018 without fulfilling the relevant purpose.
- Twelve sets of loudspeakers had been supplied to the Corps according to the order placed with the Sri Lanka State Trading (General) Corporation Limited for 12 sets of loudspeakers in fulfilling the requirements of the new training centre. It was revealed that fraudulent acts had been carried out in the supply of goods, thus resulting in the return of the value of those goods to the Corps. However, action was taken to credit the said value to the Revenue at the end of the year as per the instructions of the Ministry due to inadequate time in carrying out procurement activities.
- The actual requirement of the goods should be identified and the procurement process be planned accordingly.

## 2.6 Idle or Underutilized Property, Plant and Equipment

The following observation is made.

Audit Observation	Comments of the Management	Recommendation
Eighteen three wheelers purchased at the rate of Rs.650,000 each, as at 31 December 2017 had not been made use of even by 20 August 2019, the date of Audit. Subsequent to the queries made by Audit, 3 three wheelers dated 02 December 2019 had been handed over to the Small Enterprise Development Unit which is an external institution of the Corps.	Eighteen three wheelers were parked in the stores by 31 December 2017 to be distributed among centres to be opened in the year 2018. However, out of those parked 18 three wheelers, 13 three wheelers had been dispatched to training centres due to delays in constructions and 03 of the remaining three wheelers had been deployed in the Small Enterprise Development Unit as instructed by the Ministry while the rest of the three wheelers were engaged in duties in the vehicle pool of the Corps Headquarters.	Should be made use of as planned.

## 2.7 Projects or Delays in Capital Works

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### 2.7.1 Discontinued Constructions

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Payments of Rs.19,662,001 and Rs.17,018,461 had been made respectively as advances for construction of the Meegahakiwula and Pelmadulla proposed Youth Corps Centres. Even though the said constructions had been cancelled due to issues on the ownership of lands, advances had not been recovered up to now.	That, constructions were cancelled due to issues on the ownership of lands and that advances are planned to be recovered by the bills relating to constructions of other centres carried out by those contractors and the relevant contractors notified thereon.	Action should be taken to recover the advances paid for the contract.
(b) Two construction contracts of which the Engineer's Estimate amounted to Rs.179,058,171 relating to Chilaw and Kalpitiya Centres which had been awarded to a private institution had been cancelled while on a physical progress of 40 per cent and a financial progress of 28 per cent. A sum of Rs.37,302,688 had been paid as mobilization advances to the said institution and in the payment of work done, after settling advance bonds, a sum of Rs.4,238,300 of the advances could not be further recovered.	That the said constructions were cancelled on the recommendation of the Department of Buildings after considering the physical progress of constructions of the Kalpitiya and Chilaw Centres awarded to those private institutions in terms of the Procurement Procedure.	Action should be taken to recover the advances paid for the contract.
(c) Constructions of the Welimada Centre had been discontinued due to the location and physical features of the land thus giving rise to an unstable condition in building constructions. Nevertheless, a sum of	As it has been decided to cancel the constructions of the Welimada Centre, necessary action is being taken to settle the advance bonds.	As the contract is cancelled, action should be taken to recover the advances paid for the contract.

Rs.19,259,020 paid as advances had not been recovered.

## 2.8 Deficiencies in Contract Administration

The following observations are made.

	<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<b>2.8.1</b>	<p>Construction Projects of Dikwella, Hambanthota, Lunugamwehera, Tissamaharama and Sooriyawewa Youth Corps</p> <p>Approval had been granted for the Cabinet Memorandum No.16/1501/736/034 of 28 July 2016 submitted by the Hon. Minister of Housing and Construction at the Cabinet meeting held on 07 August 2016. In terms of this approval, the Youth Corps had assigned the proposed construction projects in Youth Corps Centres to the National Equipment and Machinery Organization in the years 2016, 2017 and 2018 without calling for quotations. The following observations were made thereon.</p>		
	<p>(a) It had been proposed to appoint a committee of officers for recommending the study of works identified under paragraph 4(b) of the above Cabinet Memorandum as well as works identified in future to the Cabinet Committee on Economic Management and assigning them to the National Equipment and Machinery Organization without calling for quotations for the said</p>	<p>The National Youth Corps had not appointed a committee of officers for making recommendations to the Cabinet Committee and that action was taken according to the above Letter on Cabinet Decisions</p>	<p>As approval had been received for the proposals of the Cabinet Memorandum, the said proposals should be implemented.</p>

works and the Cabinet approval had been received therefor. However, evidence was not made available to Audit whether such a committee of officers was appointed or the National Youth Corps had made recommendations to the Cabinet Committee on Economic Management for the contracts awarded to the National Equipment and Machinery Organization or the approval of the Cabinet Committee on Economic Management had been received.

- (b) Approval had been received for submitting the recommendations of the committee of officers proposed to be appointed in terms of the aforesaid 4(b) for increasing the limit of Rs.25 million to Rs.50 million existing in relation to awarding of direct contracts to the National Equipment and Machinery Organization in terms of paragraph 4(c) of the Memorandum. Moreover, evidence was not made available to Audit whether such recommendations were made or the approval of the Cabinet Committee on Economic Management had been received therefor. Further, in awarding direct contracts to the National Equipment and Machinery Organization, it had been notified as well by Letter No.MNPEA/YAD/11/01/(V01 ii) forwarded to the
- The National Youth Corps had not appointed a committee of officers for making recommendations to the Cabinet Committee and that action was taken according to the above Letter on Cabinet Decisions
- As approval had been received for the proposals of the Cabinet Memorandum, the said proposals should be implemented.

Director of the Youth Corps on 06 September 2016 by the Ministry of National Policies and Economic Affairs to carry out constructions in one Youth Corps Centre subject to a limit of Rs.25 million. However, works totalling Rs.362,474,376 relating to 5 Youth Corps Centres operative in the Southern Province had been directly assigned to the National Equipment and Machinery Organization.

- (c) In awarding contracts, the approval of the Youth Corps Council should be obtained. However, evidence was not made available to Audit to confirm whether approval had been so obtained. The Youth Corps had not taken action to award sub-contracts. While the National Equipment and Machinery Organization had requested for the details relating to the projects for which the sub-contract was awarded, relevant details had not been provided up to now. Action should be taken in terms of relevant approval
- (d) Cabinet approval had been received on 06 February 2008 for the Cabinet Memorandum No.8/0173/344/002 submitted on 11 January 2008 by the Hon. Minister of Construction and Engineering Services. According to this Cabinet Decision, the State Development and Construction Corporation and the State Engineering Corporation of Sri Lanka had been released from performance and advance bonds relating to construction projects directly implemented within the limits of resources available. However, it had been indicated that this release is The Youth Corps had not taken action to award sub-contracts. While the National Equipment and Machinery Organization had requested for the details relating to the projects for which the sub-contract was awarded, relevant details had not been provided up to now. That action should be taken in terms of Cabinet Decisions.



irrelevant to constructions carried out under sub-contracts. It was revealed in Audit that all contracts assigned to the National Equipment and Machinery Organization had been awarded as sub-contracts based on the said Cabinet Decision.

- (e) The National Equipment and Machinery Organization had been a part of the State Engineering Corporation itself at the time of taking the above Cabinet Decision. However, according to the approval received on 27 January 2016 for the Cabinet Memorandum No.16/0082/736/002 submitted on 13 January 2016 by the Hon. Minister of Construction and Engineering Services, the National Equipment and Machinery Organization has been accepted under a separate Management Committee as a separate project under the State Engineering Corporation. As such, the possibility of applying the Cabinet approval dated 06 February 2008 was uncertain as well.
- (f) It had been indicated that conditions cited in ICTAD/SBD/04 is considered as Agreement Conditions. According to Condition No.4.4 of SBD/04, it is indicated that the overall function cannot be subcontracted and the approval of the Engineer
- That action has been taken according to the aforesaid letter on Cabinet Decisions.
- If there are any uncertainties, the relevant authorities should be informed and effective measures taken thereon.

should be obtained in subcontracting the part of the said function. However, construction contracts relating to the Southern Province awarded to the National Equipment and Machinery Organization, had been subcontracted without proper approval. The Corps had subcontracted at the value ranging from 45 per cent to 35 per cent less than the value awarded to the National Equipment and Machinery Organization.

- (g) No evidence had been made available that insurance whatsoever which should be obtained according to Sub section 18.2 of the Data Sheet of the Contract Agreement, has been provided by the contractor. Insurance Certificates relating to the Department of Buildings had not been provided. The Professional Indemnity Insurance Certificate at the value of 10 per cent of the initial agreement value which should be granted under this Insurance Certificates, had not been provided relating to any building and in certifying payments, attention had not been paid on the failure in providing these Insurance Certificates.
- (h) Youth Corps Centres located in the Southern Province, were physically inspected on 14 August 2018 and several weaknesses in constructions were observed therein.
- That it has been informed by the Letter No.06-04-33-2018 of 18.12.2018 of the Department of Buildings on issuing the Insurance Certificate which should be obtained according to Sub-section 18.2 of the Data Sheet of the relevant Contract Agreement.
- The Secretary to the Ministry was consulted on constructions carried out by the NEMO and a committee had been appointed for making recommendations with this connection and that a Cabinet Paper has been
- Action should be taken in terms of the Contract Agreement.
- Future action should be taken continuously.

presented based on recommendations of the said Committee and future action will be taken regarding the NEMO.

- (i) In making payments for all construction projects of 05 centres by which construction projects are implemented, out of centres of the Youth Corps located in the Southern Province, requests had been made to submit information to Audit on Value Added Tax paid to the National Equipment and Machinery Organization. Nevertheless, the said information had not been made available to Audit up to 15 March 2019.
- Even though requests had been made by the said Institute, information on invoices submitted for Value Added Tax paid to the National Equipment and Machinery Organization, had not been submitted up to now.
- Action should be taken to update information correctly and timely by the Institute.
- (j) Even though plans had been prepared with a view to completing these constructions promptly and contracts had been awarded directly, constructions relating to Southern Province had not been completed even by 31 January 2019. Physical progress of many constructions was at a level between 35 per cent and 40 per cent.
- That it is expected to take future action regarding the NEMO
- Necessary future measures should be further taken to complete constructions speedily.

**2.8.2** A pilot project for constructing buildings of centres of the Youth Corps had been commenced on the provision made by the Ministry of National Policies and Economic Affairs and according to the Schedule presented to Audit as at 31 December 2018, there were 131 contracts. The following

observations are made in regard.

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| <p>(a) Advance sureties had not been obtained for advances granted to the NEMO for 104 construction contracts and the said advance balance as at 31 December 2018 amounted to Rs.115,905,951.</p> | <p>The Cabinet approval had been received on 06 February 2008 for the Cabinet Memorandum No.8/0173/344/002 dated 11 January 2008 by the Minister of Construction and Engineering Services. According to the said Cabinet Decision, State Development and Construction Corporation and State Engineering Corporation of Sri Lanka have been released from performance and advance bonds for their construction works. As such, bonds had not been obtained from the NEMO by our Institute.</p> | <p>According to the said Cabinet Decision, this release is irrelevant to constructions carried out under sub-contracts. As such, the NEMO should obtain Performance Bonds from contractors.</p> |
| <p>(b) Advance Bonds relating to the advance of Rs.19,527,110 granted for the construction of Gomarankadawala Youth Corps Centre, had expired.</p>  | <p>As advances have been settled by now, Advance Bonds have not been extended.</p>  | <p>Advance Bonds should be duly extended.</p>   |

**2.9 Human Resource Management**

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
<p>(a) According to the Annual Estimate 2018, the approved cadre of the Corps stood at 761. However, the approved cadre and the actual cadre of the Corps as at 31 December 2018 stood at 983 and 758 respectively and 225 vacancies comprising 164 of the approved cadre and 61 of the contract staff existed and it was 23 per cent of the approved cadre.</p>	<p>Despite existing 225 vacancies as at 31 December 2018, recruitments for the posts of English Language Instructor, Information Technology Instructor and the Development Assistant had been made in the year 2019.</p>	<p>If vacancies will affect the performance of the Corps, action should be taken to make recruitments speedily and if not so, action should be taken to revise the approved cadre.</p>

- (b) According to the approved cadre, the post of “Director” which is the Chief post of the staff of the Corps, is a permanent post. However, it was observed that recruitments had been made continuously on secondment basis, instead of a permanent post.
- In terms of Section 7 of the Youth Corps Act, No.21 of 2002, it has been cited that the Minister shall appoint a fit and proper person as the Director of the Corps. Officers are appointed to the post by the Secretary with recommendations of the Minister of the Ministry for which the Corps belong to. Accordingly, recruitments have been made in 03 instances for the post of Director on secondment basis. Even though the said post is stipulated in the Scheme of Recruitment 2011, it is informed that the Youth Corps Act is implemented beyond the said Scheme.
- Attention should be drawn to the possibility of appointing an officer on substantial basis for the relevant post.
- (c) One hundred and thirty employees of the Corps including 70 of the permanent staff had left the service in the year under review. It was observed in audit that high tendency for leaving the service may affect the deprivation of trained labour as well as the efficiency of the Corps.
- Employees are recruited for the Corps on permanent basis as well as on contract basis. As the appointment made by the Corps is not pensionable and centres were located throughout the island, there is a high tendency to apply for permanent and pensionable Government jobs.
- Action should be taken to maintain the tendency for leaving jobs, at a low level.

## 2.10 Management of Vehicle System

The following observations are made.

	<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	Eighty six vehicles including 78 Three Wheelers, a Motor Cycle, 04 Double Cabs, 02 Motor Cars and a Lorry had been made use of by the Corps in the year under review.	Four Double Cabs, 02 Motor Cars, a Lorry and a Motor Cycle had been engaged in duties of the Corps Headquarters and for distribution of goods of the stores and 51 Three Wheelers had been engaged in duties of centres. The remaining 27 Three Wheelers had been parked at the stores for	Vehicle system should be effectively managed.

distribution among centres to be opened. Twenty three out of 27 Three Wheelers had been distributed to centres, 03 Three Wheelers to the Small Enterprises Unit with the consultation of the Ministry and the other Three Wheeler had been deployed in the vehicle pool of the Corps Headquarters.

- (b) Even though seven vehicles belonging to other institutions were being used by the Corps, action had not been taken to transfer the legal ownership of those vehicles. That 07 vehicles are owned by other Ministries and as the Corps functioned under various Ministries after the year 2015, transferring activities cannot be duly completed. Action should be taken to transfer the ownership of vehicles.
- (c) Action had not been taken to dispose 02 motor cars and 01 motor car which were removed from being used since the years 2015 and 2017 respectively. Even though activities such as identification and assessment of vehicles to be disposed, had been completed, documents for transferring the ownership of vehicles had been referred to the relevant Ministry. Vehicles should be disposed of without delay.
- (d) Thirty five Three Wheelers had not been run in the year under review and a sum of Rs.556,443 had been spent for insurance of those Three Wheelers. As it had been planned in the year 2018 to distribute those Three Wheelers to new centres, these 35 Three Wheelers had been insured. However, after completing construction works of 08 centers in the year 2018, eight Three Wheelers had been distributed and the remaining 27 Three Wheelers had been parked at the Stores due to further delay in completing construction works of centres to be opened. Safety of assets should be provided at a minimum cost in an adequate and timely manner.
- (e) Even though 08 motor vehicle accidents had occurred relating to 07 vehicles during the year under review, action had not been taken in terms of Financial Regulations 103 and 104 in respect of motor vehicle accidents. Moreover, action is being taken in terms of Financial Regulations 103 and 104 in respect of motor vehicle accidents. Action should be taken in terms of Financial Regulations.

### 3. Accountability and Good Governance

#### 3.1 Presentation of Financial Statements

The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
In terms of Section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, accounts should be rendered to the Auditor General within 60 days after close of the year of accounts. However, accounts of the Corps of years 2015 and 2016 had been rendered after a delay of 24 months and accounts of the year 2017 had been rendered after a delay of 21 months. Further, accounts of the year 2018 had not been rendered even by 20 June 2020.	The Council was changed due to political changes occurred from time to time, thus failure in approving accounts. As such, it had been delayed to render the accounts relating to each year to the Auditor General.	Action should be taken in terms of provisions in circulars.

#### 3.2 Corporate Plan

The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The Corps had not prepared a Corporate Plan in terms of Section 5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003.	Even though plans had been prepared, it was not a proper plan and that action will be taken to prepare a Corporate Plan.	Action should be taken in terms of provisions in circulars.

#### 3.3 Internal Audit

The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The Internal Audit had examined internal control systems of the Corps in the year under review and 83 audit reports thereon had been presented to the	Answers for internal audit queries of the Corps, issued for the year 2018 have been settled by now and 03 queries which are at special investigation	Action should be taken to reply without delay by paying attention to rectify the shortcomings pointed

Management and a delay in replying to those reports was observed. That is, over a period of one year, 06 months and 03 months had been delayed to reply for 05, 21 and 16 reports respectively.

level, are being settled.

out by internal audit queries.

**3.4 Audit Committee**

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 The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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<p>In terms of Section 7.4.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the Audit Committee should meet at least once in three months. Nevertheless, the Committee had met only once in the year under review.</p>	<p>The composition of the Audit and Management Committee depends on changes of the composition of the Council. As such, a new committee was unable to be appointed with the approval of the Council.</p>	<p>Action should be taken in terms of provisions in circulars.</p>