

Sri Lanka Youth Service Private Limited - 2020/2021

The audit of the operating activities of the Sri Lanka Youth Service Private Limited for the year ended 31 March 2021 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 conjunction with provisions of the National Audit No.19 of 2018. My comments on the operation 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.

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

As per the Section 16(1) of the National Audit Act No.19 Of 2018, any entity 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 entity. As per section 16(2) of that Act, the Chief Accounting Officer should submit the Annual Financial Statements for each audited entity to the Auditor General with the annual performance reports of those entities within the stipulated time period specified in the regulations. As per section 38(1) (d) of the Act, ensure that annual reports and other financial statement are prepared in a timely manner and, in addition to that, the Chief Accounting Officer should ensure that the annual reports relating to the audited entity is submitted to parliament.

2. Report on other legal and regulatory requirements.

The National Audit Act No. 19 of 2018 and the companies Act No. 7 of 2007 contain special provisions regarding the following requirements.

In terms of section 150 (1) of the Companies Act No. 7 of 2007, the Board Of Directors of the company should ensure that the person responsible for the preparation of the financial statements will be certified within six months from the date of the balance sheet.

2.1. Financial Statement

Audit Observation	Management Comment	Recommendation
Even though the annual financial statements of companies should be submitted to the Auditor General within 60 days from the end of the financial year as per the Section 6.5.1 of public Enterprise Circular No. PED / 12 of 2 June 2003, the company had not submitted it financial statements for the financial years 2018/2019,2019/2020,2020/2021 and 2021/2022 to audit even till the audit date of 15 September 2022.	The financial statements were advised to be submitted for the year end 2019/2020 by 31 st August , 2020/2021 by 31 st October and 2021/2022 before 31 st December .	Account should be submitted on the due date as per the circular.

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

The following Non-compliance observations are made.

Subject		Management Comment	Recommendation
Reference to laws, rules,Regulations	Non-Compliance		
(a) Section 41(2) (g) of the National Audit Act No. 19 Of 2018	Although audit and Management Committees are required to be set up for a company registered or deemed to be registered under the company act No.07 of 2007 in which the government or a public corporation or a local authority holds fifty per centum or more of the shares of the company had not been action accordingly.	It was instructed to set up an audit and Management committee in the future to plan for the future.	Should be act in accordance with the circulars.
(b) Public Enterprise Department Circular No. PED/12 of 02 June 2003			
(i) Paragraph 4.2.2	Although the Board of Directors should meet monthly to evaluate performance of the company and establish the necessary controls, Board of directors meeting had been conducted only in five instance during the year under review.	Since It was not possible to hold the Board of Directors due to the Covid situation, Instructions were given to conduct it properly in the future.	Should be act in accordance with the circulars.
(ii) Paragraph 4 and 5.2.3	The annual budget estimates had not been prepared and approved.	Accounts division has been instructed to prepared the budget estimate.	Should be act in accordance with the circulars.

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| (iii) | Paragraph 6.5 | The company had not prepared the annual reports and table them in parliament. | Annual reports are currently being prepared. | Should be act in accordance with the circulars. |
| (iv) | Paragraph 7.4.5 | Although Board of Survey should be appointed to verify fixed Assets and warehouses , A Board of survey had not been carry out by the company of the year after 2016. | A committee of Board of Survey has been appointed and related activities are being carried out. | Should be act in accordance with the circulars. |
| (c) | Public Finance Circular No. 01/2014 of 17 February 2014 | A Corporate plan for managing business activities with a shorty-term and long term vision and annual action plan had not been prepared to include activities expected to be implemented in the coming financial year. | I am submitting the prepared annual report here with. | Should be act in accordance with the circulars. |
| (d) | Employees Provident Fund Act No.15 of 1958 | | | |
| (i) | Section 10 (2) | Although the Employees Provident Fund contribution for each month are to be paid to the Employees' Provident Fund before the last day of the next succeeding month, on Four cases the sum totaled Rs.3,408,357 contributions had been paid with a delay between 01 and 03 months. | I would like to inform you that due to the deterioration of the company's work and financial situation due to the covid situation and due to the Non-receipt of the loan amount due on time, the relevant payments will be made after the financial situation improves. | Should be act in accordance with the circulars. |
| (ii) | Section 16 | In case of Non –payment of contributions by the employer in respect of an employee on the due date, the amount of employee contribution to be paid on behalf of one officer is Rs.74,130 and the related surcharge is Rs.37,065 as a | Since the security service is not permanent, the payment of each person's contribution is made on the basis of his attendance for about 3 months. Therefore, a complained has been filed in the labor office | Should be act in accordance with the circulars. |

total of Rs.111,195 had been paid in installments. that the payment of the Provident funds should be made from the date of the officer 's arrival. Accordingly , since the money has been paid later, instructions were given to prevent such incidents from happening in the future.

- (e) Sub section 1 of section 16 of the Employees Truist Fund Act No 46. of 1980. The contribution payable by the employer in respect of an employee shall be paid to the employee Truist fund for each month on or before the last day of the next succeeding month , but in three cases the sum of Rs.399,266 contributions had been paid with a delay of between 01 and 03 months. I would like to inform you that due to the deterioration of the company's work and financial situation due to the covid situation and due to the Non-receipt of the loan amount due on time, the relevant payments will be made after the financial situation improves. Should be act in accordance with the circulars.
- (f) Procurement guidelines of the Democratic Socialist Republic of Sri Lanka. Paragraph 4.2.1 (a) The Procurement entity had to prepare a Master procurement plan , but the company had not been done so. Instructed the Accounts section to prepared the Procurement plan. Should be act in accordance with the guidelines.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Management Comment	Recommendation
(a) The company's printing press had not prepared the future plans and identified the desired goals for the year under review and According to the plan prepared for the year 2018, it was not possible to reach the desired income level until the year	The new management decided to monitor the press and appoint three employees through the press to earn revenue and give them a 3% dividend on the orders they	A formal arrangement should be implemented to promote the income.

2020. by rendering services to the National Youth Services Council during the year under review. it was earned Rs. 3,697,748 in revenue which was 1.9 percent of expected revenue. During the year under review, through provision of services to external parties, it was earned Rs. 4,000 in revenue which was 0.006 percent of expected revenue. Also the annual income of the press in 2018 was Rs. 16,968,205 income by the year 2020 will be Rs. 4,696,748. It is a percentage decrease of 72 percent and it was observed that the management has not taken any action towards increasing the revenue of the company's press.

refer to take external orders.

- (b) In examining the remuneration paid to the employees engaged in the printing department of Sri Lanka Youth Services Private limited and the annual income earned from that department the income earned in the year 2020 is Rs. 3,701,748 through the remuneration paid was Rs. 6,043,284 Accordingly the income earned in the year 2020 exceeds Rs. 2,341,536. It was 163 percent of the total income was paid as salary expenditure. Accordingly, it was observed that the management had not worked to reduce the value of an idle labor hour by taking orders to promote the income of the press.
- Due to the Covid situation Businesses activities during this period, it was should be run difficult to carry out printing profitably. orders and since all the employees were permanent employees, the absentees had to be paid.
- (c) In order to create a better quality of life for members and economically for the young generation, Although under Sri Lanka Youth Service private limited, a printing press named youth services was started in 1983 with the expectation of achieving 6 objectives as of the year under review , although 37 years had passed since its inception , the management had not been able to achieve any of the desired objectives
- Although the company was started with the aim of providing jobs to the youth, during that time a lot of training was given to the youth by the printing press, and since the youth services company had only one printing press, it was difficult to provide continuous training later on. But a group of people training in the printing press were hired for permanent work in the printing press, and I inform Special attention of the management should be given to achieve the desired objectives.

you that even now those employees are working and another part has been sent to External organization and it is difficult to reach the goals with the current printing machine.

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| (d) | Although the printing house had planned in the year 2018 to train a trio of young couple as a marketing team and launch a marketing campaign, expect printing orders from primary level institutions and increase sales by providing services through new technical methods, those plans were not implemented till the year under review. | Several people have already been referred for those activities. | Programs should be implemented according to the plans. |
| (e) | The stock level of 36 stock items from the stock held by the company's printing department and reached Zero. Reorder quantity of stock , reorder level , minimum stock level and maximum stock level etc .were not calculated and due to the lack of attention of the top management to carry out the printing activities properly while maintaining an optimal stock level , 55775 units of 5 order tasks were ordered and the order was fulfilled for more than a month. Couldn't take it | Due to the problems in the warehouses of the press(inflow of water, more presence of mice and rats ,more presence of termites)It was not possible to store the goods in stock , and the goods were purchased only for the respective orders. | Management's attention should be focused on keeping printing operations running smoothly while maintaining optimum stock level. |
| (f) | Action had not been taken since the year 2013 to recruit an Accountant for Sri Lanka Youth Services Pvt. Also , The post of Assistant Accountant had been vacant since 03 June 2019.This situation also caused the final financial statements not to be submitted in time for the audit. | Recruitment is underway for Accountant vacancy. A Financial advisor has been employed on a contract basis on a temporary basis until the recruitment process take place. | Action should be taken to fill the vacancies as per the recruitment procedure. |