

## **National Youth Services Council - 2015**

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The audit of financial statements of the National Youth Services Council for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 Section 13(1) of the Finance Act, No.38 of 1971 and Section 29(1) of the National Youth Services Council Act, No. 69 of 1979. My comments and observations which I consider should be published with the Annual Report of the Council in terms of Section 14(2) (c) of the Finance Act appear in this report.

### **1.2 Management's Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 Auditor's Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of financial statements 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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of the Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **1.4 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 2.2 of this report.

## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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In my opinion, except for the effects of matters described in paragraph 2.2. of this report the financial statements give a true and fair view of the financial position of the National Youth Services Council as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **2.2 Comments on Financial Statements**

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#### **2.2.1 Preparation of Consolidated Financial Statements**

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The Consolidated Financial Statements prepared by consolidating the financial statements of the Youth Services Company Ltd., Subsidiary Company established in the year 1981 with 98 per cent of share ownership of the National Youth Services Council with the financial statements of the Council had not been presented.

#### **2.2.2 Non – disclosure of Related Party Transactions**

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The Chairman of the National Youth Services Council functions as the Chairman of the Youth Services Company Ltd., and the Sri Lanka National Youth Services Co-operative Societies Association Ltd, and the required disclosures in that connection had not been made in the financial statements.

#### **2.2.3 Sri Lanka Public Sector Accounting Standards**

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In views of the failure to review annually the effective period of life of the non-current assets in terms of Sri Lanka Public Sector Accounting Standards 07, four hundred and thirty one buildings, 38 motor vehicles and 24,126 units of furniture and equipment fully depreciated by the end of the current year had been in further use. Accordingly, action had not been taken for the revision of the estimated error in terms of the Sri Lanka Public Sector Accounting Standards 03. Further, the carrying value thereof had not been disclosed in the financial statements.

#### **2.2.4 Accounting Deficiencies**

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The following observations are made.

- (a) The accuracy of the overall loss of Rs.457,732 for the year according to the Farms Working Accounts could not be confirmed due to the reasons such as the failure to account for the depreciations on capital assets , the closing stock of animal production and agricultural crops , the value of cultivation of agricultured crops of the farms at the end of the year and the non-accounting for the credit sale of Farms products could not be established.
- (b) The development activities relating the sum of Rs.11,000,000 given under the decentralized provision of the year 2014 for the repairs to buildings and the

constructions of buildings of the Training Centres at Mirigama and Bulathsinhala respectively had been carried out by the officers in charge of Youth Services Centres without informing the Head Office of the Council and such expenditure had not been included in the financial statements.

### 2.2.5 Unexplained Differences

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The loan balance payable as at end of the year under review to the Youth Services Company Ltd. , according to the financial statements amounted to Rs.5,297,222 and according to the information received from that Company, that balance amounted to Rs.45,148,216. As such a difference of Rs.39,850,994 was observed.

### 2.2.6 Lack of Evidence for Audit

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The following informations are made.

- (a) Replies to 4 audit queries relating to the year 2015 issued in the year 2016 had not been furnished even by 30 July 2016.
- (b) The evidence indicated against the following item of account shown in the financial statements had not been furnished to Audit.

(c)

<b>Item of Account</b>	<b>Value Rs.</b>	<b>Evidence not made available</b>
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(i) Recruitment of Internal and External Instructors for the Training Centres.	-	Information on the number of external and permanent Instructors in service as at 31 December 2015 of the Training Centers of the Council and the information on recruitment.
(ii) Conduct of External Leadership Training Programme	-	Information on 14 Training Instructors who participated in 14 External Leadership Training Programme conducted in the Batangala Training Centre in the years 2014 and 2015 including names, posts and the institutions in which they serve and the Inventory Registers relating to the equipment valued at Rs.134,000 purchased for those Programme in the year 2014.

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| (iii) | Training Programme conducted from 15 to 17 August 2014 at the Batangala Training Centre for the students of the Sri Lanka Law Students Association. | 818,000 | Information such as names, addresses and telephone numbers of 80 students said to have participated in the Programme. |
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### 2.3 Accounts Receivable and Payable

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Two debtors balances totalling Rs.987,000 and loan balances amounting to Rs.625,910 recoverable from 6 officers included in the financial statements remained recoverable over a period of 7 years and between 06 years and 18 years respectively.

### 2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

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The following non – compliances were observed.

#### Reference to Laws, Rules and Regulations

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- (a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
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- (i) Financial Regulation 104(1)

- (ii) Financial Regulation 772

- (iii) Financial Regulation 1647(e)

#### Non-compliance

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Twenty nine motor vehicles had met with accidents in 43 instances from the year 2014 to 30 July 2015 and out of that one motor vehicle had met with accidents in 4 instances during 7 months. Action had not been taken for determining the loss caused by those accidents and those responsible.

Action on the recommendations for the elimination of 18 units of goods made by the Boards of Survey of the District Office Gampaha from the year 1993 had not been taken even by 30 November 2015, the date of audit.

A Register containing the particulars of motor vehicles had not been maintained.

(b) Public Administration Circulars No.41/90 of 10 October 1990.

Fuel consumption of the motor vehicles of the Council had not been tested.

### **3. Financial Review**

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#### **3.1 Financial Results**

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The operations of the Council for the year under review had resulted in a deficit of Rs.282.84 million as compared with the corresponding deficit of Rs.150.83 million for the preceding year, thus indicating an increase of Rs.132.01 million in the deficit of the year under review as compared with the preceding year. Even though the youth development expenditure during the year under review had decreased by Rs.256.05 million, the decrease of external contribution including receipts from the Public Institutions and Foreign Organizations by a sum of Rs.180.90 million and the increase of the operating expenditure by a sum of Rs.232.89 million had been the main reasons for the increase in the above deficit.

An analysis of the financial results of the year under review and the 04 preceding years revealed that despite the continuously increasing deficits in the years from 2011 to 2013, that had decreased by 40 per cent in the year 2014. Nevertheless, that deficit had increased again in the year under review by 85 per cent to Rs.282.84 million. This had been due mainly to the increase of the operating expenditure and the youth development expenditure by Rs.517.96 million (79 per cent) and Rs.144.2 million (32 per cent) as compared with the year 2011. Nevertheless, when the employees remuneration and the depreciation on non-current assets, are taken into consideration the contribution of the Council had shown a positive improvement from the year 2011 and that as at the end of the year under review amounted to Rs.642.25 million.

### **4. Operating Review**

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#### **4.1 Performance**

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The following observations are made.

- (a) Even though allocations totalling Rs.141 million had been made according to the Performance Reports for the year under review for the implementation of 6 programmes providing a direct contribution to the achievement of the objectives referred to in Section 4 of the National Youth Services Act, those programmes had not been implemented.
- (b) A decision had been taken to establish 15,000 Youth Councils throughout the Island by the end of the year 2015 to carry forward the services performed by the Council to the youths of the rural level and 13,157 Youth Councils had been established in the 14,013 Grama Seva Divisions as at 31 December 2015.

Even though there were 340,463 registered members in those Youth Councils, only 57,621 members had cast the votes in the Youth Parliament Election held in the year

2015. As such it is questionable whether the youth community had gathered around the Youth Clubs.

- (c) The total number of students trained the 541 Training Programme conducted by 46 Training Centers of the Council during the year under review had been 14,511 and that included 5,984 students who had followed 262 part – time Courses. In view of the following matters, it was observed that the attention of the Council had not been paid for providing a quality vocational training in conformity with the job opportunities available both local and foreign , as a solution to the unemployment problem faced by the modern day youth generation.
  - (i) Out of the 541 Courses referred to above 439 being non- NVQ Courses and 75 Courses with participation of 2,267 students being Language Training Programs.
  - (ii) Out of the instructors implementing the Courses only 72 are Permanent Instructors and 279 are External Instructors and the lack of a formal methodology for the recruitment of the External Instructors.
  - (iii) Out of 14 farms of the Council only 05 had conducted Agricultural Training Courses and trained only 33 students.
  - (iv) A formal basis or methodology was not in place for charging fees for the Courses. Different Centers had charged different fees for the same courses. In certain instances, the fee variances amounted to Rs.10,000.
  - (v) There was no arrangement for the job placement of the students completing the Courses and for follow-up.
- (d) Out of the agricultural lands of about 290 acres in extent situated in 14 regions, 134 acres only had been cultivated with permanent crops, vegetables and fruit and animal husbandry in small scale had been done in 04 Farms. According to the Farms Working Account, the overall loss of the Farms Division for the year 2015 amounted to Rs.457, 732. According to the following financial and administrative weaknesses it was observed that steps had not been taken to attract the youth to the agricultural field to suit the agricultural requirements of the country and for the maintenance of the Farms effectively without being a financial burden to the Council and the Country.
  - (i) Out of the annual provision of Rs.17.5 million for Farm Development made for the year 2015, a sum of Rs.12.95 million or 74 per cent been utilized for the relevant development activities while 54 per cent of the extent under cultivation had been overgrown with scrub.
  - (ii) Short term and long term plans had not been prepared and implemented after identifying the Strengths, Weaknesses, Opportunities and Threats for Farm development (SWOT) Analysis.

- (iii) Lack of an arrangement for the attitudes development and encouraging the staff associated with Farms.
- (iv) Out of 14 Farms, 11 had not obtained the services Agricultural Field Officers for the enhancement of the quality and quantity of the Farm Products.
- (v) Occurrence of irregular transactions of different forms due to the non – implementation of internal control systems required to maintain financial discipline and the lack of proper supervision of activities related to the Farms had been revealed.
  - The officers in charge of Farms at Pannala and Heyyantuduwa had sold Farm Products valued at Rs.303,376 in the year 2015 without a methodology for recovery of debts and without entering into agreements and Heyyantuduwa Farm had issued 3,197 coconuts without properly accounting for as at 30 November 2015, the date of audit and the Batangala Farms had sold on credited 21,274 eggs on 25 days in May 2015.
  - Even though the Internal Circular No.F.1/2007 of 19 July 2007 requires that the money collected from the additional income bills should be credited on the same day to the Provincial Collection Account, a cash balance of Rs.31,576 had been retained by the Batangala Farm without being credited as at 29 January 2015.
  - There was a shortage of 1,538 eggs at the Ethungama Poultry Farms as at 16 December 2015.
  - Produce valued at Rs.211, 331 of the Pannala Farm had been sold directly to external parties in 53 instances during the year ended review without being handed over to the stores.
  - Income totalling Rs.110, 729 relating to 60 receipts of one month of the Heyanthuduwa Farm had not been recorded in the books even by 19 November 2015.
- (e) Sum of Rs.153, 555,734 from the year 2010 to the year 2014 and Rs.23,862,512 in the year under review had been spent on the Youth Parliament Programme commenced in the year 2010 in order to integrate the youth generations to the democratic frame work of the society. According to the financial statements, Rs.23, 615,712 or 99 per cent of the expenditure during the year had been spent on conducting the Youth Parliamentary Election. Nevertheless, 57,621 or 17 per cent of the registered voters totalling 340,463 only had cast their votes. One Session of 220 members only had held in the year under review. Even though 3,886 members should have participated in the 9 Sessions held in the years 2013 and 2014, only 2605 members had participated.

Even though a significant percentage of the provisions allocated for the youth Development Projects had been spent on this Progrmme the benefits accrued to the

members of the Youth Parliament and the overall youth community had not been evaluated.

- (f) A Volleyball and Kabaddi Sports Reserve had been commenced with 4 years residential training period with the objective of the development of physical wellbeing and sports development among the youths and 28 youths had received training under that by the end of the year under review. Even though sums totalling Rs.28, 260,716 had been spent on the food and residential facilities of the students from the year 2013 to the year under review , the Council did not have a planned course of action at improving the sports skills of the youths taking part in the training and get then to achieve success in the National and International Events. This was evident from 28 youths leaving the Reserve, non – achievement of success through participating them in the National Level Competitions, the lack of opportunities to enter the National Reserve and the lack of opportunities for foreign training and participating in foreign events.

#### **4.2 Management Activities**

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The following observations are made.

- (a) The correct information on the Hostel and the Training Centre adjoining the Head Office of the Council and the official quarters attached to the Farms had not been furnished to audit. The existence of 06 official quarters at the Training Centers at Heyyantuduwa and Batangala was revealed at the audit field inspections. All Hostels and official quarters of the Council including those referred to had been allocated to the officers without following a formal methodology and action had not been taken in terms of Section 5 of Chapter XIX of the Establishments Code of the Democratic Socialist Republic of Sri Lanka for the recovery of rent of quarters. Instead of identifying the expenditure on electricity, water and maintenance of those quarters separately and recovering from the occupants, those had been shown as the expenditure of Farms and Training Centers.
- (b) The Inventory Control System and the Stores Control Structure prevailing in the Council had not been at a satisfactory level and it was observed during the course of audit inspection that there are opportunities for the irregular use of goods . The following observations are made in this connection.
- (i) Eighty two units of 32 items of musical instruments supplied to the Dance and Music Divisions of the Eraminiyaya Training Centre and two Juki Machines supplied by the Kalutara District Office to the Agalawatta Training Centre in the year 2012 had not been recorded in the Inventory Registers even by the end of the year under review.
- (ii) The coconut palms and the trees with timber value of the Farms at Heyyantuduwa and Pannala had not been recorded in the Inventory Register and it was revealed that there are 1,232 coconut palms and 541 trees of timber value at the Pannala Farm alone. Similarly a formal course of action for correct assessment and accounting for the value of such trees when they are removed was not available.



- (iii) Action in terms of the Financial Regulation 757(2) had not been taken on the shortages of 881 units of goods of 2 District Offices and a Farm and the shortages of 157 units goods in the custody of 04 officers of the Gampaha District Office who had left the services.
- (c) Two Sony Cameras belonging to the NYSCO Video Division had been handed over on 25 July 2014 to an external institution for carrying out repairs at an estimated cost of Rs.90,467 without the recommendation of a Technical Officer, the approval of the Procurement Committee and a service agreement. The goods had not been handed over to the Council after completion of repairs even by 11 April 2016.
- (d) Action had not been taken for the legal transfer of the title to the lands of 9 Training Centres valued at Rs.13,833,693, twenty eight Training Centre for which Rs.136,094,262 had been spent on construction and renovation of buildings and 15 Regional Offices.
- (e) The construction work of the boundary wall behind the Sri Lanka Youth Centre situated at Maharagama had been abandoned and action had not been taken for the recovery of the sum of Rs.147,558 paid in the year 2013 to a private company for consultancy services in that connection.

#### **4.3 Transactions of Contentious Nature**

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A Consultant had been selected in the year 2012 for the purchase of camera equipment for the NYSCO Video Division for the payment of Rs. 100,000 and a sum of Rs.60,000 or 60 per cent of the fee had been paid before entering up to the services agreement. The balance Rs.40,000 had been paid on 30 December 2014 without obtaining confirmation whether the consulting service had been performed.

#### **4.4 Apparent Irregularities**

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The following observations are made.

- (a) Sums totalling Rs.818,000 had been paid in the year under review for an external training programme conducted August 2014 for 120 students who represented the Students Association of the Sri Lanka Law College. In the absence of a Training Instructor of the Council, Training equipment for external Training Programme had been purchased for Rs.134,000 out of that amount and installed at the Batangala Training Centre of the Council. Even though the training had been done at the Batangala Training Centre a sum of Rs.684,000 comprising Rs.594,000 at the rate of Rs.4,950 for training of 120 students and Rs.90,000 for food , had been paid to an external institution, according to the attendance records it was revealed in audit that only 40 students had participated. Forged attendance records for 120 students including those 40 students had been annexed to the payment voucher. Accordingly an overpayment of Rs.396,000 had been made on account of 80 students who did not participate in the programme.

- (b) The sum of Rs.28,414,825 paid by the Council for the supply of food to the Heyyantuduwa Training Centre in the years 2011 to 2015 had been credited to the Saving Account maintained without formal approval in a State Bank by the Gampaha District Youth Council Conference. This business activity without provision had been carried out by paying Rs.27,669,809 out of that through a sub – contractor , whose identify had not been revealed.
- (c) Value Added Tax totalling Rs.2,682,451 had been paid to two contractors whose Value Added Tax registration had been inactivated without obtaining information on registrations for Value Added Tax in terms of Guideline 5.4.11 of the Procurement Guidelines.
- (d) According to a Memorandum of Understanding entered into among the Ministry of Youth Affairs and Skills Development Sri Lanka Mobitel Company (Pvt) Ltd, the Department of Pensions and the National Youth Services Council, the National Youth Services Council agreed to distribute the Mobitel M-CASH Services. The sum of Rs.926,600 receivable by the Council for the phones distributed in accordance with the Memorandum of Understanding had not been received. Further the Company concerned had informed the Council that the agreement had been breached by the Council due to the failure to return the telephones not distributed.

#### **4.5 Uneconomic Transactions**

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 The following observations are made.

- (a) Even though a Jeep belonging to the Council had been repaired in 25 instances during a period of 2 years from 01 July 2013 at costs totalling Rs.4.1 Million, that motor vehicle had been taken off from running by 12 April 2016, the date of audit due to heavy fuel consumptions such as 5 Kilometers per litre and the high cost of repairs.
- (b) Despite the arrangements in place for carrying out improvements to the building in use by the Ratmalana Training Centre under the Sectoral Skills Development Programme to increase the number of students to 3,855 by the year 2015, the existing building had been demolished and the construction of a new building had been begun in the year 2014 without the provision and a planned course of action. The construction of the building had not been completed even by the end of the year 2015 and rent amounting to Rs.8,959,149 had been paid for a building obtained on rent for the maintenance of the Training Centre in the year 2014. Further, a sum of Rs. 4,959,524 had been spent in the year under review for carrying out the repairs and improvements to the external building.
- (c) The Permanent Instructor of the Information Technology Course of the Agalawatta Training Centre who was sent on training abroad in the year 2012, had been paid salaries amounting to Rs.1,193,194 after the training from June 2012 to September 2015, the date of audit and a sum of Rs.61,200 as performance allowances from July 2014 without assigning specific duties.

#### **4.6 Weaknesses in Implementation of Projects**

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The National Youth Services Council had implemented a Programme for the Integration of the Youths of the Mullaitivu and Mannar Districts affected by the war into the Society under the aid from a Non-governmental Organization. A sum of Rs.19,459,460 had been provided by 31 December 2015 to the National Youth Services Council for this Programme. Even though the Programme should have been completed by 30 June 2015 it had not been completed even by 30 December 2015. The following observations are made in this connection.

- (a) Discussions on this programme had not been held with the General Treasury and recommendation obtained in terms of Circular No. MOFP/ERD/2014/01 dated 26 June 2014 of the Ministry of Finance and Planning.
- (b) Out of the sum of Rs.12,012,240 given to the Sri Lanka Youth Centre Conference for the implementation of the Programme, a sum of Rs.1,027,740 and a sum of Rs.1,038,720 from the National Youth Services Council had been retained up to date without being utilised for the achievement of the objectives of the Programme even by the end of the year under review.
- (c) The furniture, equipment, telephone, accessories and the Sound Systems provided by the relevant Non – Governmental Organization concurrently with this Programme to the Youth Councils had not been recorded in the Inventory Registers.

#### **4.7 Resources of the Council given to other Public Institutions**

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Two Motor Vehicles of the Council had been given irregularity from September 2012 and April 2015 respectively for use by the Youth Services (Private) Company.

#### **4.8 Staff Administration**

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The management had not taken action even by the end of the year under review for the recruitment of the officers in accordance with the Scheme of Recruitment which included the staff necessary for the achievement of objectives and goals of the Council and the qualifications they should possess approved on 22 November 2012. The following observations are made in this connection.

- (a) Out of the 1,429 posts included in the approved Scheme of Recruitment 361 had been vacant even by the end of the year under review.
- (b) Instead of recruiting officers for 25 Staff Posts including 05 Posts of Chief Managers, the posts had been left vacant or officers had been attached on the covering up work or the secondment basis. As such it was not clear whether these officers provide the contribution necessary for the discharge of their responsibilities properly and for the achievement of the objectives of the Council.

- (c) There were vacancies in 19 posts in the Middle Management Level and 30 vacancies in the Lower Management Level including 11 posts of Administrative Officers and 56 appointments for covering up duties had been made for those 49 vacancies.
- (d) Out of the 332 approved posts in the post of Assistant Youth Services Officers who provide a direct contribution to the primary objectives of the Council 134 posts had been vacant.
- (e) An examination of the personal files of 13 officers of service groups revealed that in the confirmation in the appointments, officers had been confirmed in their appointments without obtaining the confirmations that, the certificates for satisfying the basic qualifications produced are genuine from the institutions concerned.
- (f) The Efficiently Bar Examination in terms of the approved Scheme of Recruitment for the officers recruited to the permanent services of the Council and confirmed and promoted in those services had not been held from the year 2013. It was observed that in view of not holding the Efficiently Bar Examination for the 244 officers recruited in the year 2014 have been deprived of the opportunity available to them to acquire an understanding of the institutional functions, responsibility relating to their duties and the laws, rules and regulations relating to Public Administration.

## **5. Accountability and Good Governance**

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### **5.1 Internal Audit**

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The following observations are made.

- (a) In view of the magnitude of the annual income of the Council and its services spread Island-wide through a network of 94 Training Centre, Farms and Regional Offices, an internal audit under the supervision of a Qualified Internal Auditor in the Senior Management Level should be in operation. Nevertheless, according to the Organization Structure of the Council, the Internal Auditor has been placed in a post of the Middle Management Level II.
- (b) The Internal Audit Unit with 9 officers including the Chief Internal Auditor had implemented the Internal Audit Plan for the year under review under 227 assignments covering different fields. Nevertheless, the Internal Audit had not been planned and implemented in a manner to identify the weaknesses prevailing in the internal control systems of the Council.
- (c) In view of the non-implementation of a formal course of action even in the year under review for the rectification of the Internal Audit findings included in the Internal Audit Reports which could have a significant impact on the financial and administrative affairs of the Council. As such, the Internal Audit Reports had not been made use of as an effective instrument of management control.

## 5.2 Procurement and Contract Process

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The following observations are made.

- (a) The Council had not prepared an Annual Procurement Plan in line with the Annual Action Plan and the Annual Budget Estimates and obtained approval.
- (b) Consultancy fees amounting to Rs.2,252,765 had been paid for the modernization of the Chilaw Training Centre without a Terms of Reference in terms the Guidelines 3.3 of the Guidelines on the Selection of Consultants - 2007 of the National Procurement Agency. Further, decision had been taken for the payment of 5.2 per cent of the contract value without clearly stating the manner of calculating the consultancy fee in terms of the Guideline 3.4. Nevertheless, 70 per cent of the agreed amount had been paid to the Consultant at the outset of the contract and only 30 per cent had been retained for all other work.
- (c) In the computation of the advance to the contractor for the modernization of the Chilaw Training Centre, the provisional sum of Rs.625,000 had not been deducted in terms of the Guideline 5.4.4 of the Procurement Guidelines and as such an overpayment of Rs.156,250 had been made as advances. A sum of Rs.845,641 out of the advance recoverable before the payment of 90 per cent of contract payments, had not been deducted until the settlement of the final bids.
- (d) Even though 60 finger print machines purchased for Rs.4,469,067 should have been supplied and installed before 05 December 2013, out of 49 machines supplied by the end of the year 2015 twelve had not been installed, two had not been in working condition and 35 remained without installing the software.

The following observations are made in this connection.

- i. The standard bid invitation documents had not been prepared in accordance with the Guideline 5.2.1 of the Procurement Guidelines and instead of the lowest bidder who had quoted Rs.32,000 , the lowest price recommended by the Technical Evaluation Committee, the bidder who offered Rs.33,000 and eliminated in the bid evaluation had been selected as the supplier, thus incurring a loss of Rs.60,000.
- ii. Advances amounting to Rs.1,117,267 had been paid without obtaining an advance guarantee in terms of Guidelines 5.4.4 (1) and two interim payments totalling Rs.3,351,800 had been made to the supplier without confirmation that the machines had been formally taken over, recorded in the Inventory Registers and are in operating condition in terms of the Guideline 8.12.1 (a) and (b).Despite the disclosure in the internal audit report that the machines are not in working order and the non-completion of the service in accordance with the agreement, the final payment of Rs.1,675,900 had been made to the supplier.

- iii. A Performance Guarantee conforming to the value of the contract in terms of clause 5.1 of the Procurement Agreement had not been obtained.

### **5.3 Budgetary Control**

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The expenditure under 6 budgeted Divisions of the year under review had exceeded the budget by 180 per cent while 31 per cent of the provisions made under 8 Divisions had not been utilized for the objectives. Accordingly, it was observed the audit that the budget had not been made use of as an effective instrument of Management Control.

### **5.4 Unresolved Audit Paragraphs**

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The attention of the management had not been paid for the rectification of the following deficiencies pointed out in the previous audit reports.

- (a) Attention had not been paid for holding formal investigations relating to the shortage of the goods of the Council totalling Rs.2,646,404 according to the Board of Survey Report for the year 2014 and recover the losses.
- (b) A decision had been taken for the elimination in the year 2013 of 15 motor vehicles used by the Council and use those as the training equipment of the Training Programmes of the Council. In making the accounting entries, the assessed value or the scrap value of the motor vehicles had not been considered and the cost and the accumulated depreciation thereof only had been eliminated. Accordingly, the profit or loss from the elimination of the motor vehicles as well as the value of the motor vehicles used for the Training Programmes had not been included in the books of account.
- (c) Sums totalling Rs.3,398,200 had been spent by 31 December 2014 for the development of the land obtained at a cost of Rs.3,300,000 from the Urban Development Authority on a 50 year lease period with effect from July 2000 for the construction of the Beruwala Youth Centre. Even though a period of 14 years elapsed after obtaining the land, that asset had not been utilized for the achievement of the objectives of the Council.
- (d) The sum of Rs.2, 233,190 invested in the Youth Services Music Company and the Youth Services Dance Company had been written off in accordance with No. 4.3 of the Board Decision No. 21/2014 dated 10 July 2014, without the approval of the Treasury.
- (e) Accrued expenses totalling Rs.93,865,651 relating the programmes executed as at the end of the year 2014 had been omitted in the accounts.
- (f) The reports of the current status relating to the implementation of 24 recommendations made by the Committee on Public Enterprises at the meeting of the Committee held on 03 December 2013 had not furnished to audit.

## 6. Systems and Controls

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The deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Council from time to time. Special attention is needed in respect of the following areas of control.

### Areas of Systems and Controls

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### Observations

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(a) Procurement	Existence of weaknesses in obtaining consultancy services for contracts.
(b) Budgetary Control	The utilization of provisions allocated from the Annual Estimates for the Programme which make a direct contribution to the achievement of the Objectives of the Council had been spent without a formal plan and without proper supervision.
(c) Accounting	The correct value of the assets of the Council not taken into the financial statements.
(d) Staff Administration	Action not taken to hold Efficiency Bar Examinations within the specified periods and action not taken for filling the vacancies in the approved posts.
(e) Conduct of Training Programmes	Non-revision of the syllabuses in order to enable obtaining future job opportunities through the fee levying courses conducted. Attention not paid for the recruitment of Trained Instructors.
(f) Assets Control	The Registers of Fixed Assets had not been maintained in accordance with the standard formats, the failure to assign the security of assets to the responsible officers and the failure to take necessary courses of action after holding formal inquiries on the deficiencies disclosed in the Annual Board of Survey.