

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Sri Lanka Youth Services Private Limited (“Company”) for the year ended 31 March 2021 comprising the statement of financial position at 31 March 2021 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements including material accounting policy 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 provisions of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters discussed in the section 1.5 of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

As described in paragraph 1.5 of this report, I was unable to confirm or verify the quantitative items included in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows by alternative means. As a result, I was unable to determine whether any adjustments were required to be made to the amounts or items reported or unreported in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Audit Scope (Auditor's Responsibilities for the Audit of the Financial Statements)

My responsibility is to conduct an audit of the Company's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.5 Audit observations on the preparation of financial statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standards

Non Compliance with the reference to particular Standard	Comment of the Management	Recommendation
(a) According to the paragraph 32 of Sri Lanka Accounting Standard No. 01 - Presentation of Financial Statements, assets and liabilities should not be offset against each other. However, contrary to this, the debit balance of tender deposits receivable of Rs.2.45 million was offset by the credit balance of Rs.0.47 million in that account and it was stated as Rs.1.98 million.	Agreed. Since it is stated in Sri Lanka Accounting Standard No. 01 that assets and liabilities should not be offset, it is hereby notified that this will not be done in the future.	Action should be taken in accordance with the Sri Lanka Accounting Standards.
(b) According to the Sri Lanka Financial Reporting Standard No. 07 - Financial Instruments: Disclosures Standard, assets pledged for liabilities should be disclosed in the financial statements. However, company had pledged fixed deposits worth Rs.1.60 million to the Foreign Employment Bureau for obtaining a foreign employment permit, but this had not been disclosed in the financial statements.	Agreed. Fixed deposits pledged as collateral for obtaining a foreign sector work permit will be disclosed in the financial statements in future years.	Action should be taken in accordance with the Sri Lanka Accounting Standards.
(c) The Company had not recognized and accounted deferred tax assets and liabilities for the year under review by considering taxable temporary differences in accordance with	Agreed. The Board of Directors had approved the recruitment of a tax consultant, and arrangements are being made to call for quotations.	Action should be taken in accordance with the Sri Lanka Accounting Standards.

paragraphs 15 and 16 of Sri Lanka Accounting Standard 12 - Income Tax Standard.

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| (d) | According to the paragraph 01 of Sri Lanka Accounting Standard 19 - Employee Benefits Standard, liabilities for future employee benefits should be recognized. However, the Company had not made provisions for gratuity of Rs.436,800 payable to 09 officers. | Agreed. Action is being taken to account provision for gratuity. | Action should be taken in accordance with the Sri Lanka Accounting Standards. |
| (e) | An annual impairment assessment had not been carried out for trade and other receivables valued at Rs.182.60 million in accordance with paragraph 9 of Sri Lanka Accounting Standard 36 - Impairment of Assets Standard. | Agreed. The impairment assessment for the 2022/2023 financial year will be made. | Action should be taken in accordance with the Sri Lanka Accounting Standards. |
| (f) | According to the paragraph 86 of Sri Lanka Accounting Standard 37 - Provisions, Contingent Liabilities and Contingent Assets, Contingent liabilities should be disclosed in the financial statements. However, 03 law cases filed against the Company had not been disclosed in the financial statements. | Agreed. Contingent assets and liabilities will be disclosed in the financial statements of 2021/2022. | Action should be taken in accordance with the Sri Lanka Accounting Standards. |

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
There was a cash balance of Rs.3.8 million in the statement of financial position as at 31 March 2021. However, it was confirmed by the audit that the said balance did not physically exist. Accordingly, the current assets stated in the statement of financial position had been overstated by that value.	A committee had been appointed on the advice of the Audit and Management Committee for this purpose, and relevant documents and information from previous years are being examined.	The responsible parties should be identified and action should be taken to recover the losses.

1.5.3 Unreconciled Control Accounts

Item	Value as per Financial Statements (Rs.Million)	Value as per Corresponding Record (Rs.Million)	Difference (Rs.Million)	Comment of the Management	Recommendation
Balances payable to the National Youth Services Council	1.34	No	1.34	Agreed. Relevant written evidence is being sought to verify the value in this regard, and a report will be prepared and submitted to the Director.	Action should be taken to recover the balance due without delay.

1.5.4 Documentary Evidences not made available for Audit

Item	Amount (Rs.Million)	Evidence available	not	Comment of the Management	Recommendation
Fixed assets, inventories, depreciation, other receivables, staff loans, festival advances, distress loans, income taxes, write-offs of surcharges and evidence for 194 journal entries could not be satisfactorily vouched or accepted due to the lack of evidence.	328.45	Relevant documents, schedules, balance confirmations, journal vouchers and related supporting documents		Agreed. Necessary action will be taken to submit all balance confirmations and all supporting documents to the audit for the financial years of 2021/2022.	Evidence relevant to the audit should be submitted promptly and appropriately.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) National Audit Act, No. 19 of 2018 and Section 6.5.1 of Public Enterprises Circular No. PED-12 dated 02 June 2003	The annual financial statements of state-owned companies should be submitted to the Auditor General within 60 days of the end of the accounting year. However, the Company submitted its financial statements for the 2020/21 accounting year on 22 January 2025, with a delay of 03 years and 06 months.	Agreed. At present, the financial statements are being prepared to be submitted to the Auditor General for audit.	Action should be taken in accordance with the Act and Circular.
(b) Section 41(2)(g) of the National Audit Act, No. 19 of 2018 and Public Enterprises Circular No. PED 31 dated 01 July 2005	Audit and Management Committees meetings had not been held during the year under review.	Agreed. Audit and Management Committees had been held.	Action should be taken in accordance with the with the Act and Circular.
(c) Finance Regulation 371(2)(b) as amended by Public Finance Circular No. 2020/01 dated 28 August 2020	Advances given to an officer should be settled immediately after the completion of the work assigned. However, out of the balance of Rs.2.30 million as at 31 March 2021, advances of Rs.1.07 million given during the year under review and Rs.1.22 million given in previous years had not been settled.	Agreed. Currently, providing cash advances are restricted.	Action should be taken in accordance with the Financial Regulations.

2. Financial Review

2.1 Financial Result

The operating result of the year under review was a deficit of Rs.3.92 million as compared to the corresponding surplus of Rs.3.61 million for the preceding year. Accordingly, a deterioration of Rs.7.53 million was observed in the financial result. This deterioration was mainly due to the decrease in income from all sources of income compared to the previous year.

2.2 Trend Analysis of major Income and Expenditure items

The main income and expenditure items of the year under review have been analyzed in comparison with the previous year and the values of increases or decreases are given below along with the respective percentages.

Description	Value as at 31 March 2021 (Rs.Million)	Value as at 31 March 2020 (Rs.Million)	Difference {Favourable/ (Adverse)} (Rs. Million)	Percentage
Income				
Security Services	81.10	91.84	(10.74)	11.69
Cleaning Services	30.72	33.64	(2.92)	8.68
Income from Canteen	24.61	35.25	(10.64)	30.18
Income from Press	6.06	11.56	(5.50)	47.57
Expenses				
Security Services	80.54	89.03	8.49	9.54
Cleaning Services	22.25	26.36	4.11	15.59
Income from Canteen	33.94	37.30	3.37	9.02
Expenses of Press	10.46	14.64	4.18	28.55

The following observations are made in this regard.

Since the revenue sources of the Company have declined during the year under review, the attention of the management should be focused on increasing those revenue sources. Also, the company's total income was Rs.142,492,276 of which Rs.12,555,773 or 91 percent, was earned from providing services to the National Youth Services Council. Therefore, it was observed during the audit that the attention of the Company was not focused on generating revenue from the main objective functions of the Company.

2.3 Ratio Analysis

According to the information and financial statements provided to the audit, the profit ratios of the Company for the year under review and previous years were all negative and those ratios compared to the previous year are shown below.

Profit Ratios	Year 2020/2021 (%)	Year 2019/2020 (%)
Operating Profit Ratio	(2.73)	3.08
Net Profit Ratio	(2.76)	2.10
Return on Assets Ratio	(2.05)	2.76
Return on Capital Employed Ratio	(4.76)	6.19

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
An unidentified deposit balance of Rs.1.28 million had not been identified in the financial statements and necessary adjustments had not been made.	Agreed. These balances had been accounted as unidentified bank deposits since 2017.	Action should be taken to reconcile unrecognized balances and corrected.

3.2 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
The company had recruited officers without an approved cadre and paid them Rs.3.90 million in the previous year and Rs.3.70 million in the year under review, totalling Rs.7.6 million as salaries and wages.	Agreed. The recruitment of officers without an approved cadre of the Company was done on the recommendation of the ex-chairman.	Staff should be recruited with proper approval.