

**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 2022 comprising the statement of financial position at 31 March 2022 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 a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. 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 paragraph 1.5 of this 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 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 1.5 section of this report, 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**

<b>Non Compliance with the reference to particular Standard</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) Contrary to Sri Lanka Accounting Standard No. 01 - Standard for the Presentation of Financial Statements, the gratuity provision value of Rs. 1,263,640 for the year under review was credited to the Expense Account instead of being credited to the Employee Benefits Provision Account, resulting in an overstatement of the surplus for the year by that amount.	Gratuity provision will be accounted for in the employee benefits provision account in the 2022/2023 financial year.	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, the Company had pledged fixed deposits worth Rs.1,595,964 to the Foreign Employment Bureau for obtaining a foreign employment permit, but this had not been disclosed in the financial statements.	Assets pledged as collateral will be disclosed in the financial statements in the next financial year.	Action should be taken in accordance with the Sri Lanka Accounting Standards.

## 1.5.2 Unreconciled Control Accounts

Item	Value as per Financial Statements Rs.	Value as per Corresponding Record Rs.	Difference Rs.	Comment of the Management	Recommendation
Payable to National Youth Services Council	1,341,156	0.00	1,341,156	Comments had not been given.	Unreconciled balances should be reconciled and corrected.

## 1.5.3 Documentary Evidences not made available for Audit

Item	Amount (Rs.)	Evidence not available	Comment of the Management	Recommendation
(a) Assets	219,486,188	Fixed asset records, Board of survey reports, stock count reports and schedules	Comments had not been given.	Written evidence required for the audit should be submitted.
(b) Liabilities	113,990,290	Schedules, balance confirmations and other written evidence		

## 1.6 Receivable and Payable

### 1.6.1 Accounts Receivable

Audit Observation	Comments of the Management	Recommendation
Action had not been taken to recover internal receivables amounting to Rs.31,808,829, staff loans, other assets, house rent, and insurance premiums, which were due between 02 - 07 years.	These balances have to remain in the financial statements continuously, as there is insufficient evidence to make the necessary adjustments to these balances.	The balance due should be recovered promptly.

## 1.6.2 Accounts Payable

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Action had not been taken to identify and settle other payable balances of Rs. 28,593,062 and unidentified deposit balances of Rs. 5,486,564 that had been outstanding for more than 07 years.	These balances have to remain in the financial statements continuously, as there is insufficient evidence to make the necessary adjustments to these balances.	Action should be taken to settle outstanding balances promptly.

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

<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Paragraph 6.7 of the Operation Manual for State-Owned Enterprises introduced by State Enterprises Circular No. 16/11/2021 dated 16 November 2021	An annual asset verification should be conducted regarding fixed assets and stocks. However, that was not done and the board of survey reports had not been submitted for audit.	Action will be taken to provide relevant reports in the future.	Action should be taken in accordance with the provisions of the guidelines.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs. 15.52 Million and the corresponding loss in the preceding year amounted to Rs. 3.89 Million. Therefore, an improvement amounting to Rs. 19.41 Million of the financial result was observed. The main reason for this improvement was the increase in security services revenue compared to the previous year.

### 2.2 Trend Analysis of major Income and Expenditure item

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

<b>Description</b>	<b>Value as at 31 March 2022 (Rs. Million)</b>	<b>Value as at 31 March 2021 (Rs. Million)</b>	<b>Difference {Favourable/ (Adverse)} (Rs. Million)</b>	<b>Percentage (%)</b>
<b>Income</b>				
Security Services	102.38	81.10	21.28	26
Cleaning Services	22.36	30.72	(8.36)	27
Income from Canteen	35.03	24.61	10.43	42
Income from Press	7.07	6.06	1.01	16
Income from Courses	18.10	-	18.10	100
Other	13.37	-	13.37	100
<b>Expenses</b>				
Security Services	86.01	80.54	(5.47)	6.8
Cleaning Services	17.76	22.25	4.50	20.2
Canteen	40.35	33.94	(6.41)	18.9
Expenses of Press	9.43	10.46	1.03	9.9
Expenses of Courses	10.75	-	(10.75)	100
Other	18.60	-	(18.60)	100

The following observations are made in this regard.

The company had introduced alternative sources of income, such as conducting foreign sector courses, running a computer school and increasing income through construction activities during the year under review.

### 2.3 Ratio Analysis

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

<b>Profit Ratios</b>	<b>Year 2021 / 2022 (Percentage)</b>	<b>Year 2020 / 2021 (Percentage)</b>
Operating Profit Ratio	7.82	(2.73)
Net Profit Ratio	6.86	(2.76)
Return on Assets Ratio	6.79	(2.05)
Return on Capital Employed Ratio	16.26	(4.76)

The following observations are made in this regard.

The total asset value of the company was Rs.228 million, and the profit earned from those assets was only Rs.15 million, which meant that the return on assets was very low compared to the prevailing market interest rate.

### 3. Operational Review

#### 3.1 Identified Losses

Audit Observation	Comments of the Management	Recommendation
(a) A surcharge of Rs.5,422,676 was payable in the year under review due to non-payment of contributions to the Employees' Provident Fund on the due date.	Due to the weakness in the financial management of the Company, it had to pay such surcharges due to non-payment of employee provident funds on time.	Action should be taken to pay the amount due to the Employees' Provident Fund on time.
(b) The goods had not been supplied for the advance amount of Rs.3,741,584 given for the purchase of equipment in the previous year, and the amount had not been recovered up to now.	This is a joint project between the company and the National Youth Service Council. The National Youth Service Council has already initiated an investigation into this matter.	The responsible parties should be identified and action should be taken to recover the losses incurred.

#### 3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
The restaurant and printing divisions of the Company continue to operate at a loss and these divisions incurred losses of Rs.4,576,205 and Rs.2,355,350 respectively in the year under review and losses of Rs.2,050,140 and Rs.3,079,467 respectively in the previous year. The attention of the top management had not been focused on turning this situation into a profitable one and the necessary measures had not been taken for that.	The current management is already preparing a plan to mitigate this situation.	The attention of the top management should be focused on increasing the revenue of the Company.

### 3.3 Transactions of Contentious Nature

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>There was a cash balance of Rs.3,912,788 as at 31 March 2022 in the statement of financial position. However, as at the date of the audit on 17 September 2025, it was confirmed that the updated amount of this balance did not physically exist. Also, the balance of this cash as at 31 March 2023, 2024, and 2025 was stated as Rs.2,778,140, Rs.2,778,140, and Rs.2,778,140, respectively. However, it was confirmed during the audit that the said balances also did not exist physically. The Chief Accounting Officer/Accounting Officer had been instructed to take legal and disciplinary action in this regard. However, such action had not been taken</p>	<p>There is no physical cash in relation to this balance, and the purchases and essential activities of the institution were carried out using this money at that time. Several documents have been received in this regard, and the Internal Audit Division is currently conducting an internal investigation to verify these documents.</p>	<p>Action should be taken to assess the damages caused by transactions of contentious nature and recover them from the responsible parties.</p>

### 3.4 Human Resources Management

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>(a) It was observed that action had not been taken to appoint an accountant for the Sri Lanka Youth Services Private Limited since 2013 and the position of Assistant Accountant had also been vacant since 03 June 2019. It was observed during the audit that the failure to take action to recruit an accountant on a permanent basis for the Company had also resulted in the Company not being able to submit the final financial statements for audit on time.</p>	<p>A newspaper advertisement was published regarding the recruitment for the position of Accountant, and accordingly, a new officer will be recruited for the relevant positions on 01.01.2026.</p>	<p>Action should be taken to urgently recruit an accountant on a permanent basis.</p>
<p>(b) Treasury approval had not been obtained for the cadre as per paragraph 3.1 of the Operations Manual for State-Owned Enterprises introduced by Public Enterprises Circular No. 01/2021 dated 16 November 2021.</p>	<p>Staff recruitment has been carried out with the approval of the Board of Directors so far.</p>	<p>Treasury approval should be obtained for the cadre and recruitment should be made accordingly.</p>

#### 4. Accountability and Good Governance

##### 4.1 Submission of Financial Statements

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
In accordance with the National Audit Act No. 19 of 2018 and paragraph 6.6 of the Operational Manual issued by the Public Enterprises Circular No. 01/2021 dated 16 November 2021, 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 had submitted the financial statements for the 2021/2022 accounting year on 22 October 2025, with a delay of 03 years and 04 months.	The preparation of the financial statements has been delayed due to political changes in the top management of the Company and changes in staff.	Action should be taken to submit the relevant reports without delay.

##### 4.2 Internal Audit

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
An internal auditor had not been appointed in accordance with Operational Manual and Guideline 4.4 of the Guideline for State-Owned Enterprises introduced by State Enterprises Circular No. 01/2021 dated 16 November 2021.	A paper has been submitted to the Board of Directors for this purpose.	Action should be taken to appoint an internal auditor.

##### 4.3 Non-implementation of recommendations of the Committee on Public Enterprises

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) The following recommendations of the Committee on Public Enterprises (COPE) and its sub-committees, as per the minutes of the meetings held on 18 and 20 February 2025 and 19 March 2025 respectively, had not been implemented by the Company as of the date of this report.		

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| (i)   | To follow up on the future existence of the company and take necessary steps to ensure its continued existence and the need for it to operate under the Sri Lanka Youth Services (Private) Limited Company and to achieve the objectives stated in the articles of association of the Company. | Currently, the necessary actions are being taken to initiate new projects to be implemented in accordance with the constitution, and the necessary actions are also being taken to make existing projects profitable. | Action should be taken to promptly implement the recommendations of the Committee on Public Enterprises. |
| (ii)  | Tabling of annual reports in Parliament since the Company was established in 1981.   | Since the annual reports of the Company have not yet been prepared, work will be carried out under the supervision of the Board of Directors in the future.   | Urgent action should be taken to table the annual reports in Parliament.                                 |
| (iii) | To prepare an updated strategic plan taking into account government policies and submit it to the sub-committee within 03 months.  | Necessary work is being carried out to prepare a new strategic plan in line with the new government's policies under the new management.  | An updated strategic plan should be prepared and submitted to the subcommittee.                          |