

National Youth Service Council - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Youth Service Council for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, 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 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the institute as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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 Public Sector 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 Institute'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 intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Auditor's Responsibilities for the Audit of the Financial Statements.

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a exists, I am required to draw attention in my auditor's material uncertainty report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the Institute to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Institute, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute .
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements.

1.5.1 Internal Control over the preparation of financial statements.

The council is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non – Compliance with Sri Lanka Public Sector Accounting Standards

Following observations are made.

| Non-Compliance with the reference to particular standard | Comment of the Management | Recommendation |
|---|---|---|
| (a) In terms of paragraph 99 of Sri Lanka Public Sector Accounting Standard 01, all | This expenses related to the year under review had been omitted even though | In the Preparation of accounts, expenditure |

items of revenue and expenses recognized in a period shall be included in profit or loss. But the total for the previous year were Rs.6,173,432 security and Telephone expenses were paid during the year under review and had been accounted as expenses of the year under review.

all the income and expenditure items identified during the period should have been included in the profit or loss accordingly as per paragraph 99 of Sri Lanka Public Sector Accounting Standard 01.

relevant to the year should be included in terms of Sri Lanka Public Sector Accounting Standards.

(b) In terms of paragraph 49 of Sri Lanka Public Sector Accounting Standard 07, When revaluation of fixed assets, all properties belonging to an asset category must be revaluation, but in the year 2021, only buildings belonging to five centres worth Rs.46,546,500 had been revalue and shown in the financial statements.

After receiving the government's valuation reports, other building will be revalue and accounted.

Financial Statement should be prepared in accordance with the Sri Lanka Public Sector Accounting Standards.

(c) Since useful life of non-current assets had not been reviewed annually in terms of paragraph 65 of Sri Lanka Public Sector Accounting Standard 07, 11 type of assets costing Rs.1,780,839,673 were further in use despite being fully depreciated by the end of the year under review. Accordingly, no action had been taken to revise the error in the estimate in terms of Sri Lanka Public Sector Accounting Standard 07. Further gross carrying value of this had not been disclosed in the financial statement.

The non-current assets that will be further utilized will be formally assessed and revalued by the recognized appraisers of the government and the relevant accounting will be disclosed in the financial statements of the year 2022.

Financial Statement should be prepared in accordance with the Sri Lanka Public Sector Accounting Standards.

1.5.3 Accounting Deficiencies

Following observations are made.

| Audit observation | Comment of the Management | Recommendation |
|--|---|--|
| (a) Value of 03 lands containing 03 acres and 92 perches in extend and lawfully by the council had not been assessed and brought to account. | Regarding these lands, the necessary preliminary work has been done to obtain the government's valuation reports and after receiving the relevant valuation reports from the government's valuation department, the respective value will be accounted. | The value of the Assets which are lawfully owned by the council should be included in the financial statement. |
| (b) A sum of Rs.2,293,733 paid reserve the Sugathadasa stadium for the conduct National Youth Sport Festival scheduled to be held in 2019, Although the amount was borne for the National Youth Sport Festival in the year 2021,the amount had not been accounted as the expenditure of the year 2021 but had accounted as the expenditure of the year 2019, so the deficit of the year under review was shown to be less than amount. | The National Sports Festival could not be held due to the Covid -19 situation in the country in the year 2020 . This sport festival was held in the month of December 2021, The expenses has erroneously accounted for as an expenses in 2019 by offsetting the amount paid in 2019.In the next year , such basic accounting errors care is taken not to occur and the relevant officials have been informed. | All expenses related to the year should be included when preparing the financial statement. |
| (c) In the year 2020 and 2021 , For the improvement of land building, Rs.5,196,942 had been accounted as capital expenditure for the year, So that net deficit for the year was overstated and fixed assets understated in the financial statements. Due to this, The depreciation expenses for the year under review is Rs.312,138 less was shown in the financial statement. | As shown in the audit, The relevant correction had been made in the second quarter of 2022. | Financial Statement should be prepared in accordance with the Sri Lanka Public Sector Accounting Standard. |

1.5.4 Unreconciled Control Account or Reports

| Value as per the financial statement | Value as per the Corresponding Report | Difference | Comment of the Management | Recommendation |
|--------------------------------------|---------------------------------------|-------------|--|--|
| Rs. | Rs. | Rs. | | |
| 164,162 | 104,300,311 | 104,136,149 | A supplementary estimate has been requested from the Treasury to obtain the necessary provisions to settle these balances in the year 2022 and From the year 2022, The relevant expenses will be accounted in accordance with the accounting standards under a formal financial control. | The amount payable to the Sri Lanka Youth Service private limited should be checked with the information of the company and corrected. |

1.5.5 Consolidation

| Audit observation | Comment of the Management | Recommendation |
|---|---|--|
| Although Sri Lanka Youth Services (pvt) Limited had been established in the year 1981 with 98 per cent shares to the National Youth Council, No Consolidated financial statements had been prepared and the company had not prepared and presented the financial statements to the audit since year 2018. | The accounting year of the company is from 01 April to 31 March, But the financial years of the National Youth Service Council are from 01 January to 31 December, So please be informed that the possibility of revising the financial year of the company under the provisions of the companies Act will be examined in the near future and further action will be taken and we will inform you about it. | Action should be taken to Consolidate financial information of the Sri Lanka Youth Service (pvt) Limited in the preparation of Financial Statements of the Youth Council and submit the consolidated financial statements. |

1.6 Non-Compliance with Laws, Rules, Regulations and Decisions

Following observations are made.

| Reference to Laws, Rules, Regulations etc. | Non-Compliance | Comment of the Management | Recommendation |
|---|--|--|---|
| ----- | ----- | ----- | ----- |
| (a) Secretary to the President's Circular No.PS/SP/SB/21/2018, dated 07 December 2018 | While the council has adequate facilities in the training centre to conduct residential courses, in the months of February and March 2021, 03 training programs were conducted in a private institution located in Badulla district and for that, 194 officials including drivers will be provided food and lodging facilities of Rs.3,246,600 had been incurred. | In the face of the covid epidemic situation, The officials will balance their duties and the challenges faced by the society in the year 2021, youth development programs, adventure sports and brainstorming activities will be implemented by the special consultants of the institute in accordance with health and safety methods. kindly mention that selected workshops have been conducted. | Action should be taken in accordance with the circular. |
| (b) Secretary to the President's Circular No.SP/SB/07/15,dated 25 September 2015 | Although events should be organized and executed in such a way that maximum benefits can be achieved at minimum cost, the collection for the year 2020 Wapmagul and Gold Harvesting Festival at Eraminiyaya Farm Training Centre is Rs. 399,176 had been incurred and This cost included entertainment expenses and accommodation of an officer including the chairman Rs. 290,250 of hotel charges. | It has been arranged to give instructions to all the responsible officers not to incur such expenses in the future and to act according to the circulars issued by the government and institutions in the implementation of the programs. | Action should be taken in accordance with the circular. |

2. Financial Review

Financial Results

The Operating Result Of the year under review had been a deficit of Rs. 249,189,000 as compared with the corresponding deficit of Rs.198,007,000 for the preceding year, thus observing a deterioration of the Rs. 51,182,000 in the financial result. The increase of youth development expenditure by Rs.91,951,000 and increase in the establishment and administrative expenses by Rs. 16,362,000 , had mainly attributed to this deterioration.

3. Operating Review

3.1 Uneconomic Transaction

Following observations are made.

| Audit observation | Comment of the Management | Recommendation |
|---|---|---|
| (a) For 4 sub- programs under the Sri Lanka Youth Start Up Challenge program planned to be implemented in the year under review, Rs.1,402,810 had been spent by 20 December 2021 but due to the non – implementation of those programs, the amount had become an idle expenditure. | The primary objective of the Start Up Challenge Program Was to create young entrepreneurs and to encourage other young entrepreneurs by highlighting entrepreneurs. This video was handed over to Left Hand Studio to prepare this video under Full HD technology by engaging several internationally successful entrepreneurs. Accordingly, an advance amount of Rs.300,000 has been paid to the relevant institution. | Plans should be prepared and implemented under proper supervision to full fill the objectives of the project initiation and Special attention should be paid to the frugal use of government money. |
| (b) A collection of 7000 T-shirts and trousers had been purchased on 30 April 2021 at a cost of Rs. 4,706,100 for distribution among the participating officers for programmes proposed to be implemented in the future of the council. and a stock of 5453 of those items was in the warehouse even by 15 October 2021. In spite of that 900 T-shirts had been purchased at a cost of Rs. 643,500 on 13 August and 28 September 2021 for the Smart Garden Programme. | The store had t-shirts printed for another program and could not be used to promote this program, so the above t-shirts were printed under the name “Suhuru Gevattha” | Special attention should be paid to the frugal use of government money. |

- (c) The two ambulances that were brought to Eraminiyaya Farm on 06 and 19 June 2021 under the program to modernize ambulances and supply them to hospitals with the aim of supporting covid patient care services, were taken back from the farm premises on 21 and 25 June 2021 without any relevant repairs. Accordingly the amount of Rs.149,365 was spent for the opening ceremony related to the implementation of the program was an idle expenditure.
- Although this project was started with the aim of modernizing dilapidated ambulances with the hope of developing the skills of the trainees studying the motor mechanic course at Eraminiyaya Training Centre, the implementation of the project was delayed due to the Covid epidemic situation.
- Special attention should be paid to the frugal use of government money.
- (d) Under the program to establish bodybuilding centres at the divisional secretariat level and at the youth club level in order to accustom the youth to a healthy and active lifestyle, for the establishment of the body building centre and purchase of equipment sets at Eraminiyaya Aesthetic and Farm Training Centre, the sum of Rs. 1,095,258 had been spent but due to non-utilization of the centre the entire expenditure had become an idle expenditure.
- The bodybuilding center was established for the benefit of the young people in the youth social sector and the trainees of the centre. Due to the bad health situation in the country, although the use is temporarily limited, arrangements have been made for opening in the future.
- Efforts should be made to implement the projects in a manner that full fills the desired objectives.
- (e) In the year 2021, To conduct a blood donation program as a function outside the objectives of the National Youth Service Council , Rs. 11,519,609 had been spent. For this purpose, without using the building and equipment of the council, Rs. 83,525 each for 24 days and Rs.2,004,600 was paid for the preparation of one domes in the premises of the institution and it was observed that the expenditure was an idle expenditure.
- As there were young people residing in the main office premises, a Dome was taken on rent basis to prevent outsiders from entering the premises and due to the epidemic situation in the country.
- Efforts should be made to minimize the use of public funds in the conduct of programs.

3.2 Management Inefficiencies

Following observations are made.

| Audit observation | Comment of the Management | Recommendation |
|---|---|--|
| (a) According to the audit conducted on 06 October 2021 in relation to 06 agricultural crop planning projects implemented without proper planning and supervision in Eraminiyaya Farm Training Centre due to weak supervision and non-maintenance of farm officials, the total amount is Rs.449,133 had been an idle expenditure. | Instruction have been given to the relevant responsible officers to work in a manner that minimizes the cost while planning the programs. | Plans should be prepared and implemented under proper supervision to full fill the objectives of the project initiation. |
| (b) Despite being allowed the Youth Services company to use the Council buildings free of charge, the second floor of the new building constructed at a cost of Rs.107,526,046 for a warehouse and as a residence for about 50 drivers had been given to the Sri Lanka Youth Services Pvt. Ltd. by the Chairman on 10 June 2021 without the approval of the Board of Directors and without achieving the intended purpose. Although for almost five years since 2016, the main warehouse of the council remained temporarily unprotected at 03 locations. | Arrangements have been made for the establishment of the driver's dormitory, and the related infrastructure should be completed before the establishment of the warehouse, so it is expected to be used for warehouse use after the completion of those works. | Projects should be implemented in such a way that the desired objectives are achieved. |
| (c) Due to non-following of a formal system related to the collection of income, the rice stocks of Eraminiyaya Aesthetic and farm training centre belonging to the National Youth Service council were taken for personal use, misplaced and wasted, and the value was Rs. 1,133,142, a stock of 8435 kg of rice and egg production of Rs.127,579 had lose revenue. | Arrangements were made for sale at the Sara Bhumi fair, implemented under the rice stock Start Up Challenge program. The rest of the rice was distributed to the families of the young people affected by the corona epidemic and to the staff of the youth service council who were affected by the Covid disease. | A formal inspection should be carried out as per the Financial Regulations and further action should be taken. |
| (d) The council plans to start the Cisco computer training course and signed a memorandum of understanding between Cisco International Company and the council on 04 December | The practical training given to computer consultants by the Cisco institute was planned to be given in the year 2020 and 2021 but could not | After establishing the appropriate infrastructure for starting the courses, procurement should be |

2020 and for that purpose on 15 July 2021 Rs.15,708,173 worth of equipment had been purchased, but the equipment was idle till 29 October 2021. However, 10 new officers were recruited without a formal system and by October 2021 at a total cost of Rs.4,174,874 , the computer school planned to be implemented by the council had been established under Sri Lanka Youth Services Private limited.

be implemented due to the epidemic situation in the country. Steps are expected to be taken to place the equipment after installing the appropriate infrastructure for starting these courses.

done and the desired objectives should be achieved as planned.

3.3 Transaction of Contentious Nature

Audit observation

Comment of the Management

Recommendation

Four construction projects of Eraminiyaya Swiss Training centre, Which were started in 2020, had not been completed until on 10 October 2021. Also, the total for this construction is Rs. 4,563,066 worth of building materials had been paid to two suppliers but 54 per cent of those materials or a total of Rs. 2,459,188 worth of material had been misappropriated by the official by preparing fake documents that they were received at the construction site. The loss related to this had not recovered from the responsible officials till April 2022.

A preliminary investigation has been started and work is being done to discipline the officials responsible in this regard.

The officer who was officer in charge of Eraminiyaya Training centre has been suspended.

A formal inspection should be carried out as per the Financial Regulations and further action should be taken.

3.4 ideal or Under –Utilized Property ,Plant and Machinery

Following observations are made.

| Audit observation ----- | Comment of the Management ----- | Recommendation ----- |
|--|--|---|
| (a) The total purchased for the youth for Youth program and training centres run by the youth organization and development division was Rs.10,612,500 worth of 83 desktop computers and A Tandoori oven worth of Rs.260,000 was stored idle for a period of 17 days to 09 month. | No comments had been made. | Attention should be paid to the need for goods and procurement should be done. |
| (b) As per the stock schedule as on the last day of the year under review, There are idle in the warehouse from 22 years to 06 months Rs.3,653,409 worth of 25238 stock units . | These idle goods will be investigated and step will be taken to issue usable goods as per requirement. | The purchase should be done by paying attention to the need of the goods and arrangements should be made to issue the goods that can be used based on the need. |

3.5 Procurement Management

Following observations are made.

| Audit observation ----- | Comment of the Management ----- | Recommendation ----- |
|---|--|---|
| (a) Without following the Procurement Guidelines, sums totalling Rs. 847,000 had been paid on 07 October 2021 for hiring a video wall mounted on a truck for 14 days at Rs. 60,500 per day for the "Be Happy with Youth" program held in the year under review. | In getting a truck with video wall related to "Be Happy with Youth" program, an open price call was not made due to the non – availability of pre- registered supplies and the fact that many institutions were not open due to the Corona epidemic. Accordingly, after obtaining the prices by a committee, the procurement work has been done with the recommendations of the technical committee. | Procurement function should be performed in accordance with the procurement guidelines of the Democratic Socialist Republic of Sri Lanka. |

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|--|--|--|
| <p>(b) In December 2021, without proper planning by the National Youth Service Council, a Lot of purchased items worth over Rs.240 lakhs were stored at the Heiyanthuduwa training centre for almost a year. Total expired warranty period in those goods is Rs.1,720,377, 23 Sony Hi Fi system and half of the total warranty period expired totalling Rs.3,454,922 televisions and multimedia projectors and Rs.120 lakhs worth of 25 kg washing machines and 03 clothes dryers had been purchased, and these machines remained idle without being used.</p> | <p>Although these equipment were purchased after realizing the need, due to the situation prevailing in the country due to the intensified Covid epidemic situation, As these equipment could not be released as expected, but it had been released to the field on 22 April 2022.</p> | <p>The management should pay close attention to the procurement activities by focusing on the need of goods.</p> |
| <p>(c) In the year 2021, The National Youth Service Council has given Sri Lanka Youth Services private company Rs.3,045,700 worth of 08 printing orders were fulfilled by the company through external agencies and keeping a profit margin of 10 per cent to 108 per cent, the total amount to the youth service council was Rs. 3,886,370 had been given.</p> | <p>No comments had been made.</p> | <p>Procurement should be done as procurement guidelines.</p> |

3.6 Human Resource Management

| Audit observation | Comment of the Management | Recommendation |
|---|--|---|
| <p>The council recruit eleven officers as untrained clerks from February 2021 without any formal recruitment system and paid them per day Rs.1,800 each till April 2021 total Rs.488,700 had been paid.</p> | <p>This has been done on the basis of the service requirement of the vacant position in the council and it has been submitted for approval for the internal promotion in the future, so it is expected to proceed accordingly.</p> | <p>Action should be taken to fill the vacancies as per the recruitment procedure.</p> |