

National Youth Services Council - 2014

The audit of financial statements of the National Youth Services Council for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 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

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

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 judgements, including the assessment of the risks of material misstatement 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 the 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 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 Audit Opinion

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

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the 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 2014 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

2.2.1 Preparation of Consolidated Financial Statements

The Consolidated Financial Statements for the year had not been presented by consolidating the financial statements of the Youth Services Company Ltd, which is a Subsidiary Company of the Council, with the financial statements of the Council.

2.2.2 Sri Lanka Public Sector Accounting Standards

According to the Sri Lanka Public Sector Accounting Standards the errors of the prior periods should be rectified by restating the comparative values presented in the financial statements presented for the period in which the errors occurred. But it had not been so done.

2.2.3 Accounting Deficiencies

The following deficiencies were observed.

- (a) The provision for depreciation amounting to Rs.106,437 relating to the fixed assets disposed of in accordance with the recommendation of the Reports of the Boards of Survey had been adjusted to the balance of the profit and loss brought forward from the preceding year instead of being adjusted to the Assets Disposal Account.
- (b) The over provision of Rs.168,650 for the doubtful debtors in the year under review had been adjusted to the balance of profit and loss brought forward in the year instead of being adjusted to the profit for the year.
- (c) The actual loss from the disposal of fixed assets had not been reflected as investments written off amounting to Rs.2,233,190 had been brought to account in the Fixed Assets Disposal Account.
- (d) Even though a negative balance of Rs.316,620 had been shown in the Cash Flow Statements as the non-current assets adjustment relating to the year under review, according to the financial statements it was Rs.301,870. As such the cash flow from the operating activities had been overstated by a sum of Rs.14,750.
- (e) In the preparation of the Farms Working Account, the permanent Crop income of Rs.1,199,508 had been treated as other income without of including in the working audit and as such a loss of Rs.1,474,043 had been reflected in the Farms Working

Account. Accordingly, Farms Working Account did not reflect the correct financial results.

- (f) Accrued expenses relating to the year under review amounting to Rs.93,865,651 and a sum of Rs.363,740 receivable as Indoor Stadium and Hostel Facilities relating to the year under review had been omitted in the accounts.
- (g) Even though an employee loan balances of Rs.345,013 was identified during the audit test check, it had not been included in the financial statements. Even though the loan had been recovered in monthly installments of Rs.5,780 that had been brought to account as sundry income.
- (h) Even though the Council had spent a sum of Rs.2,028,595 for 41 schools selected from all over the Island, concurrently with the celebration of the National Skills Day on the basis of being reimbursed by the Ministry, only a sum of Rs.550,000 had been given by the Ministry. Instead of taking action for the recovery of a sum of Rs.1,478,595 spent by the Council, that amount had been brought to account as the expenditure of the Provincial Offices.

2.2.4 Contingent Liabilities

The Compensation Payable as claimed in 39 cases filed by Citing the National Youth Services Council as a Party, totalled Rs.9,957,364. That had not been disclosed in the financial statements.

2.2.5 Unrecovered Control Accounts

A differences of Rs.21,850 was observed between the value of the year-end balance of consumable stocks according to the financial statements and the value according to the Board of Survey Report.

2.3 Accounts Receivable

The following observations are made.

- (a) Debtors balances amounting to Rs.1,740,000 relating to loans granted to officers and shown in the financial statements, no recoveries whatsoever had been made during the year. Recoveries in respect of 02 loan balances totalling Rs.552,000 relating to two other debtors had not been recovered regularly.
- (b) No recoveries whatsoever had been made during the year on 06 employees loan balances totalling Rs.648,497 and recoveries on 04 loan balances totalling Rs.153,599 relating to 04 officers had not been made regularly.

2.4 Non-compliance with Laws, Rules, Regulation and Management Decisions

Instances of non-compliance with the following laws, rule, regulations and management decisions were observed during the course of audit.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliance

(a) Guidelines for Selection of Consultants -2007

(i) Guideline 2.8

In the selection of Consultants for modernization and improvement of Training Centers, the procurement Committee had not obtained the signatures to a statement containing matters as required in the Guidelines.

(ii) Guideline 8.8

The procedure for the evaluation of technical proposals had not been followed.

(iii) Guideline 6.2

The documents for Request for Proposals had not been prepared by clearly indicating the criteria for the evaluation of quotations. As such a proper evaluation in accordance with the guideline 8.8.5 could not be possible.

(b) Guideline 8.13.4 of the Procurement Guideline - 2006

When the variance exceeds 10 per cent of the agreed amount the total cost estimate should be revised. But in the case of the contract for the modernization of the Anuradhapura Youth Resort a sum exceeding 40 per cent of the contract cost had been approved as additional work without revising the total cost estimate.

2.5 Transaction not supported by Adequate Authority

The investment balance of Rs.2,233,190 in the Youth Services Music Company and the Youth Services Dance Company had been written off from the books in accordance with the Council Decision No.21/2014 No.4.3 of the Board of Directors, without the approval of the Treasury.

3. Financial Review

3.1 Financial Result

The financial result of the operation of the Council for the year under review amounted to a deficit of the Rs.150.83 million as compared with the corresponding deficit of Rs.253.28 million for the preceding year. The financial result for the year under review as compared with the preceding year had improved by Rs.102.45 million. The increase of the income of the Council by a sum of Rs.307.64 million had been the major reason for the increase.

4. Operating Review

4.1 Performance

Six Programmes planned for the year under review for upgrading of the esthetics skills of the Youth, professional development, upgrading of leadership skills and upgrading of economic position had not been implemented. Out of the provision amounting to Rs.84.763 million allocated for the purpose, 99 per cent had been saved. The Sri Lanka Youth Awards Ceremony for which provision amounting to Rs.13.250 million had been made could not be implemented as expected and 70 per cent of the provision made had been saved.

4.2 Management Inefficiencies

The following observations are made.

- (a) A sum of Rs.2,824,181 collected to the Council account for the construction of the Murukkandi Temple Railway Station had not been utilized for the purpose over a period exceeding 10 years. The Board of Director met on 02 August of the year under review had approved to give the money to the Sri Lanka Youth Association Federation for the conduct of classes for the students who were unable to sat the General Certificate of Education Ordinary Level and the Advanced Level Examinations due to the war in the northern and eastern regions. Even though the approved expenditure estimate for the purpose amounted to Rs.2,000,000, the Council had given a sum of Rs.2,824,181 to the Sri Lanka Youth Association Federation. Nevertheless, a sum of Rs.196,800 out of that money only had been spent. Action had not been taken even up to 02 March 2015 the date of audit for the recovery of the balance sum of Rs.2,627,381 to the council.
- (b) Provisions amounting to Rs.15,930,940 allocated from the budget for the year under review and a sum of Rs.48,040,131 transferred from other objects had been made for achieving 04 objectives including the improvement of the eradication of the Youth to Youth Associations through a programme called Youth Revolt. Even though a sum of Rs.39,798,911 out of that had been spent, according to the expenditure statements, only 2 per cent of that had been spent on activities which had a direct connection to the objectives of the Programme. The balance provision had been utilized as situation programs on other matters which did not relate to the objectives of the Programme.

4.3 Operating Inefficiencies

The following observations are made.

- (a) The ownership of lands, 341 acres 27 roods 89.37 perches in extent on which the Head Office and 61 Training Centres and 07 Farms of the Council are situated had not been transferred to the Council even up to the end of the year under review. Nevertheless, a sum of Rs.163 million had been spent during the year under review in respect of the construction of buildings alone on those properties.

- (b) According to the performance target of the sector Skills Development Programme, National Vocational Quality level 04 courses should have been newly commenced during the year under review by the Ratmalana Training Centre and a minimum of 500 students should have been enrolled.

Nevertheless, 10 Programmes had been commenced and only 254 students had been enrolled even by May 2015, the date of audit, while 7 courses had not been accredited.

In addition, the Training Centre had conducted 10 full time courses and 60 part time courses including the above courses and the total number of students for those had been 558 and 1,185 respectively. Out of the above courses, there were 20 courses for which a very low number of students had participated. The number of students in 10 courses out of that had been less than 5 students and the number of students of the other 10 had been between 5 and 10.

- (c) The conduct of lectures in respect of all courses of the Ratmalana Training Centre except the motor Mechanics course had been done by External Lecturers. A formal recruitment procedure or methodology had not been formulated for the recruitment of those Instructors.
- (d) Even though a sum of Rs.5,237,000 spent in the year under review for the purchase of sports goods, it was observed that this activity is not being carried out according to a proper methodology due to reasons such as the failure to determine the requirements of sports goods before the purchase of those for distribution, unavailability of a data base on the Sports Associations, and Organisations and the failure to maintain files containing evidence in support of receipt of the sports goods by the recipients.
- (e) Even though Ministry provision of Rs.3 million had been made in the year under review for the Political Academy Programme expected for implementation at the national level, new courses had not been commenced under this Programme. Out of the provision made for the Programme a sum of Rs.2.5 million had been transferred to another programme.

4.4 Transactions of Contentious Nature

The following observations are made.

- (a) A sum of Rs.1,026,000 had been given on 30 December of the year under review on a recommendation of the Minister, to the Matara District Office of the Council based on 03 objectives, for the implementation of the Home Garden Programme through the Sri Lanka Youth Association Federation, despite the failure to utilize effectively the provisions given in the preceding years. Even that Programme as well had not been implemented as expected.
- (b) The Main Stores of the Council had received 15,389 T Shirts with “Nil Balakaya” in 8 instances during the period August to November of the year under review and 8,888 T Shirts out of that had been issued to various persons up to 16 June 2015, the date of audit. Accordingly, 6,501 T shirts remained in the stores without being distributed.

Any information whatsoever in connection with the purchase of those T shirts had not been furnished to audit. Receipt of stocks and distribution had been recorded in a separate registers without being recorded in the Main Inventory. That had not been disclosed by a Board of Survey.

- (c) The Council had made a sponsorship contribution of Rs.200,000 during the year under review for a stage drama for strengthening of the financial strength of a private organization which did not relate to the objectives of the Council.
- (d) The contract for printing of 2,000 diaries and 10,000 calendars for the year 2015 at a cost of Rs.4,450,000 had been awarded to the Youth Service Company without calling for Public and without preparing estimates and specifications. That work had been done through a private printer for Rs.4,100,000 as the company did not have the relevant facilities. The observations made in this regard are given below.
 - (i) Out of the 1,751 diaries and 1,979 calendars received by the stores by 16 June 2015, the date of audit, 1,635 diaries valued at Rs.1,389,750 and 1,642 calendars valued at Rs.426,920 remained in the stores without being distributed. Those had not been recorded in the Inventory Book. Contrary to the paragraph 4 of the Circular No. DE/CE/2/2 dated 07 December 2014 of the Commissioner of Elections, those diaries and calendars had been printed with pictures of a particular candidate for the Presidential Election projecting his political profile.
 - (ii) The sum of Rs.4,450,000 payable in this connection included 249 diaries and 8,021 calendars valued at Rs.2,297,110 not supplied to the main stores.
- (e) Thirty walkie talkies had been purchased at a cost of Rs.1,411,200 in the year under review for the world Youth Conference. The samples of goods had been obtained from the supplier, recommended as suitable and orders sent to the supplier even by the due date for opening of quotations.

4.5 Apparent Irregularities

- (a) A sum of Rs.4,298,061 had been paid in the year under review to a private Consultancy Company for the procurement of Consultancy services on the construction contracts under the Skills Sector Development Programme. The following matters were revealed in this connection.
 - (i) Quotations for the above matter had been received from 21 persons and the quotations of 15 persons only had been evaluated and the reasons for not considering the other quotations had not been furnished to audit.
 - (ii) The Technical Evaluation Committee had recommended that the consultancy services should be obtained from the institution which had scored the highest marks exceeding 50 in accordance with the evaluation criteria, for 4.98 per cent of the contract cost.

Nevertheless, a Committee which comprised 04 officers including Working Director of the Council had disregarded that decision and awarded the contract to the institution which scored only 15 marks and occupied the ninth place. Further the reason for not accepting the Technical Evaluation Committee recommendation was not explained.

- (iii) According to the Business Registration Certificate of the selected institution, the date of commencement of the business had been 21 October 2013 and the Provincial Register of Business Names had signed this certificate on 22 April 2014. But the date of receipt of this certificate by the construction Division of the Council had been date stamped as 18 December 2013.
- (b) It had been decided to evaluate the Training Instructors under 05 steps in accordance with the instructions of the Ministry on the payment of incentives under the Skills Sector Development Programmes and pay a Monthly allowance of Rs.8,000. Nevertheless, the Council had paid the Instructors allowance by formulating an evaluation system by separating each criteria to sub-parts in order to pay incentives without achieving the expected targets. In addition, the incentive evaluation cards of the Officers in charge of the Centres and the Provincial Directors had been designed in a manner for them to obtain incentive allowances on the activities relating to their normal day to day duties.
- (c) A sum of Rs.1,000,000 had been paid to the Youth Association Federation for the printing of 04 volumes of the the Sri Lanka Youth Magazine without an approved programme or the estimated provisions.

The following observations are made in that connection.

- (i) The printing of the magazines had been awarded to a private institution selected informally and without following the Procurement Guidelines.
- (ii) The Secretary to the Youth Associations Federation had entered into a Memorandum of Understanding with the private printing institution to supply the following facilities without the approval of the management of the institution and proper authority.
 - The Council to pay a sum of Rs.250,000 on the first day of each month for the printing of each volume.
 - To issue official identity cards and visiting cards for all officers connected with the printing of magazines.
 - To provide office accommodation for carrying out the work of the magazine.
 - To provide a motor vehicle and fuel.
 - The Council to make additional sales promotion and the initial investment.
- (iii) According to the agreement, the powers relating to the printing and sale of the magazines including proof reading thereof were vested in the printing

institution and as such the institution had the ability to earn money by printing and sale of unlimited number of magazines.

- (iv) The information on the receipt and issue of stocks of magazines had not been recorded in the Main Inventory of the Council and a separate register had been used for the purpose. Even such information had been irregular and incomplete.
- (v) The sale price of a magazine had been marked as Rs.100 and as such it indicated that those were printed for sale. Any sale proceeds whatsoever had not been received by the Council. The total cost thereof amounting to Rs.1,000,000 had been a charge on the Government. Any evidence on the receipt by the Council of the income earned from the trade advertisements published in the magazine was not made available to audit.

4.6 Idle and Underutilised Assets

According to the information made available to audit, the total extent of the lands of 14 Farms belonging to the National Youth Services Council had been 294 acres and ¼ rood. Out of that, about 90 acres remained idle without being cultivated.

4.7 Uneconomic Transactions

The following observations are made.

- (a) Expenditure amounting to Rs.46,203,939 had been spent in the year under review under the Youth Parliament Programme for holding 06 Parliamentary Sessions. Even though the expected participation for the 06 Sessions and the Committee workshops had been 2,884, the number who did not participate had been 960 (33 per cent). According to an informal agreement which did not include essential clauses, a sum of Rs.11,935,062 had been paid to an external institution for the assembling and dissembling of the Parliament Model for 04 Sessions, without a certificate indicating that the service had been properly rendered. This activity for the last 02 Sessions had been done by the Youth Services Company and a sum of Rs.3,468,400 had been paid for the service. Therefore the average payment made per Session to external institution and the National Youth Services Company Ltd amounted to Rs.2,983,765 and Rs.1,734,200 respectively. Therefore, it was observed that an overpayment of Rs.4,998,260 at the rate of Rs.1,249,565 per session had been made.
- (b) A sum of Rs.930,000 had been paid to an institution selected through the Shopping Procedure contrary to Section 3.4 of the Procurement Guidelines for the production of a documentary video film on the progress of the Sri Lanka Youth Housing Project being implemented from the year 2011 as well as a further sum of Rs.16,800 for the supply of additional facilities. Even though this work could have been done by the NYSCO Video Unit of the Council with a staff of 13, it had been done through the private institution, citing the reason that the Unit did not have adequate facilities. Even though provisions totalling Rs.44,625,000 had been made in the Estimate provisions for the years 2013 and 2014 for the development work of the NYSCO

Video Division, there was no evidence that the development work had been carried out.

- (c) Even though provision amounting to Rs.17,261,766 had been made for the implementation of the “Sri Lanka Youth Dream” Programme, a sum of Rs.7,841,251 only had been spent thereon. This programme had been implemented in two rounds and 36 and 30 competitors had participated in the first and second rounds respectively. Even though sums of Rs.2,400,000 and Rs.1,200,000 had been allocated for award of the prizes for the finalists in the competition and the production of two compact discs of songs of the winners of the “Dream Reality Show” those activities had not been carried out.
- (d) According to the provisions and targets of the skills Sector Development Programme, the improvements to the Training Centre at Ratmalana should have been completed in the year under review. Instead of carrying out improvements to the building, the Management had decided to demolish the building and construct a new building and for obtaining a building for an annual lease rent of Rs.7,024,500 for the Training Centre. A sum of Rs.4,959,594 had been spent up to 25 June 2015, the date of audit for carrying out improvements to the building obtained on lease rent informally. Even though the lease period is due to expire on 30 September 2015, an uncertainty over the completion of the construction of the Centre was observed due to the unavailability of provisions required. As the work had been done without the approval of the Ministry, the above expenditure could not be reimbursed even from the skills Sector Development Programme.
- (e) The Council had spent a sum of Rs.24,092,029 for the construction of stages, decoration of stages and the supply of speaker systems in connection with the implementation of programmes and in this connections, action had been taken, contrary to the following Procurement Guidelines.

Reference to the Guidelines

Breach of Guidelines

Guideline 2.3 (a)

Procurement documents had not been prepared by the specifications committee and the Technical Evaluation Committee.

Guideline 6.3.6

The proceedings of the bid opening had not been maintained.

Guideline 5.6 / 4.3.1

Specifications and the Total cost Estimates had not been prepared.

Guideline 2.11.3

The Report of the Technical Evaluation Committee had not been prepared on specified form by clearly stating the decision.

Guideline 8.9.3

A formal agreement had not been signed in

connection with a contract costing Rs.2,633,970.

Guideline 5.4.7

An Advance Guarantee bond had not been obtained.

Guideline 5.4.8

A performance security bond had not been obtained.

The invitation of bids and the decision of the Procurement Committee in respect of the contract costing Rs.2,633,970 included in the above items had been done on the same day, that is, 11 February 2014 and a date of the Report of the Technical Evaluation Committee had not been indicated.

- (f) Even though the Council had spent a sum of Rs.4,032,360 for the investment in the shares of the Youth Services Company Ltd. in the year 1985, no returns on that investment whatsoever had been received in the year under review.

4.8 Identified Losses

The following observations are made.

- (a) According to the Report of the Board of Survey of the Main Stores for the year under review, a shortage of 405 goods valued at Rs.2,646,404 continuing over a period of 25 years existed and out of those, 71 goods had been purchased in the year under review. The attention of the Council had not been paid for carrying out formal inquiries into those shortages and for the recovery of the losses.
- (b) A shortage of goods valued at Rs.212,920 revealed during the course of the annual Board of Survey had been written off to the balance of the Income and Expenditure Account for the previous year without taking action in accordance with the Financial Regulations.

4.9 Deficiencies in Contract Administration

The following observations are made.

- (a) The engineering estimate of the contract for the construction of the Auditorium of the Youth Centre, Anuradhapura amounted to Rs.6,075,740 and the contract had been awarded for Rs.7,276,890. According to the agreement, the work should have been commenced on 05 November 2011 and completed on 02 February 2012. But the contract had not been completed on the due date and the building had been taken over on 20 August 2013 along with the balance work to be done and the defects. The Consultancy Company had informed that the balance works had not been completed even up to 18 February 2014. The Officer in charge of the Centre had informed the company that there were 25 defects including basic defects in the building completed and handed over.

The further matters observed in this connection are given below.

- (i) Even though the Engineering Consultancy Company had prepared an estimate of Rs.4,950,980 for additional works, the approval of the Procurement Committee for that had not been granted. According to the final bill, the total value of the contract amounted to Rs.11,677,341 and that represented an increase of Rs.4,400,451 or 60.47 per cent of the agreed amount. According to Guidelines 8.13.4 when the variance from the agreed amount exceeds 10 per cent, the total cost estimate should be revised but it had not been so done. Nevertheless, the Procurement Committee met on 24 December 2014 had decided to make payment on the final bill which had not been certified by the consultant and extend the contract period by 1 ½ years, irrespective of the delay in construction work.
 - (ii) The contract had not been completed and handed over formally even by 27 February 2015, the date of audit. Even though the contract period had elapsed for 3 years beyond the agreed date, the Council had not taken action for the recovery of liquidated damages.
- (b) The contract valued at Rs.8,089,950 for the modernisation of the office of the Youth Associations of the Anuradhapura Youth Resort had been awarded to a private institution on 14 October 2011.

The following matters were observed in this regard.

- (i) Even though this institution had been determined as an unsuitable contractor due to producing an unacceptable bid bond in accordance with the bid evaluation report of the Consultant and the report of the Technical Evaluation Committee, the contract had been awarded to the above institution.
- (ii) Even though the contract value according to the final bill had exceeded the agreed value by 57 per cent, the total cost estimate had not been revised in terms of Section 8.13.4 of the Procurement Guidelines. Similarly a sum of Rs.3,960,131 had been included in the bills for additional work and that represented 49.4 per cent of the total cost estimates. The recommendation of the Technical Evaluation Committee or the approval of the Procurement Committee had not been given for that increase.
- (iii) According to the agreement, the contract should have been completed by 02 February 2012 but the work had been completed and handed over only on 18 February 2014. Nevertheless, action had not been taken for the recovery of liquidated damages while action had not been taken against the contractor for the abnormal delays in the completion of the work. The Procurement Committee had subsequently approved the payment of the full amount which included the original value and the value of additional work.

- (iv) There was no evidence in support that the Consultancy Company had carried out a proper supervision on site.
- (c) A sum of Rs.25 million had been allocated under Sectoral Skills Development Programme for the modernisations of the Lovelane Training Centre of the Council and the engineering estimate amounted to Rs.23,803,980. In the evaluation of the quotations, the Consultancy Company and the Technical Evaluation Committee had recommended the institution which submitted the fourth lower quotation. The decision of the Procurement Committee had not been filed. That quotation of Rs.19,558,550 had been 17.83 per cent less than the engineering estimate. The details relating to the selection had not been filed.

4.10 Weaknesses in the Implementation of Project

The following observations are made.

- (a) According to the Development Plan for the year under review, plans had been made for allocating a sum of Rs.46,123,200 for the Youth Housing Programme for the construction of houses for 246 youths in selected areas of Divisional Secretary Divisions who are confronted with housing problems under the directions of the Regional Board of Youth Associations and the sponsorship of the business community in the respective areas and for the construction of the Resources Centres for the Regional Boards of Youth Associations which do not construct houses. But not a single house had been constructed during the year under review. Due to the failure to implement the programme under a proper plan, the foreign aid that could have been obtained for the construction of houses in the north and the east could not be obtained. Similarly, a national level competition for the selection of the best house under this Programme had been held in the preceding year. Even though it had been determined to grant a sum of Rs.85,000 , comprising Rs.40,000 to the Youth Association, Rs.20,000 to the Regional Conference of Youth Association and Rs.25,000 to the Youth Services Officer, for the houses in the Gampaha District which had won the first place in the competition, those prizes had not been awarded even by the end of the year under review.
- (b) The Youth University Programme commenced to provide higher educational opportunities for a larger number of Youth without being a financial burden to the Government, according to a comparison of the information for the year 2010 with that of the year under review, had become a financial burden to the Council as a worn out Programme. Even though the Programme had earned a profit of Rs.8,631,236 according to the financial statements for the year 2010, the expenditure for the year under review had exceeded the income by a sum of Rs.4,291,840. The Programme implemented in 15 districts in the year 2010 had been limited only to the Colombo District during the year under review.
- (c) An expenditure of Rs.14 million approximately had been incurred in the year under review for the Programme for the launch of the National Youth Policy. But the Council had failed to formulate a legal base for the achievement of the objectives of formulation of such policy.

4.11 Personnel Administration

The following observations are made.

- (a) The number of vacancies in the Staff Grade Posts of the Council including the major Staff Grade Posts had been 25 and lower grade officers appointed on covering up duties and 15 officers recruited externally had been deployed in those posts. Nevertheless, 189 officers exceeding the approved cadre had been deployed in service by the end of the year under review.
- (b) The Council had deployed 152 officers by the end of the year under review for 11 posts not approved for the Council by the letter No. DMS/E3/36/04/224/1-1 dated 09 May 2011 of the Director General of Management Services.
- (c) It was observed that 06 officers incharge of the 06 Farms of the Council did not possess skills in the Agricultural Sector.

5. Accountability and Good Governance

5.1 Internal Audit

Even though an Internal Audit Unit with a staff of 09 officers had been established, the Internal Audit Programmes for the year under review had not been prepared and implemented to enable a proper evaluation of the financial and operating activities of the Council as well as the special programmes of the Sectoral Skills Development Programme.

5.2 Budgetary Control

The overall budgetary provision for the year amounted to Rs.1,587 million and the expenditure amounted to Rs.1,626 million, thus resulting in an excess of expenditure over the provisions amounting to Rs.39 million. In addition, the expenditure of 06 Divisions had exceeded the provisions totalling Rs.1,006,671,000 made there under by a sum of Rs.268,671,476. Out of the provisions totalling Rs.432,669,000 made for 10 Programmes providing a direct contribution to the achievement of the objectives of the Council, 54 per cent had been saved without being utilized for the respective objectives. Thus it was observed in audit that the budget had not been made use of as an effective instrument of management control.

5.3 Unresolved Audit Paragraphs

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

- (a) Fifteen motor vehicles used by the Council had been taken off from running and used as training equipment of the Training Programmes of the Council. But the profit or loss arising from the disposal of the motor vehicles and the value of motor vehicles utilized for training programmes had not been brought to account.

- (b) The land costing Rs.3,398,200 obtained from the Urban Development Authority on a 50 year lease with effect from July 2000 for the construction of the Beruwala Youth Centre remained idle even up to the end of the year under review without being utilized for the intended purpose.
- (c) A sum of Rs.1,143,155 had been given to the Council by a Foreign Aid Programme in the year 2009 for the “Sarukaramu” Home Garden Project. Even though that money had been given to the Sri Lanka Youth Associations Federation in the year 2011, the Programme had not been implemented. The Council had submitted erroneous information that the money was deposited with the Sri Lanka Youth Association Federation and that the Programme is being implemented as planned to the Committee on Public Enterprises at its meeting held on 03 December 2013. No action whatsoever had been taken against the Federation for the failure to carry out the work.

6. Systems and Controls

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 systems and controls.

- (a) Procurement
- (b) Budgetary Control
- (c) Personnel Administration
- (d) Contract Administration