

Sri Lanka Youth Service Private Limited -2021/ 2022 (Transaction Report)

The audit of the operating activities of the Sri Lanka Youth Service Private Limited for the year ended 31 March 2022 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 conjunction with provisions of the National Audit No.19 of 2018. My comments and observations which I consider should be tabled in Parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report.

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

As per the Section 16(1) of the National Audit Act No.19 Of 2018, any entity 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 entity. As per section 16(2) of that Act, the Chief Accounting Officer should submit the Annual Financial Statements for each audited entity to the Auditor General with the annual performance reports of those entities within the stipulated time period specified in the regulations. As per section 38(1) (d) of the Act, ensure that annual reports and other financial statement are prepared in a timely manner and, in addition to that, the Chief Accounting Officer should ensure that the annual reports relating to the audited entity is submitted to parliament.

2. Report on other Legal and Regulatory Requirements

The National Audit Act No. 19 of 2018 and the Companies Act No. 7 of 2007 contain special provisions regarding the following requirements.

In terms of Section 150 (1) of the Companies Act No. 7 of 2007, the Board of Directors of the company should ensure that the person responsible for the preparation of the financial statements will be certified within six months from the date of the balance sheet.

2.1 Financial Statements

Audit Issue	Comment of the Management	Recommendation
According to Section 6.5.1 of the Public Enterprise Circular No. PED/12 dated 02 June 2003, eventhough the annual financial statements of public companies should be submitted to the Auditor General within 60 days after the end of the accounting year, the company had not been submitted the financial statements related to the accounting years 2018/2019, 2019/2020, 2020/2021 and 2021/2022 to the audit by 16 December 2022.	Arrangements have been made to submit the 2018/2019, 2019/2020 financial statements for audit. The instructions have been given to submit the financial statements of 2020/2021 before 30 December 2022.	Accounts should be submitted on due date as per the circular.

2.2 Non-compliance Law, Rules, Regulations and Management Decisions

The following non-compliances are observed.

Reference to the Law, Rules, Regulations	Non-compliance	Comment of the Management	Recommendation
(a) Section 41(2) (g) of the National Audit Act No. 19 of 2018	Although the Company shall establish Audit and Management Committees for companies registered or deemed to be registered under the Companies Act No. 07 of 2007 in which the Government or a Public Corporation or a Local Authority hold fifty per cent or more of the shares of that company, Action had not been taken accordingly by the Company.	The instructions have been given to established the Audit Management Committees as soon as the new Board of Directors was appointed and work.	Action should be taken as per the Audit Act.
(b) Public Enterprise Department Circular No. PED/12 dated 02 June 2003			
(i) Paragraph 5.2.3 and 4	The company had not prepared and approved the annual budget estimates.	The budget estimate for the year 2023 has been prepared and directed to submit it for approval.	Action should be taken as per the circular instructions.
(ii) Paragraph 6.5	The company had not prepared the annual reports and tabled them in Parliament.	Annual reports are being prepared.	Action should be taken as per the circular instructions.
(iii) Paragraphs 8.3.4 and 8.3.5	Contrary to the referred Circular, a sum of Rs.60,821 was paid as telephone allowance and fuel allowance from May to October 2021 to the permanent and casual staff of the computer school belonging to the Company.	During the Covid-19 period activities of the Computer School are carried out and as he traveled from Galle, he was given transport allowance as approved by the Board of Directors.	Action should be taken as per the circular.
(c) Public Finance Circular No. 01/2014 dated 17 February 2014	A corporate plan and an annual action plan had not been prepared and approved by the Board of Directors.	The corporate plan for 2022 to 2026 is being prepared, and the annual action plan for the year 2023 has been prepared. It	Action should be taken as per the circular instructions.

was advised to submit it to the Board of Directors.

(d) Government Procurement Guidelines

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| (i) | Paragraph 3.4.3 (a), (b), (c) and (d). | The company did not register the suppliers for the year 2020/2021, contrary to that, a sum of Rs. 3 million had been spent for the procurement of canteen. | I inform that it is difficult for the company to follow the Government's Procurement activities and since the orders received by the company are based on the urgent need, the company does not agree to give on credit basis in making the purchases related to the canteen, so it has to be bought for cash. | Action should be taken as per the Guidelines. |
| (ii) | Paragraph 4.2.1 (a) | The company had not prepared a main procurement plan. | It was advised to prepare an appropriate procurement plan for the company and submit it to the Board of Directors. | Action should be taken as per the Guidelines. |

3. Operational Review

3.1 Management Inefficiencies

The following observations are made.

Audit issue	Comment of the Management	Recommendation
(a) Eventhough the provision of services to the National Youth Service Council in the year under review, a sum of Rs. 10.2 million of revenue earned, it was 5.4 percent of the expected revenue. Also, the annual income of the company's press which was remained at Rs.17 million in the year 2018 had been reduced to Rs.5.6 million by the year 2021. It is a decrease of 66 percent and the management had not taken any action to increase the revenue of the company's press.	Due to the covid epidemic situation in the country, the press had to be closed from time to time, it was not possible to carry out the work properly and since it is difficult to reach the target income from the existing printing machine, it is expected to buy a modern printing machine, and thus plans to increase the income of the press.	A proper arrangement should be implemented to promote the income

- (b) Although the National Youth Service Council had given an amount of Rs. 6 million in July 2021 for the payment of the arrears of salaries of the security officers of the Sri Lanka Youth Service Private Limited from February to December 2020, the amount was not used to pay the arrears of the officers' salaries and it was used to purchase of the consumer goods of the company's canteen and cover administrative expenses.
- Based on the financial condition of the Institution, it was informed that canteen bills and consumer goods were purchased with that amount and it was advised not to do so in the future.
- Arrangements should be made to pay the arrears of salaries of the relevant officials.
- (c) A computer school was started on 21 September 2021 under Sri Lanka Youth Services Private Ltd. and eventhough 10 officers were recruited to that school without the approval of the Department of Management Services and paid total cost of Rs. 4.1 million including Rs. 2 million as salaries and allowances from May to 31 October 2021 to the computer school by the company, the computer school was not yet operational condition.
- The approval of the Department of Management Services has not been obtained for the company's activities in cases. The computer school was started and a related staff was recruited and by using them create related course projects in the computer school and thereby earn income, and later some of the officers of this project were assigned to the National Youth Service Council. After that, the activities related to maintaining the computer school of the company were not carried out.
- It should be implemented in a planned manner in a way that achieves the desired objectives when starting new projects.
- (d) The company's press had a total debt balance of Rs.16.4 million from the National Youth Service Council and external agencies as at 31 December 2021, and in that debt balance, there was a balance of Rs.14.1 million over 5 years. The attention of the management to recover that debt balance was not made.
- Efforts are already being made to investigate the matter and recover the balance.
- The debt balance should be recovered without delay.
- (e) The relevant supporting documents and approval for the expenses had not been submitted for audit on an allowance of Rs. 100,000 was paid on 01 April 2021 to the Managing Director for the construction of a fence related to a portion of the Matale Youth Center land of the Youth Service Council, which does not belong to the company and for an observation tour of the company's security service providers.
- This amount has been obtained by the Managing Director on the instructions of the then Chairman, and no settlement has been made so far. Necessary instructions have been given to recover the said amount.
- Arrangements should be made to settle the relevant money without delay.

- (f) Only the staff officers can obtained the Ad hoc sub imprest up to a maximum of Rs.100,000 in one case for a specific task, and eventhough the advance should be settled immediately after the completion of the work, the company had obtained a sum of Rs.1.6 million of advances exceeding Rs.100,000 in 08 occasions. Also, the total value was Rs. 2 million advances were settled between 03 months and 22 days late in 19 occasions in the settlement of advances.
- Instructions has been given to Ad hoc sub imprest should be given subject to the relevant limits and arrangements should be made to settle the advances as soon as the work is completed.
- obtained the relevant advance money and issue the foods through the other officers according to the program and all the employees of the canteen have not reported to work.