

National Youth Corps - 2019

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Youth Corps for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 National Youth Corps as at 31 December 2019, 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 corps' 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 fund or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Audit Scope

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 scepticism 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 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 corps' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the fund 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 fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the corps has complied with applicable written law, or other general or special directions issued by the governing body of the corps ;
- Whether the corps has performed according to its powers, functions and duties,
- Whether the resources of the corps had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Audit Observation	Management Comment	Recommendation
<p>(a) The residual value and useful life of an asset should be reviewed at least at the end of each annual reporting period in accordance with paragraph 65 of Sri Lanka Public Sector Accounting Standard No. 07 and if the expected conditions of the useful life time of the assets differ from the estimates, even if the difference is revised and adjusted in the financial statements as per the provisions of the accounting standard of SLPSAS 3, the cost of Rs. 400,719,690 as at 31 December 2019 had been fully depreciated but it had not been done in relation to assets in further use. Also, as per paragraph 65 of Accounting Standard No. 07, these assets were not properly disclosed in the financial statements.</p>	<p>I accept that the residual value and useful life time of an asset should be accounted as a change in an accounting estimate at least every year according to Accounting Standard No. 07. Rs. 400,719,690 fully depreciable assets continued to exist as on 31 December 2019 and it will be prepared and presented according to the accounting standards in future.</p>	<p>Financial statements should be prepared in accordance with Sri Lanka Public Sector Accounting Standards.</p>

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| (b) | Although notes containing a summary of significant accounting policies and other explanatory notes should be included in the financial statements in accordance with paragraph 21 (f) of Sri Lanka Public Sector Accounting Standard No. 01, the corps had not disclosed the accounting policies related to the allocation of revenue, expenses, government grant receiving, short term investments, payable and receivable balances and employee benefit allocations in the financial statements | These accounting policies have been disclosed in the 2021 financial statements. | -Do- |
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1.5.2 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
<p>Although gratuity allocation was Rs. 22,466,917 as at 31 December 2019 according to the financial statements, as the correct gratuity allocation was Rs. 25,644,220, the balance of gratuity allocation was Rs. 3,177,303 less and the gratuity expenditure was Rs. 3,177,303 less was indicated in the financial statements of the year 2019. Due to this, the deficit of the year was indicated in the financial statements less than the above amount.</p>	<p>The mistake of overstating the gratuity expenditure by Rs. 3,177,303 in the financial statements has been corrected in the annual accounts of the year 2021.</p>	<p>Financial statements should be prepared correctly.</p>

1.6 Receivable and Payable Accounts

1.6.1 Receivable

Audit Observation	Management Comment	Recommendation
<p>(a) Receivables of Rs. 11,172,664 from the year 2015 to the year 2019 that are included in other receivables of Rs. 19,538,108 in</p>	<p>Due to there is not provision to pay for these years, arrangements have been made to discuss the</p>	<p>Action should be taken to collect the receivable amount without delay.</p>

the financial statements were future actions to be taken in remained unrecoverable as on 31 this regard. December 2021.

- (b) The small business development division, which was an institution outside the corps, had not been able to recover Rs. 13,653,116, which was supposed to be charged for the assessment and related to the use of electricity and water from 2015 to 2020 by 19 January 2021.
- A written awareness was made to the small business sector about the steps taken for the values for the previous years.
- Action should be taken to collect the receivable amount without delay.

1.6.2 Payable

Audit Observation	Management Comment	Recommendation
Payable liabilities of Rs. 13,262,791 from the year 2016 to 2019 included in the other payable value of Rs. 61,948,023 in the financial statements remained unsettled by 31 December 2021.	Rs. 61,948,023 of the other payables in the value of which has been settled yet and I present a description of the values of which is problematic of the settlement.	Action should be taken to arrange the payment and settle the payable amount promptly and if there are outstanding balances to be written off to income.

1.7 Non-compliance with Laws, Rules, Regulations and management decisions etc.

Reference to the Laws, Rules and Regulations	Non-compliance	Management Comment	Recommendation
Paragraph 5.1 of Public Enterprises Circular No. PED/12 dated 02 June 2003	The corps had not prepared a corporate plan.	Annual reports related to the years 2015, 2016 and 2017 were prepared and tabled in the parliament on 03.11.2021. The 2018 and 2019 annual reports have also been drafted.	Action should be taken to prepare the corporate plans as per Public Enterprises circulars.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 63,528,090 and the againsting excess in the preceding year amounted to Rs. 56,160,946. Therefore a deterioration amounting to Rs. 119,689,036 of the financial result was observed. The main reason for the deterioration was the decreasing of operational income by Rs. 74,029,352 an increasing the development expenditure by Rs. 59,344,076.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) 6,941 students were enrolled in the training courses conducted for the first batch of the year 2019 in 49 training centers and out of that, 4,784 students had completed the course. Out of the enrolled students, 2,157 or 31 percent had left the course. 3,882 students were enrolled in the training courses conducted for the second batch of the year 2019 in 56 training centers and out of that, 2,426 students had completed the course. Out of the enrolled students, 1,456 or 38 percent had left the course. Although the number of students expected to participate in ten different programmes in the year 2019 in the training and development division was 45,510, the number of students who participated was 16,727 and the number of students who didn't participate was 28,283. Accordingly, the percentage that did not participate in each other's training programmes ranged from 50 to 79 percent.	Action had been taken to providing a recognized certificate, produce professional players and artists through national level sports competitions and national level arts competitions, efforts have been made to reduce the number of youths/ young women who drop out of the course by increasing quality of the course to reduce the number of dropouts in the year 2019.	Courses should be managed to maximize the student performance.
(b) There were 49 training centers for the first batch and the classroom	There is a high demand among the youth for certain	-Do-

capacity was 7825 students in the year 2019. While 16 raining centers had registered students beyond the classroom capacity and the number of students registered in 33 centers was in the below level of the capacity. There were 56 training centers for the second batch in the year 2019 and 3882 students were enrolled for the classroom capacity of 9105 students and the number of registered students was in the below level of the capacity of all the centers. Although the classroom capacity of Dambulla hotel school is 200 students, the number of students enrolled for the first and second batches in 2019 was 103 and 97 students respectively and although the classroom capacity of IBPO institute is 60 students, the number of students enrolled for 2019-1 and 2019-11 batches was 37 and 08 students respectively and accordingly, it was observed that the classroom capacity is underutilized.

centers according to the facilities available for the training centers and the location of the centers. I would like to point out that based on the existing demand for those centers; recruitment has been done beyond the capacity of some centers.

- (c) The youth corps had maintained 56 training centers locally in the lands where the centers of the youth corps have been established and the number of lands related to those centers is 58. Sri Lanka Mahaweli Authority, Sri Lanka Board of Investment, Land Reforms Commission, Ministry of Education, and National Youth Services Council had obtained vacant land with buildings and started training centers during the establishment of the corps. Although the acquisition of 18 centers has been completed, the land acquisition related to the remaining 26 centers has not been completed yet.

At the beginning of the youth corps, vacant land and land with buildings in the custody of the Divisional Secretaries (Government), Sri Lanka Mahaweli Authority, Sri Lanka Board of Investment, Land Reform Commission, Ministry of Education, National Youth Services Council etc. were obtained and youth corps training centers were established and the land and buildings were not formally acquired at that time. At present, related activities are being

Proper land acquisition and asset management should be done efficiently.

A building belonging to the National Youth Services Council in Nuwara Eliya was taken over or without payment of rent and a government school in Trincomalee was also used as a training center. carried out to formally take over these lands.

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
<p>(a) The construction of the Youth Corps was awarded to the National Equipment and Machinery Organization (NEMO) outside the open tender process according to the cabinet decision dated 09 august 2016. On failure of construction progress, it was also approved to cancel these contracts, take legal action to recover the difference between the work done and the amount paid, give more than 50 percent progress construction to the relevant subcontractors and re-tender construction progress less than 50 percent by the cabinet decision dated 20 February 2020. It was observed that projects with less than 50 percent progress had not been re-tendered and the amount chargeable from NEMO institute had not been calculated by 30 May 2022.</p>	<p>According to the decision given to give more than 50 percent of these constructions to subcontractors, contracts were awarded to subcontractors on 28/12/2020 for the construction of 06 building units in 05 centers. Further, 06 building units have been awarded contracts to subcontractors within the allocated allocation limit for the year 2021. The building department has been notified to take the necessary steps to call for tenders in projects with a percentage of less than 50 percent and informed to the National Machinery Institute to provide the necessary documents to the National Youth Corps for calculating the amount to be charged from the National Machinery Institute.</p>	<p>Should be managed contract effectively to maximize the Corp's objectives and performance.</p>
<p>(b) 10 Three-wheelers were purchased at a value of Rs. 6,650,000 in the year 2017 and garaged in other centers due to the delay in the construction work</p>	<p>Three-wheelers were purchased in December 2017 depending on the allocated funds for the</p>	<p>Management activities should be carried out efficiently to achieve the objectives of the</p>

of the centers where proposed to be provided. The centers have not been started yet due to the non-completion of the construction of the centers and that three-wheelers had been given to the provincial offices in 2022 yet.

project on the basis of corps. starting all these centers in the year 2018 and on the basis of the need to provide three-wheelers to all the centers that will be started. After that, three-wheelers were also provided to the respective centers based on the priority of the newly established centers. However, I accept due to the extreme delay in the construction work of the National Machinery institute, the three-wheelers to be given to the centers that were to be started by the date of audit had to be parked at the nearest center of the province to which the centers belong.

3.3 Assets Management

Audit Observation	Management Comment	Recommendation
Although the corps does not own the ownership of 07 vehicles out of 09 vehicles used in the head office, those vehicles had not been taken over in the name of the corps. Also, 03 vehicles that were taken out of service and to be disposed had not been disposed until 19 January 2021.	Vehicle misappropriation activities were completed in the year 2021.	Taken over the vehicles and misappropriation of assets should be carried without delay.

3.4 Human Resource Management

Audit Observation	Management Comment	Recommendation
There were 87 and 11 vacancies for Development Assistant post and Management posts respectively in the approved staff. Further, although the approved Tamil language, IT and English	These vacancies are existence due to there is a greater tendency for them to apply for permanent government pensionable job as the	Action should be taken to fill up vacant posts promptly and efficiently manage the human resources

language instructors for the training centers of the corps are 57, 59 and 58 respectively, only 10, 39 and 35 remain as permanent posts and 15 Tamil language instructors and 04 English language instructors were also recruited on contract basis. Accordingly, there were 32, 20 and 19 vacancies for Tamil, IT and English instructors respectively. employees are recruited under the permanent basis for the Corps, but not entitled to pension for the appointments obtained from corps, and as the centers have been established in all over the island. of the corps.