

National Youth Corps - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Youth Corps for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 the 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 2022 and 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.

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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 Scope of Audit

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's 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 authority 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;

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- 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 Corps, 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-compliances with Sri Lanka Public Sector Accounting Standard

	Non-compliances with reference to the relevant Standard	Comments of the Management	Recommendations
(a)	According to paragraph 65 of Sri Lanka Public Sector Accounting Standard No. 07, the residual value and useful life of an asset should be reviewed at least at the end of each annual reporting period, the useful life of fully depreciated and used 05 asset items as at 31 December 2022 amounting to Rs.333 million had not been reviewed and adjusted in the accounts.	Musical instruments and motor vehicles have been revalued and corresponding adjustments have been made in the 2022 annual financial statements. I will revalue the other items and make adjustments in the next year.	Financial statements should be prepared accurately
(b)	Eventhough depreciation should be calculated from the date when the non-current assets are suitable for use according to paragraph 69 of Sri Lanka Public Accounting Standard 07, depreciation was calculated for the entire year on the non-current assets acquired by the Corps during the year under review. As a result, Rs. 37 million had been over depreciated.	This will be corrected in the future.	Financial statements should be prepared accurately.

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| (c) | According to paragraph 49 of Sri Lanka Public Accounting Standard No. 07, when revalue an item of property, plant and equipment, the whole class of property, plant and equipment to which the asset belongs should be revalue. However, the Corps did not re value 03 motor vehicles owned to the Institution during the re valuation of vehicle in the year 2022 and instead of that cost and accumulated depreciation of 03 such vehicles had been adjusted to the revaluation account. | It will be corrected through the accounts of the year 2023. | Financial statements should be prepared accurately. |
| (d) | Over depreciation of Rs. 19 million was shown in the financial statements, due to calculation of Rs. 391,413 of less depreciation relevant to the year and calculation of vehicle depreciation for the whole year based on the re valued amount in calculating the profit from the re valuation of the vehicles of the Corps on 31 December 2022. | It will be corrected in the year 2023. | Depreciation should be calculated for the year. |

1.6 Accounts Receivables and Payables

1.6.1 Accounts Payable

Audit Observations	Comments of the Management	Recommendations
Retention money of Rs. 1.2 million remained without settle between 02 to 09 years shown in the financial statements of the year under review.	It will be settled in 2023.	The amount due should be settled promptly.

1.6.2 Advances

Audit Observations	Comments of the Management	Recommendations
(a) The overpayment of Rs. 2 million made for the training center at wennappuwa which had completed works on 21 August 2018 and 2 to 5 years old receivable contract advances of Rs. 120 million had not been recovered so far.	A written confirmation has been given to the Corps that the overpayment will be paid from the receivable amounts to that contractor from the other contractors.	Amounts receivables should be collected promptly.

- (b) Although the contract agreements related to 5 training centers whose construction work had been stopped were cancel between 02 to 06 years, the advance of Rs. 60.6 million paid to the contractors in the years 2016-2017 had not been recovered.
- A written agreement has been expressed to collect advance money in settling the bills, as the same contractor is being carried out construction works of the Dambulla Training Center and the Pelmadulla Training Center,
- Advances paid for discontinued construction should be recovered.
- Actions will be taken to recover the relevant advance money based on the instructions of the Attorney General for settlement of advances of the Kotapola Training Centre.
- Legal proceedings are carried out by appointing Arbitrator for Welimada Training Center and Megahakivula Training Center
- Construction works of the Gomarankadawala Training Center had been temporarily stopped.
- (c) The Cabinet had approved in the year 2016 to construct 10 new centers and 21 building units of the existing centers of the Corps from a Government Institution without follow the open tender process. It was cancelled by a cabinet decision taken in the year 2022, due to the weak progress of these constructions. Out of advance of Rs. 109 million given for the construction activities in in the years 2016 and 2017, the Corps had failed to collect the advance amount of Rs. 38 million to be recovered further.
- Advance amount of Rs. 37,615,680 further to be settled will be recovered from the final bill settlement.
- Advances paid for discontinued construction should be recovered.

1.7 Non-compliances with Law, Rules, Regulations and Management Decisions

	Reference to the Law, Rules, Regulations	Non-compliances	Comments of the Management	Recommendations
(a)	Paragraph 02 of Public Enterprise Circular No. 01/2021 dated 16 November 2021	Corporate Plan had not been prepared for the Corp.	The draft strategic plan for the year 2023 – 2027 is scheduled to be completed by 30 July 2023.	It should be done according to the circular.
(b)	State Accounts Circular No. 842 dated 19 December 1978	Eventhough a Fixed Assets Register for property, plant and equipment valued at Rs. 3,055 million remained as at 31 December 2022 had been maintained by the Corps, it had not been properly updated.	Asset Register is being updated by revaluing the assets currently.	It should be done according to the circular.
(c)	Section 2(4) of the Youth Corps Act No. 21 of 2002.	It is required to appoint 3 committees for professional training and youth development that may be required to administer the affairs of the council and although it had been stated that the council could delegate its powers to those committees, it had not done so since the year 2002 when the National Youth Corps was established.	Action will be taken to submit a council paper regarding the appointment of these 03 committees to the upcoming Council Meeting, since there is no mention about these three committees in the new Authority Act to be amended.	Actions should be taken as per the Youth Corps Act.
(d)	Ministry of Public Administration and Management Circular No. 05/2008 dated 06 February 2008 as amended by Circular No. 05/2008/(1) dated 24 January	(i) Citizen/Beneficiary Charter was not prepared and implemented by the Institution in accordance with the Citizen/Beneficiary Charter.	It is to be submitted to the National Youth Corps Council for approval after amending the currently drafted citizen/beneficiary charter.	Actions should be taken as per the circular

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- (ii) Annual performance contracts were not signed for all staff. Annual performance agreements are being signed and will be finalized very soon. Actions should be taken as per the circular.
- (e) Paragraph 02 of Asset Management Circular No. 02/2017 dated 21 December 2017 According to the circular instructions, 08 vehicles valued at Rs. 31 million which are being used by the Corps were not registered in the name of the Corps. Actions are being taken to take over the registered rights. Actions should be taken as per the circular.

2. Financial Review

2.1 Financial Result

The operating result for the year under review was a deficit of Rs. 4.7 million and it was a profit of Rs. 16.4 million compared to last year. Accordingly, a deterioration of Rs.21.2 million was observed in the financial result. This decline was mainly due to the increase in operating expenses and youth development expenses rather than the increase in total revenue.

3. Operating Review

3.1 Management Inefficiencies

Audit Observations -----	Comments of the Management -----	Recommendations -----
(a) Out of 65 lands belong to the Corps that had established training centers as at 31 December 2022, only 22 lands had been take over to the Corps and action had not been taken to take over the remaining 43 lands.	The Commissioner General of Lands has approved the transfer of land in 02 centres. Transfer of Land of 07 centers has been submitted to Land Commissioner General Department. Land acquisition activities are being carried out of the remaining 31 centers.	Land acquisition should be done without delay.
(b) Although more than 12 years have passed for the Cabinet decision dated 15 December 2011, according to the Cabinet decision, action had not been taken to pass a new Act by amending the existing Youth	After obtaining the approval of the Attorney General for this and submitting it to the Cabinet for approval and the Cabinet had informed that there are more amendments to be included in this Act and	The Act should be approved without delay with the necessary amendments required to fulfil the objectives of the Crop.

Corps Act in order to better and therefore the approval has effectively fulfil the work of been postponed. empowering the youth community in the country.

3.2 Operational Inefficiencies

Audit Observation	Comment of the Management	Recommendation
<p>An additional provision of Rs. 90 million had been made in the year 2022 to give theoretical and practical training to the persons who stay in the Sri Lanka Labour Market in order to provide skilled youth to jobs. The Institute had prepared plans to implement a job-oriented training program consisting of 16 courses for 4,499 trainees with 07 private vocational training institutes. Eventhough 2 of the above job-oriented training courses are already implemented from the provision of the Institution, out of the above funds a sum of Rs. 25.8 million had also been utilized for that 2 courses Also, although an online training course was conducted for 1,392 trainees by spending Rs 1.6 million from the above funds, the Institute did not have the data about the progress of the relevant trainees. Further, the Institution had only 723 trainees feedback data.</p> <p>Out of that Vocational Training Qualification (NVQ) certificates had been issued to only 712 trainees. Thus, the training activities conducted with the aim of providing a new job based on the skill had not achieved sufficient performance during the year under review.</p>	<p>Payable amount of Rs. 15,262,500 had been spent through this provision for the purpose of continuing the course for the benefit of the trainees at a time they were unable to pay the course fees for the information technology course for one month.</p> <p>An amount of Rs. 8,540,000 required for the hotel course was spent through the provision allocated in the interim budget in order to continue the job oriented courses, due to the non-receipt of the funds requested for the hotel training course which is a normal activity.</p>	<p>Additional provision should be used for the purpose.</p>

3.3 Human Resources Management

Audit Observation	Comment of the Management	Recommendation
There were 950 approved carder and 743 actual carder and 207 vacancies of officers remained as at 31 December 2022 of the Corps. There were 117 vacancies in consultant positions among those vacancies that mainly affect the desired objectives and performance of the Corps.	According to the National Budget Circular, new recruitments for these vacancies could not been made in the background of which the new recruitment has been temporarily stopped by the Ministry of Finance.	Vacancies should be filled promptly.