

National Youth Service Council - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Youth Service Council (“Council”) for the year ended 31 December 2023 comprising the statement of financial position at 31 December 2023 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 material accounting policy 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 provisions of the National Youth Services Act No. 69 of 1979, National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be presented 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 Service Council as at 31 December 2023 and of its financial performance and 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 based on the matters described in Paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 determines 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 Council’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 intend to liquidate the Council 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 Council 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 Council.

1.4 Scope of the 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design 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.
- 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 Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit 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 audit report. However, future events or conditions may cause the Council 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 Council and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Council has complied with applicable written law, or other general or special directions issued by the Board of Directors of the Council;
- Whether the Council has performed according to its powers, functions and duties;
- Whether the resources of the Council 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 Non-compliances with Sri Lanka Public Sector Accounting Standards

The following observations are made.

Non-compliance with Reference to the Relevant Standard	Comment of the Management	Recommendation
a) A sum of Rs. 5.92 million had been paid in the year 2024 as per the verdict of a case filed by a contractor against the Council. However, that contingent liability had not been recognized as a liability in the financial statements in terms of Sri Lanka Public Sector Accounting Standard 08.	Instructions have been given to make relevant provisions as such contingent liabilities are recognized in due course.	Liabilities should be recognized and shown in the financial statements properly.
b) The value of 04 lands being used by the Council, the fair value of which could be recognized, had not been revalued and shown in the financial statements in terms of Sri Lanka Public Sector Accounting Standard 07.	Not commented.	The assets, of which the fair value could be recognized, should be shown in the financial statements.
c) The policy for evaluating stocks had not been specifically recognized in terms of Sri Lanka Public Sector Accounting Standard 09. Adjustments relating to 97 unusable items worth Rs. 1.29 million existed in the stock of consumables as at 31 December 2023, had not been made in the financial statements.	Auctioned, transferred, destroyed, or issued in the year 2024.	The policy for evaluating stocks should be specifically recognized, and necessary adjustments should be made on unusable items.

1.5.2 Accounting Polices

Audit Observation	Comment of the Management	Recommendation
Allocations on doubtful debts amounting to Rs. 871,474 had been made in the financial statements, but the policy in that connection, had not been disclosed in the financial statements.	Instructions have been given to disclose the policy when preparing financial statements for the year 2024.	The accounting policy should be disclosed in the financial statements.

1.5.3 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
a) The audit fee of Rs. 2.17 million paid for the year 2022, had been brought to accounts as audit fees of the year under review rather than being adjusted to the allocations for audit fees account. Hence, deficit of the year under review and the balance in the allocations for audit fees account, had been overstated by that amount.	Corrective measures had been taken in the year 2024.	Accounts should be prepared in accordance with accounting principles.
b) Assets worth Rs. 15.46 million purchased from 12 District Secretariats using provision from the Line Ministry in the preceding year, had been provided for the Council in the year under review. However, those assets had not been recorded in the register of assets of the Head Office or the financial statements. Furthermore, the provision amounting to Rs. 6.64 million given to the Council as capital grants by the Line Ministry in the year under review, had been released to the District Secretariat, Ampara rather than being transferred to the Council. As such, a difference of Rs. 6.64 million was observed between the capital grants of the Council and the capital grants received from the Treasury.	Instructions have been given to the officers to take into account when preparing financial statements of the year 2024.	Assets should be correctly recognized and brought to accounts.

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| c) | The sum of 12.66 million being the value of smart classroom equipment and Rs. 63.90 million being the value of 10 vehicles received by the Council in the years 2023 and 2015 from the women empowerment project implemented by the Asian Development Bank (SSDP) and the Ministry of Finance, Economic Stabilization and National Policies respectively, had not been brought to accounts by including the in the Register of Fixed Assets. | Instructions have been given to take corrective measures in the year 2024. | Assets should be correctly recognized and brought to accounts. |
| d) | The expenditure of Rs. 3.68 million incurred for the ensuing year, had been brought to accounts as an expenditure of the year under review. As such, deficit of the year had been overstated by that amount. | Corrected in the year 2024. | Expenses should be correctly recognized and brought to accounts. |
| e) | There existed unidentified credits valued at Rs. 2.54 million in the bank reconciliation statement of a current account maintained by the Head Office as at 31 December 2023. As action had not been taken even up to April 2024 to identify such credits and make necessary adjustments, the said value had increased to Rs. 12.52 million. | Credited to the income on 2024.09.11 | Action should be taken to properly maintain bank accounts. |
| f) | The balance in the savings account amounting to Rs. 11.61 million, the balance of Rs. 20,000 in the current account, and the balance of Rs. 16.25 million in the fixed deposit account as at the end of the year under review with respect to sports associations being maintained by using human and physical resources without formal approval, had not been shown in the financial statements. | Instructions have been given that those values be shown in the financial statements of the National Youth Services Council when preparing financial statements for the year 2024. | Assets, liabilities, income and expenditure should be correctly recognized and brought to accounts. |
| g) | The advance of Rs. 2.95 million paid to the Divisional Secretariat, Mirigama for purchasing curtains to | The Divisional Secretariat, Mirigama had been reminded through the letter dated | Only after completion of intended purpose for |

be used at the training center in Mirigma, had not been made use of for the intended purpose even by 20 September 2024. However, the said sum had been brought to accounts as an expenditure of the year under review, and hence, deficit of the year and value of advances had been overstated and understated respectively by that amount.

2024.09.02 that the said activity be completed without delay.

which the advance had been given, the value should be recognized as an expense.

1.5.4 Non-reconciled Control Accounts or Reports

Item	Value as per Financial statements Rs. Million	Value as per Corresponding Reports Rs. million	Difference Rs. Million	Comment of the Management	Recommendation
Balance payable to the subsidiary companies.	1.18	110.94	109.76	Instructions have been given that a decision be taken after having discussions with the company in due course.	The loan balances payable to the Youth Services Pvt Ltd Company, should be checked with information of the Company and corrective measures should be taken.

1.5.5 Lack of Documentary Evidence for Audit

Item	Sum (Rs. Million)	Audit Evidence Not Made Available	Comment of the Management	Recommendation
Expenses on youth development, profit of the training center in Dehiwala, and purchased of sports equipment	383.13	Schedules, particulars on computation of profit, and information on sports equipment purchased.	Schedules relating to expenditure amounting to Rs. 370,912,806.00 shown under youth development expenditure in the statement of financial performance have been prepared and presented.	All the documentary evidence requested by the Audit should be made available.

Financial statement of the

training center in Dehiwala for the financial year ended as at 2022.12.31, has been presented.

Requirements for the sports equipment purchased had been determined considering the requests made by youth of the youth associations in the year 2021 and 2022 covering every district.

1.6 Accounts Receivable and Payable

1.6.1 Funds Receivable

Audit Observation	Comment of the Management	Recommendation
The balance receivable as at 31 December 2023 amounted to Rs. 144.55 million, and action had not been taken to recover a sum of Rs. 18.75 million continued to exist therein over 05 years.	Action will be taken to recover the receivable balances in the year 2024.	Receivable balances should be recovered without delay or suitable measures should be taken.

1.6.2 Funds Payable

Audit Observation	Comment of the Management	Recommendation
Action had not been taken either to settle or credit to the income the sum amounting to Rs. 1.85 million received from private institutions on miscellaneous purposes since 2015.	Instructions have been given that, once relevant information has been found, the sum be credited to the income.	Payables should be settled or necessary action should be taken.

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

The following observations are made.

Reference to Laws, Rules and Regulations etc.	Non-compliance	Comment of the Management	Recommendation
a) Section 08 of the Finance Act, No. 38 of 1971.	Sources of funds had not been forecasted in the budget prepared by the Council, but only	It is expected to prepare the budget by forecasting the sources of funds.	Attention should be brought to make use of the budget as an effective instrument of

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| | expenses had been forecasted. | | management control. | |
| b) | Section 3.5 of the operations handbook introduced through the Public Enterprises Circular, No. 01/2021, dated 16 November 2021. | Contrary to the Circular, 02 officers had been released to other Ministries without any approval. | Officers of the National Youth Services Council had been released on temporary basis to other Ministry or an institution. | Provisions of Circulars should be followed. |
| c) | Public Enterprises Circular, No. 01/2015(2), dated 14 January 2022. | The Director General and 02 Directors of the Council had used fuel worth Rs. 2.48 million in excess of the limit that they had been entitled to as per the Circular. | Approval of the Secretary to the Line Ministry had been obtained for the fuel used by the Director General of Youth Services during the period from April – December 2023. | Overconsumption of fuel without approval should be avoided. |
| d) | As per the Public Administration Circular No. 09/2009 dated 16 April 2009. | Finger scanners had not been installed at the provincial offices, district offices, training centers and farms of the Council. | A Committee has been appointed by the Chairman / Director General of the Youth Services in order to obtain recommendations for purchasing new machines. Further action will be taken based on recommendations of the Committee. | Action should be taken without delay to record arrival and departure times of the staff using finger scanners. |
| e) | Establishments Code of the Democratic Socialist Republic of Sri Lanka. | | | |
| | i. Section 10 of Chapter XV. | Approval of the Prime Minister should be obtained prior to leaving the country, but a | Instructions have been given to the relevant officers that approval of the Prime Minister of the Democratic Socialist | Proceeding abroad without prior approval of the Prime Minister should be avoided. |

	director appointed on contract basis, had participated in a foreign tour at an expenditure of Rs. 185,398 only under approval of the Line Minister.	Republic of Sri Lanka should be obtained by all staff grade officers in due course.	
ii.	Section 11.1 of Paragraph XV.	Rather than using an economy class air ticket for the foreign tour worth Rs. 39.40 million on 12 September 2023, a business class ticket had been purchased for the Director General at an expenditure of Rs. 2.77 million.	Not commented. Violation of laws and rules should be avoided.
f)	Recommendation No. 10 of the recommendations on employee issues and irregularities issued by the Committee appointed by the Ministry.	Contrary to the recommendation, 03 posts had been given to a youth services officer including the post of Assistant Director (covering up)	As it is mentioned in Recommendation No. 10 relating to employee issues and irregularities, that action should be taken to revoke the covering posts given thus far, approval of the Council should be sought before implementing this recommendation. As such, is it expected to revoke the covering posts once approval of the Board of Directors is received. Recommendation of the Committee of the Ministry should be followed.

- g) Decision No. 13/2023 of the Board of Directors dated 31 March 2023. It was decided to fill the 06 vacancies in the post of Financial Officer through internal promotions, but those vacancies have not been filled thus far. As such, one officer was officiating in the post of Financial Officer for 02 provinces. Approval had been given in terms of Memorandum No. 13/2023 of the Council at the meeting of the Board of Directors of the Council held on 2023.03.31 to make internal promotions for the 06 vacancies in the post of Financial Officer. However, as the presidential election was in progress, action will be taken to fill the vacancies in the post of Financial Officer after the election. Action should be taken to fill vacancies in the post of Financial Officer.

2. Financial Review

2.1 Financial Results

The financial result of the year under review was a deficit of Rs. 68.3 million and correspondingly, the deficit of the preceding year was Rs.255.7 million. Accordingly, it was observed a growth of Rs. 187.4 million in the financial result. The increase of the internal earnings and the government contribution had mainly affected for this growth.

3. Operational Review

3.1 Identified Losses

	Audit Observation	Comments of the Management	Recommendation
(a)	A surcharge of Rs. 205,036 had to be paid in the year under review on non-remittance of the contributions properly to Employees' Provident Fund.	It had caused to pay this amount on the court orders owing to filing a case at the Magistrate's Court by Gampaha Labour Office.	The contributions should be properly remitted to Employees' Provident Fund.

- (b) A lease rental of Rs. 3.80 million had lost to the council due to renting out the buildings to the private institutions free of charge and with discounts even though there had no approval of the Board of Directors for providing the buildings of the council free of charge and with discounts for the officers and various external institutions with the discretion of chairman.
- It had been indicated that the decision of Board of Directors of National Youth Services Council for amending the fees for providing the facilities in Sri Lanka Youth premises as 2022/24.
- The loss should be recovered from the responsible persons and a formal mechanism should be prepared in hiring the resources of the council.
- (c) Even though one objective of the council is to launch the new creations with the contribution of the youth of the youth societies, an amount of Rs.4.83 million had been incurred for the production of teledrama with the participation of actors and actresses and the activities of such teledrama had not been completed so far also.
- The concurrence had been given to telecast the relevant episodes after the election by Independence Television Network. Accordingly, the action will be expeditiously taken to provide this teledrama to the rupavahini channel after charging money and the instructions had been given to the officers not to engage in such harmful activity in due course.
- The plans should be prepared enabling to fulfil the objectives of the commencement of projects and implemented under proper monitoring and the special attention should be paid to economically utilize the government money.

3.2 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) Even though the offices of Sri Lanka National Youth Services Co-operative Societies Association had been established in the head office and district offices, no action had been taken to charge any lease rental for that.	It had been noted to prepare a methodology to charge the lease rental in the future.	The management activities should be carried out to recover the revenue.

- (b) No activity of agricultural entrepreneurship program prepared for implementation in 2022-2025 under provision of Rs.250 million with an objective of following the youth new agricultural technology quickly and establishment of youth agricultural products associations program had been implemented in the year under review.
- Even though the agricultural associations couldn't be properly implemented in the year under review, 21 agricultural associations had been established so far throughout Sri Lanka.
- The management activities should be performed for agricultural entrepreneurship program and establishment of youth agricultural products associations.
- (c) 37 items worth of Rs. 3.5 million existed in the main stores of council had been provided to various persons and institutions on temporary basis and no action had been taken to obtain those to main stores again or charge said value from the responsible persons.
- If it is able to find adequate written information and documents for charging the values which are more than many years old and consider those things, it is expected to take action as per indicated in Chapter No.6.9 of the Operational Manual for the public enterprises dated 16.11 2021 issued by Department of Public Enterprises.
- Having immediately recovered the values lost to the council from the responsible persons, the system should be regularized.
- (d) 768 T-shirts worth of Rs. 729,600 had been issued from the stores at several occasions purchased for 34th National Youth Sports Festival after end of such sports festival and 337 T-shirts worth of Rs. 320,150 out of that had been issued from the stores mentioning as Director General's Office without indicating who had obtained said T-shirts. Furthermore, 100 footballs worth of Rs. 800,000 purchased for distribution at school and youth clubs levels had been issued in the name of Director General's Office.
- Some events had been organized to meet the youth in the country as groups by Chairman from time to time and at such occasions these T-shirts had been provided to such youth. The priority had been given to the youth participated in district and national level for various national competitions when distributing.
- As per the request made to former Hon. Minister in charge of the subject of Sports and Youth Affairs
- A formal methodology should be followed in distribution of the goods procured.

to provide 100 footballs to issue to youth sports teams by Department of Police, these footballs had been obtained to Director General's Office from main stores and issued to Department of Police.

3.3 Operational Inefficiencies

Audit Observation	Comment of the management	Recommendation
(a) In terms of sections 4(f),5(2)(g) and 5(2)(h) of National Youth Services Act No.69 of 1979, even though the objective is to commence the farms for inclining the youth to the agricultural field, no action had been taken to conduct training courses in 09 farms of the council.	The courses in relation to agricultural field are being conducted presently in 05 farms belonging to council and it is expected to conduct the training courses with regard to the agricultural field in another 04 farms up to January 2025.	The management should take action to fulfil the objectives specified in the Act.
(b) The certificates with National Vocational Qualifications (NVQ) of Tertiary and Vocational Education Commission had been awarded to 341 students who had not been registered for the courses at Dehiwela Training Centre in 2020, 2021 and 2022. Moreover, even though the training center has no power of issuing the certificates, 791 certificates which had not been verified by Examination and Evaluation Division of council had been issued by the training Centre contrary to that.	The information of the certificates issued had been scanned and entered into the data system of Examination and Evaluation Division and secured.791 certificates noted had been issued by Examination Division.	In issuance of the certificates, it should be acted in transparent manner.

- (c) Even though an amount of Rs.2.16 million had been paid to 02 private institutions for survey activities of 11 farm centres by using drone technology, no action had been taken so far to obtain the legal survey plans prepared accordingly. These survey activities had been carried out for the development of exact land by using the digital technology in the relevant land and the data related to that belongs with the institute. The plans should be prepared in accordance with the legal survey notes.
- It is further informed that the payment had been made subsequent to obtaining data.
- (d) From 2014 to beginning of 2023, 04 vehicles which had been removed from running had been parked in the council and training centers without taking action for disposal or usage again after repair. Moreover, other 10 vehicles had been idle without running throughout the year. 09 vehicles out of that had been auctioned and 01 vehicle had been given for training purposes. The usage of vehicles should be managed.

3.4 Transactions of contentious nature

Audit Observation	Comment of the Management	Recommendation
(a) Only Director General and Director (Technical and Vocational Training) of council and a woman who had no connection to council had participated for the foreign tours by utilizing the provision of Rs.4.89 million allocated for participation youth for zonal international conferences and workshops.	It had not been commented.	The management should be taken action to utilize the allocated funds in accordance with the action plan for the same activity itself.
(b) Even though Rs.10.29 million had been incurred by council for the musical program conducted in	It had not been commented.	The action should be taken to recover the relevant money from the

Nelum Pokuna premises on 31 December 2023 without approval of the Board of Directors, no action had been taken to gain the tickets income of Rs.6.86 million by conducting said program.

responsible persons.

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| (c) | An amount of Rs.1.19 million had been incurred for the program titled prevention of climate changes conducted in a private hotel via online system not related to the objectives of the council without approval of Board of Directors. | As per the instructions of Chairman/Director General of Youth Services, the workshop on prevention of climate changes had been conducted on 05 November 2023. | The management should submit the recommendations having found out the information. |
| (d) | At the discretion of Chairman, the room had been provided to misuse the public resources by recruiting a person for a volunteer post which is not in the council's staff, providing accommodation to him in the hostel of council, providing the vehicle allocated to Director General to him and supplying fuel for that. | It is informed that this situation will not arise gain. | A formal methodology should be followed. |

3.5 Idle or Under Utilized Properties, Plants and Equipment

Audit Observation	Comment of the Management	Recommendation
(a) The equipment worth of Rs. 17.42 million had been purchased with an objective of commencing Robotic training course at Sapugaskande Training Centre by Western Province Director without a decision of Board of Directors in 2021. But it had failed to start said course and had been idle. Furthermore, 31 trophies worth of Rs.7.70 million and chairs and air conditioners purchased in the year	It had been planned to commence new courses on 01.10.2024 under new consultants. It had been decided to award for the winners from Youth Awards Tournament in the next year. (2024)	The action should be taken to utilize the idle assets.

under review without properly forecasting the requirement had not been utilized and had been idle up to now.

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| (b) | Even though the finger printing machines worth of Rs.4.7 million had been purchased in 2023 and in the previous years by council, those machines had been under-utilized owing to non-implementation of such machines properly. | A committee had been appointed to obtain the recommendations in relation to purchase of new machines by Chairman/Director General of Youth Services and it is due to be performed further actions based on such committee recommendations. | Immediate action should be taken by the Management to use fingerprint machines. |
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3.6 Procurement Management

Audit Observation	Comment of the Management	Recommendation
The purchase of food, water bottles and T-shirts worth of Rs.9.7 million for 34 th National Youth Sports Festival conducted from 16 November 2023 to 19 November had been performed by a pricing committee without calling competitive prices. Due to this reason, a loss of Rs.824, 000 had caused to the government by purchasing the water bottles at a cost of Rs.70 when there was an opportunity to buy 20600 water bottles 500ml at a cost of Rs.30 as per the wholesale price prevailing in the market.	Since a price of Rs.30 had not been forwarded by the company at any occasion, it is informed that no any irregular payment had been made.	These procurements should be carried out based on the competitive price enabling to gain the maximum benefits to the council.

3.7 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
(a) Without appointing a committee consisting with the retired officers as per the cabinet decision No.CP/005/734/0186/17 dated 02 February 2017 for providing the relief for the persons who had faced the numerous issues on political reasons during 1994 - 2014, the relief had been given to 40 officers by obtaining the recommendations from the committees appointed contrary to that.	It is informed that the action will be taken in relation to this in the future.	The promotions, giving salary increments and payment of salary arrears of 40 officers who had given the recommendations should be reconsidered.
(b) The appointments had been made for the posts of Director (Finance), Director (Development) and Director (Training) which are 03 key staff grade positions in the council on secondary and contract basis since many years without making appointments permanently. As per the decision of Board of Directors dated 19 August 2023 in relation to this, even though it had been approved to recruit the officers as per the qualifications on permanent basis, it had not been implemented so far.	The action is being taken to recruit the qualified officers on permanent basis for the posts of Director (Finance), Director (Development) and Director (Training) which are 03 key staff grade posts of council.	The action should be taken to recruit the officers as per the provisions of the approved recruitment and promotion procedure.

4. Accountability and Good Governance
4.1 Presentation of the Financial Statements

	Audit Observation	Comment of the Management	Recommendation
(a)	Even though Sri Lanka Youth Services (Pvt) Ltd. had been started in 1981 with a share ownership of 98 percent of National Youth Services Council, the consolidated financial statements had not been prepared and the company had not prepared the financial statements since 2018 and submitted for the audit.	The instructions had been given to prepare the financial statements in 2024 by consolidating Sri Lanka Youth Services (Pvt) Ltd and National Youth Services Council.	The action should be taken to present the consolidated financial statements.
(b)	In terms of the section 16(2) of National Audit Act No.19 of 2018 and section 6.6 of Public Enterprises Circular No.1/2021 dated 16 November 2021, even though the financial statements should be presented to the Auditor General within 60 days of ending the financial year, the financial statements of council had been submitted to the audit on 21 May 2024.	On 08.05.2024, he had been removed from the post of Chief Internal Auditor and placed in the post of Director (Finance).On such situations, this delay had occurred.	The accounts should be submitted on due date in terms of the Act.

4.2 Internal Audit

Audit Observation	Comments of the Management	Recommendation
<p>While an officer in Sri Lanka Accountancy Service released by the line ministry for working as an Accountant of Youth Services (Pvt) Ltd which is a subsidiary of the council works as Chief Internal Auditor of the council, he had been appointed to work in the post of Director (Finance). Therefore, internal control system of the council had become weak.</p>	<p>Presently, it had been informed that such situation had been rectified.</p>	<p>The internal control should be strengthened enabling to carry out the internal audit independently.</p>