

National Youth Crop - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Youth Crop for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of cash flow, Statement of changes in net equity 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 the 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 the 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 Crop as at 31 December 2023 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 fund'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 fund or to cease operations, or has no realistic alternative but to do so.

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

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

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 fund'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 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 fund has complied with applicable written law, or other general or special directions issued by the governing body of the fund;

- Whether the fund has performed according to its powers, functions and duties; and
- Whether the resources of the fund 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 Accounting Deficiencies

Audit Observation	Comments of the management	Recommendation
(a) Due to accounting recurring expenses of Rs. 1,415,475 incurred for vehicle repairs in previous years as capital expenses in the year under review, the assets were overstated by Rs. 1,195,180 and depreciation by Rs. 283,095.	The capital expenditure included in the expenditure of Rs. 1,493,975 incurred for vehicle repairs in previous years can be divided into Rs. 894,450.00 and recurring expenditure as Rs. 599,550.00. Accordingly, the action will be taken to adjustment the depreciation, assets and revaluation reserves in the year 2024 in respect of the recurring expenditure of Rs. 599,550.00.	Expenses should be accurately identified and accounted when accounting.
(b) Due to the reason that Rs. 3,056,550 paid as gratuity to 29 officers who left the service in the year 2023 was not deducted from the gratuity provision account and the gratuity payable to each officer was over calculated by Rs. 104,500, the gratuity payable and the deficiency for the year were overstated by Rs. 3,161,050.	Kindly inform you that the action will be taken to minimize such omissions through proper balance comparisons in the future.	Gratuity calculation and accounting should be done correctly.
(c) The value of 03 motor vehicles used by the crop had not been assessed and taken in the financial statements.	The information on the copies of the registration certificates of 03 vehicles was unclear. Accordingly, it was advised to appoint an inspector from the Werahera Head Office to obtain copies that would allow for clear information and conduct an assessment.	Immediate action should be taken to acquire the possession of fixed assets.

1.6 Receivable and Payable Accounts

1.6.1 Receivable Amounts

Audit Observation	Comments of the management	Recommendation
Formal and effective action had not been taken to recover the balances of Rs. 101,968,773 and Rs. 6,639,675, which were overdue for more than 5 years and 2-3 years respectively, out of the advance balance of Rs. 108,558,448 given for construction contracts as at 31 December 2023. Furthermore, action had not been taken to settle the rent advance balance of Rs.50,000, which was overdue for more than 05 years as at 31 December 2023.	An amount of Rs. 101,968,773 has been shown as advances given to construction contractors older than 5 years, and in that balance, an advance of Rs. 50,000 has been shown for the rent of the temporary storage building in the Ratmalana area.	Receivable amount should be settled promptly.

1.6.2 Payable Amounts

Audit Observation	Comments of the management	Recommendation
Out of the payable balance of Rs. 24,427,474 as at 31 December of the year under review, the balances of Rs. 2,180,986 and Rs. 9,297,851, which were more than 05 years old and between 2-3 years old respectively, had not been considered and action had not been taken regarding the settlement of the relevant balances except for the accounting of the balance as income.	The agreement will be cancelled by mutual agreement in 2024 and the retained funds will be released to the contractor and credited to state revenue.	The amount payable should be settled promptly.

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

Reference to Laws, Rules, Regulation	Non – Compliance	Comments of the management	Recommendation
(a) The Paragraph 4.2 (a) of Public Enterprise Circular No. 01/2021 dated 16 November 2021	Although Audit and Management Committee meetings should be held at least once every three months, the crop had only held three Audit and Management Committee meetings	Point out that the appointment of the necessary members for the Audit and Management Committee has now been completed and that it will be possible to hold regular Audit and Management	Audit and Management Committee meetings should be held as per the circular.

for the year 2023.

Committee meetings with the new Audit and Management Committee members in the coming period.

- (b) Paragraph 02 of the Asset Management Circular No. 02/2017 dated 21 December 2017
- Although the need for every vehicle used by the institution should be registered in the name of the institution had been emphasized, however 07 vehicles owned by the Crop had not been registered.
- The MT6 form relating to the transfer of registration rights has been forwarded to the Ministry and inquiries have been made again regarding this matter.
- Vehicles owned by the crop should be registered in the name of the institution.

2. Financial Review

2.1 Financial results

The operating result for the year under review was a deficit of Rs. 58,937,916, while the corresponding deficit for the previous year was Rs. 5,093,224. Accordingly, a deterioration of Rs. 53,844,692 was observed in the financial result. This decline was mainly due to the increase in operating expenses and expenditure on youth development activities rather than the increase in total income.

3 Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the management	Recommendation
Out of the 63 lands where the Division's training centres had been established as at 31 December 2023, only 28 lands had been taken over by the Crop, while the acquisition of the remaining 35 lands had not been completed.	Out of 63 lands where National Youth Corps training centres are located, the acquisition of 28 lands has been completed and the transfer of 05 more lands has been recommended by the Divisional Secretaries and Provincial Land Commissioners and submitted to the Commissioner General of Lands. The acquisition of the remaining 30 lands is also ongoing.	Land acquisition activities should be carried out without delay.

3.2 Operational Inefficiencies

Audit Observation	Comments of the management	Recommendation
The continuous vacancy of 137 positions of Centre Commander and Instructor, which are required to efficiently and effectively carry out the main functions of the Crop, namely youth development, job training and vocational education, had severely affected the achievement of the Division's objectives and the maintenance of the quality of the courses.	In accordance with the continuous request to recruit for the vacancies, on the recommendation of the Committee appointed with the participation of the Prime Minister's Secretary to review the recruitment process in the Public Service in accordance with the Cabinet Decision No. 403/23/0822/605/012-III and dated 16 May 2023, approval was given to recruit only for the posts of Centre Commander, 18 posts of Drill Instructor, 48 posts of Information Technology Instructor and 20 posts of English Language Instructor for the National Youth Corps Training Centres. Accordingly, kindly informed that recruitment has been made for the above posts.	Recruitment for essential vacancies should be carried out without delay.

3.3 Transactions in Contentious Nature

Audit Observation	Comments of the management	Recommendation
Under the Let's Win the International through Sports program, a pool of 750 athletes, identified according to their talents, had been selected for each sport by training and encouraging young people for the games of handball, netball, archery and target shooting. With the expectation of representing and winning the 2024 Olympic Games from that pool and employing 150 athletes in the year 2025, the Ministry of Sports and Youth Affairs had provided Rs. 17.5 million to the crop in the year 2022. However, by the end of the year 2023, the expected work had not been done. Furthermore, the money provided for that purpose, Rs. 7.5 million had been used for other purposes and Rs. 10 million had been invested in fixed deposits.	Currently, sports teams consisting of provincially recognized athletes are undergoing training in volleyball, netball, archery and air rifle. Kindly point out that although the remaining amount of Rs. 10 million out of the Rs. 17.5 million grant for the Sports Development Fund was invested in a fixed deposit in April 2023, the remaining balance of this fund at the end of the year is Rs. 4.7 million.	The funds should be used for the relevant purpose.

3.4 Underutilization of funds

Audit Observation	Comments of the management	Recommendation
At the end of each day of the year under review, a minimum balance of Rs. 13,935,401 to Rs. 156,106,568 was kept idle in the Crop's bank current account without investing in a profitable investment.	Kindly point out that although the current account balances of the National Youth Corps was high; the balance according to the cash book was relatively low. One bank account is maintained for the National Youth Corps and all expenses related to the 58 centres are paid through that bank account and the bills related to the network of centres throughout Sri Lanka are submitted to the headquarters for payment on a daily basis. Accordingly, it is essential to maintain a significant cash balance to settle the bills on a daily basis.	The bank balance should be maintained through proper management.

3.5 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the management	Recommendation
(a) Although there was no need to use sports equipment during the current year, sports equipment worth Rs. 1,123,850 had been purchased. This sports equipment had not been used during the year and the stock on hand at the end of the year was Rs. 1,796,399. Furthermore, these purchases had not been included in the annual budget estimate and procurement plan.	The purchase of sports equipment was not included in the annual budget estimate, however it was included in the action plan for the Sports Development Fund and purchases were made.	Purchases should be made without holding excess of stock.
(b) The Air Rifle Training Range constructed by the Crop at a cost of Rs. 5,514,999 had been used for only two days after its inauguration on 06 July 2023 up to the audit date of 26 September 2023. The Air Rifle Training Range had not been used by the Youth Corps trainees and had been used by two schools. Accordingly, it had failed to achieve the expected goals and achieve the expected performance level.	A senior officer has been appointed to actively run the Sports Training School established at the Divulapitiya Training Centre, and its training activities have been implemented in the year 2024. Accordingly, nearly 400 people from the Youth Corps and schools in the Western Province are currently involved in sports, and point out that the National Youth Corps is reaching the desired goals.	Resources should be used optimally.

3.6 Delays in Project Activities or Capital work

Audit Observation	Comments of the management	Recommendation
There were 13 training centres whose construction was started in 2016 and 2017 however was abandoned due to various reasons. For this, a basic estimate of Rs. 852.63 million was approved and an expenditure of Rs. 438.12 million had been incurred by the end of the reporting year. Due to the fact that these projects remained incomplete for more than 07 years, the expected benefits could not be achieved.	The construction was carried out by the National Engineering Organisation (NEMO) and private sector contractors. After the closure of NEMO, several of the constructions were carried out by private sector contractors. The construction of the remaining centres is planned to be carried out in 2025, 2026 and 2027.	Construction projects should be completed promptly.