

Sri Lanka Youth Services(Pvt) Limited - 2022/2023

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Sri Lanka Youth Services Private Limited (“Company”) for the year ended 31 March 2023 comprising the statement of financial position at 31 March 2023 and the statement of comprehensive income, 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. My comments and observations which I consider should be report to Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters discussed in the paragraph of the basis for Disclaimer of Opinion of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

As described in paragraph 1.5 of this report, I was unable to confirm or verify the quantitative items included in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows by alternative means.

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 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 Company’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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

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

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My responsibility is to conduct an audit of the Company's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However because of the matters described in the basis for disclaimer of opinion, I was not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.5 Audit observations on the preparation of financial statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standards

Non Compliance with the reference to particular Standard	Comment of the Management	Recommendation
Even though as per paragraph 09 of Sri Lanka Accounting Standards 36, an impairment assessment should be made at the end of each reporting period and the necessary provisions should be adjusted in the accounts, an annual impairment assessment had not been made and the necessary provisions had not been adjusted in the accounts for the trade and other receivables of the company that were more than 05 years old and valued at Rs.68,730,649.	Actions are taken to prepare the accounts in accordance with Sri Lanka Accounting Standards in preparing the financial statements for the 2024/2025 financial year.	An impairment assessment should be performed for the receivable balance as per the standard and the relevant adjustment should be made.

1.5.2 Accounting Deficiencies

Audit Observations	Comment of the Management	Recommendation
(a) Although the cash balance at the end of the year under review was Rs.2,778,140, the cash balance had been overstated by that amount due to the fact that the cash was not physically available. It was observed to the audit that the cash flow statement was not correct as the cash on hand was presented as cash and cash equivalents in the preparation of the cash flow statement.	It is expected to be corrected in the future.	The facts such as the completeness, accuracy, existence, ownership, etc. of the information included in the financial statements should be verified. If fraud has occurred, relevant investigations should be conducted and disciplinary actions should be taken accordingly.

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| (b) | Although Rs.1,413,305 had been adjusted for retained earnings in the year under review for the previous year, the accuracy of those adjustments could not be verified due to the fact that information regarding this was not submitted to the audit. | Disclosures in this regard have been made in the 2023/2024 financial statements. | Arrangements should be made to present information on adjustments made in the previous year in the financial statements. |
| (c) | Due to the fact that Rs.1,489,015 received from the company's restaurant was shown as other receivables instead of cash on hand, cash and cash equivalents were understated by the same amount and other receivables had been overstated. | Actions will be taken to correct this in the next financial year. | Transactions and balances should be accurately recorded and accurate information should be presented in financial statements. |
| (d) | Even though the Company had not reconciled and corrected the balance of Rs.155,202,056, or 97 percent, of the trade payables balance of Rs.160,680,916 as of 31 March 2023, between the Company's divisions. It was also not possible for the audit to verify the existence of these balances due to insufficient information being provided to the audit. | Actions are being taken to investigate how these balances were created and to correct them. | Actions should be taken to balance the inter-departmental at the end of each year. |

1.5.3 Un-reconciled Control Accounts

	Item	Value as per Financial Statements Rs.	Value as per Correspond ing Record Rs	Difference රු.	Comment of the Management	Recommendation
(a)	Receivable from National Youth Services Council	203,915,759	202,069,519	1,846,240	Actions will be taken to prepare the accounts in accordance with Sri Lanka Accounting Standards in preparing the	Actions should be taken to identify and correct the reasons for the difference without delay.

financial
statements for
the 2024/2025
financial year.

(b)	Payables to the National Youth Services Council	1,341,156	No.	1,341,156	Steps will be taken to correct this in the next financial year.	Actions should be taken to identify and correct the correct creditor balances and corrected.
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1.5.4 Documentary Evidences not made available for Audit

Item	Amount (Rs.)	Evidence not available	Comment of the Management	Recommendation
Property, plant and equipment	2	Annual board of survey reports	Actions will be taken to act in the future to submit evidence for balance verifications relating to the 2023/2024 financial year.	The necessary written evidence should be submitted very soon
Stock	1.7	Board of survey reports		
Trade and other receivables	41.3	Balance confirmations, schedules and other evidence		
Trade creditors and other payables	32.8	Schedules and balance confirmations		
Transactions and events	86.7	Evidence required to verify the accuracy of relevant journal entries		

1.6 Receivable and Payable

1.6.1 Accounts Payable

Audit Observations	Comment of the Management	Recommendation
(a) The company had not taken actions to settle other payables of Rs.28,395,326 which had remained outstanding for 09 years and to	Actions will be taken to correct long-term amounts in the financial statements.	Actions should be taken to settle outstanding balances that have remained

recover other receivables of Rs.35,608,200 which had remained outstanding for a period of 08 years.

outstanding for a long time.

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| (b) | The balance of Rs.13,435,657 included in the trade payables balance of Rs.29,931,673 at the end of the year under review remained unsettled between years 01 and 09 and the procedures for settling these balances were also in a very weak position. | Actions will be taken to investigate these balances have not been settled for a long time and steps be taken to correct them. | Actions should be taken to settle outstanding balances that have remained outstanding for a long time. |
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1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a)	The Operational Manual and Guidelines on Good Governance for State-Owned Enterprises introduced by the Public Enterprises Circular No. 01/2021 dated 16 November 2021			
(i)	Paragraph 2.3 of the Guidelines	The strategic plan, action plan and annual budget had not been prepared and submitted to the Director General of the Department of Public Enterprises or the Director General of the Department of National Budget through the Secretary to the Line Ministry.	The strategic plan for 2026/2028 has been prepared and the necessary actions have been taken to prepare the annual action plan in accordance with it and submit it to the line ministry.	Actions should be taken to prepare and approve the strategic plan and action plan in accordance with the circulars.

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| (ii) | Paragraph 2.3 of the Operational Manual | Although the company should prepare the administrative and financial manuals and get them approved by the Board of Directors, this had not been done. | The delegations for the financial powers relating to the year 2026 were prepared and the relevant approval was given by the Board of Directors held on 31.03.2026. | Actions should be taken to prepare and approve an administrative and financial system applicable to the company by the Board of Directors. |
| (b) | Public Enterprises Circular No. PED 55 dated 14 December 2010 | Although there is no constitutional provision for appointing a Treasury representative as a member of the Board of Directors as per the relevant laws and although a representative from the Treasury should be appointed as an observer for Audit Committee meetings, a Treasury representative had not been appointed to the Company's Audit Committee. | Although it operates as a state company affiliated with the National Youth Services Council, it is not registered under the Department of Public Management Services and therefore further actions are being taken for that purpose. | The representation requirements specified in the circular for Audit and Management Committee meetings should be met. |

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a profit of Rs16.55 million and the corresponding loss in the preceding year amounted to Rs.15.52 million. Therefore, an improvement amounting to Rs.1.03 million of the financial result was observed. The main reason for this improvement was the 104 percent increase in course revenue compared to the previous year

2.2 Trend Analysis of major Income and Expenditure item

The main income and expenditure items of the year under review have been analysed in comparison with the previous year and the values of increases or decreases are given below along with the respective percentages.

	2023	2022	{ Favourable/ (Adverse) } Percentage	
	Rs. Million	Rs. Million	(Rs. Million)	%
Income				
Security Services	115.80	102.38	13.42	13
Cleaning Services	27.24	22.36	4.88	22
Income from Canteen	23.66	35.03	(11.37)	(32)
Income from Press	2.63	7.07	(4.45)	(63)
Income from Courses	36.93	18.10	18.83	104
Other	0	13.38	(13.38)	(100)
Expenses				
Security Services	111.01	86.01	(25.01)	(29)
Cleaning Services	23.64	17.75	(5.89)	(33)
Canteen expenses	35.36	40.35	4.99	12
Expenses of Press	5.37	9.43	4.06	43
Expenses of Courses	14.15	10.75	(3.40)	(31)
Other	0.47	18.60	18.13	97

Although the income from the courses introduced in the previous year had increased by Rs.18.83 million or 104 percent, the company had not taken actions to generate income from the purpose-built operations of the restaurant and the press.

2.3 Ratio Analysis

According to the information and financial statements provided to the audit, all of the profit ratios of the Company for the year under review were positive compared to the preceding year, and those ratios compared to the preceding year are shown below

Profit Ratios	Year	
	Year 2022 / 2023 (Percentage)	2021 / 2022 (Percentage)
Operating Profit Ratio	7.37	6.86
Net Profit Ratio	86.61	78.19
Return on Assets Ratio	7.14	6.78
Return on Capital Employed	14.77	16.26

The following observations are made in this regard.

- (a) Although the company's gross profit margin was at an average level of 80 percent, the company had failed to achieve a proper result through an increase in gross profit margin, with a net profit margin of 7 percent due to an increase in security service expenses of 21 percent and cleaning service expenses of 33 percent.
- (b) Management had not focused on increasing the return on assets ratio by effectively utilizing the company's existing idle assets.
- (c) The lack of a practical strategic plan and business plan for the company had resulted in low profit margins.

3. Operational Inefficiencies

3.1 Losses identified

Audit Observations	Comment of the Management	Recommendation
Although the goods had not been supplied in return for the advance payment of Rs.3,741,584 given for the purchase of equipment in the previous year, actions had not been taken to identify the responsible persons related to this transaction and recover this amount from them.	Investigations are being carried out in this regard and it is expected that necessary legal action will be taken in the future.	Actions should be taken to identify the responsible parties and steps should be taken to recover the losses incurred.

3.2 Management Inefficiencies

Audit Observations	Comment of the Management	Recommendation
The main objective of establishing this company is to raise the necessary funds	The Japanese Language Skills Training Course implemented	Actions should be taken to prepare and the implement

to implement a programme to provide self-employment opportunities and to provide foreign employment opportunities to the youth in accordance with Cabinet Decision No. 331 dated 16 September 1982 and although the Japanese language and skills training program was conducted to achieve this objective from 2021/2022 to 2022/2023 financial year and an income of Rs. 36,929,000 had been generated, these courses had been suspended from the 2023/2024 financial year.

in the 2021/2022 financial year was suspended due to certain issues that existed at the time and the need to maintain it with accuracy.

the relevant program to achieve the main objective of the institution.

3.3 Human Resources Management

Audit Observations	Comment of the Management	Recommendation
(a) Three out of the five positions on the company's board of directors are vacant and steps have not been taken to fill them with experts with specialized knowledge and experience. Further, Actions had not been taken since 2013 to appoint an accountant for the company on a permanent basis.	Further actions will be taken to proceed in this regard.	Actions should be taken to fill the Staff and board of directors' vacancies promptly.
(b) Treasury approval had not been obtained for the cadre in accordance with paragraph 3.1 of the Operations Manual for State-Owned Enterprises introduced by public Enterprises Circular No. 01/2021 dated 16 November 2021.	The company is expected to make new recruitments and staff changes as needed and obtain the necessary approvals for the same.	Actions should be taken to obtain the treasury approval for staff.

4. Accountability and Good Governance
4.1 Submission of Financial Statements

Audit Observations	Comment of the Management	Recommendation
Although the annual financial statements of state-owned companies should be submitted to the Auditor General within 60 days of the end of the accounting year in accordance with the National Audit Act No. 19 of 2018 and the paragraph 6.6 of the Operations Manual published by the Public Enterprises Circular No. 01/2021 dated 16 November 2021, the company had submitted the financial statements for the 2022/2023 accounting year on 19 December 2025, i.e. after a delay of 02 years and 06 months.	It is expected that this situation will be overcome in presenting the 2025/2026 financial statements.	Actions should be taken to submit the Financial statements to the Auditor General within the prescribed period.

5. Other Matters

Audit Observations	Comment of the Management	Recommendation
(i) The following committee recommendations, which were to be implemented as per the minutes of the Committee on Public Enterprises (COPE) and its sub-committees held on 18 and 20 February 2025 and 19 March 2025 respectively, had not been implemented up to the date of this report. To follow up on the future existence of the company and take necessary actions to ensure that its existence is maintained and it operates under the National Youth Services Council and to achieve the basic objectives stated in the articles of association.	Considerations have been made regarding the future existence of the company, a strategic plan has been prepared and further actions are currently taken to initiate new projects.	Actions should be taken to act in accordance with the decisions of the Committee on Public Enterprises.

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| <ul style="list-style-type: none"> • Tabling of annual reports in Parliament since the company was established in 1981. | <p>As an initial step in preparing annual reports, actions are taken to prepare the 2020/2021 and 2021/2022 annual reports and submit them to Parliament.</p> | <p>Actions should be taken to act in accordance with the decisions of the Committee on Public Enterprises.</p> |
| <ul style="list-style-type: none"> • To prepare an updated comprehensive plan, considering the government policies and submit it to the sub-committee within 03 months. | <p>A comprehensive plan has been prepared at present and steps are being taken to submit it to the subcommittee.</p> | <p>Actions should be taken to act in accordance with the decisions of the Committee on Public Enterprises.</p> |