

Sri Lanka Youth Services Private Limited – 2018/2019

The audit of the operating activities of the Sri Lanka Youth Services Private Limited for the year ended 31 March 2019 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. My comments on the operations of the Company for the year under review which I consider should be tabled in Parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report.

1.2 Responsibilities of Management and Those Charged with Governance for the Presentation of Financial Statements

As per Section 16(1) of the National Audit Act No. 19 of 2018, any entity 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 entity. As per Section 16(2) of that Act, the Chief Accounting Officer should submit the Annual Financial Statements for each audited entity to the Auditor General with the annual performance reports of those entities within the stipulated time period specified in the regulations. As per Section 38(1) (d) of that Act, ensure that annual reports and other financial statements are prepared in a timely manner and, in addition to that, the Chief Accounting Officer should ensure that the annual reports relating to the audited entity is submitted to Parliament.

2. Report on other legal and regulatory requirements

The National Audit Act No. 19 of 2018 and the Companies Act No. 7 of 2007 contain special provisions regarding the following requirements.

In terms of Section 150 (1) of the Companies Act No. 07 of 2007, the Board of Directors of the Company should ensure that the person responsible for the preparation of the financial statements will be certified within six months from the date of the balance sheet.

2.1 Non-presentation of the Financial Statements for Audit

Audit Observation	Comments of the Management	Recommendation
Even though the annual financial statements of companies should be submitted to the Auditor General within 60 days from the end of the financial year as per Section 6.5.1 of Public Enterprise Circular No. PED / 12 of 02 June 2003, the Company had not submitted its financial statements for the financial year 2018/2019 to audit even till the audit date of 02 February 2021.	The relevant financial statements are already being prepared, and kindly inform you that action will be taken to submit after two weeks.	Accounts should be submitted on the due date as per the circular.

2.2 Non-compliance with laws, rules, regulations and management decisions

The following observations are made.

	Reference to laws, rules, regulations	Non compliance	Management comment	Recommendation
(a)	Public Finance Circulars			
(i)	Circular No. 03/2015 of 14 July 2015	Even though issuing of ad-hoc imprest should be limited only to the staff officers, contrary to that a total sum of Rs. 472,415 advances in 09 instances had been given to an officer on contract basis service.	Instructions had been given to make special attention.	Should be act in accordance with the circulars.
(ii)	Circular No. 01/2014 of 17 February 2014	A Corporate plan including short-term and long-term vision had not been prepared for the business activities.	Instructions had been given to prepare a Corporate plan.	Should be act in accordance with the circulars.
(b)	Public Enterprise Department Circular No. PED/12 of 02 June 2003			
(i)	Section 7.4.5	A Board of Survey had not been carried out by the company after the year 2016.	Action will be taken to rectify.	Should be act in accordance with the circulars.
(ii)	Paragraph No. 9.2 and 9.3.1	The Cadre for the company had not been approved and a recruitment scheme for the company had not been prepared and approved.	Instruction had been given to submit a proposal to the Board of Directors to formulate a formal recruitment procedure able to obtain an efficient service and to make future recruitments accordingly.	Should be act in accordance with the circulars.
(c)	Public Enterprise Department Circular No. 2/2018 of 14 November 2018	Contrary to the circular, the company has deposited Rs. 1,463,856 worth of fixed deposits in a private commercial bank.	A current account had already been opened in the People's bank.	Should be act in accordance with the circulars.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Management Comment	Recommendation
(a) Answers had not been given for 26 audit queries issued to Sri Lanka Youth Services (Pvt) Ltd from 2015 to 16 November 2020. Also attention of the Board of Director's had not been made regarding the shortcomings and weaknesses pointed out by those audit queries or regarding their rectification.	Instructions had been given to focus special attention and act accordingly.	Replies should be made to the Audit queries and mentioned shortcomings should be rectified.
(b) Action had not been taken since the year 2013 to recruit an Accountant for Sri Lanka Youth Services Pvt. Also, the post of Assistant Accountant had been vacant since 03 June 2019. This situation also caused the final financial statements not to be submitted in time for the audit.	Action is already being taken to recruit an Accountant.	Action should be taken to fill the vacancies as per the recruitment procedure.
(c) Out of the debtors balance of Rs. 10,520,015 of the printing section as at 20 October 2020, amounted to Rs. 9,627,122 or 91.5 percent of the total loan balance belonged for the period 2015-2019 but action had not been taken to recover those balances.	A separate female officer had been appointed for this purpose.	Action should be taken immediately to recover the debtor's balance.
(d) Deposit certificates for fixed deposits of Rs. 1,463,856 deposited in a private bank as at 30 June 2020 had not been submitted for audit.	It was advised to discuss with the Bank regarding the Fixed Deposit Certificate and submit it as soon as possible.	Action should be taken to submit the fixed deposit certificate to the audit.
(e) Action had not been taken to identify the responsible officers and take necessary action for the total loss to the company amounted to Rs. 1,644,253 due to negligence of the officers in five sample tests.	Make sure not to do so in the future and instructions had been given to make special attention in this regard.	Action should be taken against the officials responsible for the loss.

3.2 Operational Inefficiencies

Audit Observation

Out of 05 main businesses, 03 business activities of the company were making losses by the end of the year under review, but action had not been taken to prevent that.

Management Comment

Instructions were given to focus on maintaining a profitable way in future.

Recommendation

Board of Director's attention should be focused on continuing the business in profitability way.

4. Sustainable Development

Audit Observation

With the objective of ensuring economic growth, social development and environmental security of all the member countries by 2030, the United Nations has introduced the 2030 Agenda for Sustainable Development. Nevertheless, the Sri Lanka Youth Services Private Limited had not identified the sustainable development goals applicable to its scope in 2030.

Management Comment

Relevant work is already being done in this regard.

Recommendation

Should be complied with Circular No. NP / SP / SDG / 17 of 14 August 2017 of the Ministry of National Policies and Economic Affairs.