

Sri Lanka Youth Service Private Limited – 2019/2020

The audit of the operating activities of the Sri Lanka Youth Service Private Limited for the year ended 31 March 2020 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 conjunction with provisions of the National Audit No.19 of 2018 . My comments on the operation 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 the 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 the Act, ensure that annual reports and other financial statement 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. 7 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. Financial Statement

Audit Observation	Management Comment	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 the Section 6.5.1 of public Enterprise Circular No. PED / 12 of 2 june 2003, the company had not submitted it financial statements for the financial year 2019/2020 to audit even till the audit date of 31 January 2022.	Arrangements will be made to submit the financial statements for the year 2019/2020 by February 15 as soon as they are completed.	Account 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.

Subject

	Reference to laws, rules, regulations	Non-Compliance	Management Comment	Recommendation
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(a)	Section 41(2)(g) of the National Audit Act No.19 of 2018	although audit and management committees are required to be set up for a company registered or deemed to be registered under the company act No. 7 of 2007 in which the government or a public corporation or a local authority holds fifty per centum or more of the shares of the company had not been action accordingly.	It was instructed to set up an audit and management committee in the future to plan for the future.	Should be act in accordance with the circulars.
(b)	Section 23.1 (a) of the Right to Information Act No.12 of 2016	Although one or more officers as information officers and a designated officer to hear appeals should be appointed for the company, action had not been taken accordingly.	The Managing Director has been instructed to appoint a relevant officer accordingly in the future.	Should be act in accordance with the circulars.
(c)	Public Enterprise Department Circular No.PED/12 of 02 June 2003			

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| (i) | Paragraph. 4.2.2 | Although the Board of Directors should meet monthly to evaluate the performance of the company and establish the necessary controls, Board of directors' meeting had been conducted only in 2 instances and one instance during the year under review and the preceding year respectively. | Our Board of Directors is already working to hold it every month. | Should be act in accordance with the circulars. |
| (ii) | Paragraph 4 and 5.2.3 | The annual budget estimates had not been prepared and approved. | It was advised to pay special attention to the preparation of budget estimates. | Should be act in accordance with the circulars. |
| (iii) | Paragraph 7.4.5 | Although Board of Survey and Special Board of Survey should be appointed to verify fixed assets and warehouses, a Board of Survey had not been carry out by the company of the year after 2016. | A committee of Board of Survey has already been appointed and instructed to carry out the Board of Survey. | Should be act in accordance with the circulars. |
| (iv) | Paragraph 9.2 and 9.3.1 | The Carder for the company had not been approved and a recruitment scheme for the company had not been prepared and approved. | A recruitment scheme is already being prepared and it was directed to submit it to the Board of Directors and the Ministries for approval in future. | Should be act in accordance with the circulars. |

- (d) Public finance circular No. 01/2014 of 17 February 2014 A corporate plan with a short-term and long-term vision for the business and an annual action plan had not been prepared to include activities expected to be implemented in the coming financial year. An annual action plan is currently being prepared. Should be act in accordance with the circulars.
- (e) Section 3.4.3 (a)(b)(c)(d) of the Procurement guidelines of the Democratic socialist Republic of Sri Lanka. Although lists of registered suppliers that are updated annually should be used to purchase frequently used items, the company did not act accordingly when purchasing items for the down canteen. Suppliers are currently being registered and advised to do so in the future. Should be act in accordance with the circulars.
- (f) Section 4.2.1 (a) of the Procurement guidelines of the Democratic socialist Republic of Sri Lanka. The procurement entity had to prepare a master procurement plan, but the company had not been done so. Instructed to act accordingly in future. Should be act in accordance with the circulars.

3. **Operational Review**

3.1 **Management Inefficiencies**

The following observation are made.

Audit Observation	Management Comment	Recommendation
(a) Action had not been taken since the year 2013 to recruit an Accountant for Sri lanka youth services pvt. Also, The post of Assistance 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.	Recruitment of a new Financial Adviser for the year 2022 was done. Advised to submit financial statements to audit expeditiously in the future.	Action should be taken to fill the vacancies as per the recruitment procedure.
(b) The food ordering that could have been accomplished by the company's canteen, it had been carried out by an outside entity on three occasions at a total cost of Rs. 1,685,900 without following the procurement process That the company had missed the opportunity to make profit.	Depending on the nature of the orders received, outsourcing of our restaurant will be provided in the absence of relevant facilities and services, and I would like to inform you that outsourcing is still being done by outsourcing companies at the request of the bidders.	Businesses should be run profitably.

4. **Sustainable Development**

Audit Observation	management Comment	Recommendation
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.	Special attention was paid and instructions were given to take action in this regard in the future.	Should be complied with circular No.NP/SP/SDG/17 of 14 August 2017 of the ministry of National Policies and Economic Affairs.