National Youth Services Council - 2025

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Youth Services Council ("the Council") for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 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 a 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 Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be reported to the 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 of the Council give a true and fair view of the financial position of the Council as at 31 December 2025, 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 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 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 Audit Scope (Auditor's responsibilities for the Audit of the financial statements)

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 skepticism 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 of the Council.

- 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 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 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 governing body of the Council;
- Whether the Council has performed according to its powers, functions and duties; and
- 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 Comments on Financial Statements of the Board

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non - Compliance with the reference to particular Standard	Management Comment	Recommendation
The contingent liabilities should have been disclosed in the financial statements in accordance with Sri Lanka Public Sector Accounting Standard (SLPSAS) 06 – *Events After the Reporting Date* and Paragraph 100 of SLPSAS 08 – *Provisions, Contingent Liabilities and Contingent Assets*. However, there is no disclosure relating to the payment of Rs. 7,992,230 made to external parties in February 2026 pursuant to a court judgment had been made as a note to the financial statements.	Agreed.	The contingent liabilities should be disclosed in the financial statements in accordance with Sri Lanka Public Sector Accounting Standard.

1.5.2 Accounting Deficiencies

	Audit Issue	Management Comment	Recommendation
(a)	Fixed deposits, savings account balances and current account balances aggregating Rs. 38,151,084, maintained by the Sports Club and the Youth Awards Division operating under the Council, had not been incorporated into the financial statements of the Council.	The balances of fixed deposits, current accounts, and savings accounts of the National Youth Award Division and the National Youth Centre's Sports Clubs were presented as a separate statement under Note No. 09 to the financial statements of the National Youth Services Council for the year 2025.	The bank account balances of the Sports Club and the National Youth Award Division belonging to the Council should be disclosed in the financial statements of the Council.
(b)	Assets valued at Rs. 5,090,100, which had been procured on behalf of the Council during 2024 by 10 District Secretariats under the provisions of the line Ministry,	Agreed.	Assets purchased through the District Secretariats should be recognized in the

had not been recognized in the financial statements. As a result, the value of assets had been understated by that amount. | financial statements of the Council.

1.5.3 Un-reconciled Control Accounts or Records

Item	Value as per Financial Statements Rs.	Value as per Corresponding Records Rs.	Difference Rs.	Management Comment	Recommendation
Balances payable to Sri Lanka Youth Services (Pvt) Ltd.	11,076,424	209,550,376	198,473,952	Agreed.	The correct creditor balances should be identified, and the necessary adjustments should be made.

1.5.4 Documentary Evidence not made available for Audit

	Item	Amount Rs.	Evidence not made available	Management Comment	Recommendation
(a)	Unidentified credits appearing in the aggregate balance of three current bank accounts maintained at the Head Office	38,152,567	Relevant balance confirmations, payment vouchers, relevant files, and other necessary evidence and information	Agreed.	The evidence required for conducting the audit should be submitted properly and without delay.
(b)	Debtors	1,524,550	Balance confirmations		
(c)	Trade Creditors	88,937,916	Balance confirmations		
(d)	Receipts from the Line Ministry and other institutions	189,923,072	Balance confirmations		
(e)	Work-in-Progress	18,771,565	Payment vouchers and relevant files		
(f)	Balances of Government Capital Contributions	149,620,000	Information relating to transactions and events relevant	The reason for increase in the Government Capital	Details of capital expenditure incurred from

	to the year	Contribution during the year 2025 was the expenditure incurred on the acquisition of capital assets during the year.	the Government Capital Contribution Account should be accurately presented in accordance with the ledger records.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

	Audit Issue	Management Comment	Recommendation
(a)	The outstanding balance as at 31st December 2025 was Rs. 5,624,550, which included a loan of Rs. 4,000,000 given to the Youth Club Federation in the year 2023 and a balance of Rs. 1,624,550 to be recovered on payments to a supplier institution twice, and no action had been taken up to the date of this report to recover this money.	Letters have been sent to recover Rs. 1,624,550, which is recoverable due to a duplicate payment made to the supplier.	Action should be taken to recover the debtor balances without delay.
(b)	Action had not been taken to recover the balance of the distress loan of Rs. 2,999,036 due from 33 persons who had vacated their post, resigned, retired or died as at 31December 2025.	Agreed.	Action should be taken to recover the outstanding distress loans.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Section 30.3 of Part II, Chapter XLVIII of the Establishments Code of the Democratic Socialist	The Disciplinary Authority had failed to take disciplinary action against the officers concerned in respect of three disciplinary inquiries conducted	Reminder letters have been issued, and complaints have been made to the Polic in respect of the preliminary investigations relating to three officers of the Council.	Prompt and expeditious disciplinary inquiries should be conducted in respect of the officers

Republic of Sri Lanka.	during the period from 2018 to 2025.		concerned.
(b) Cabinet Paper No. 28/0190/601/009 dated 31 January 2023.	Although steps should be taken to obtain the services of only lawyers serving in the Attorney General's Department for cases filed by an external party against government institutions, contrary to this, the services of private lawyers were obtained to represent the cases filed by external parties against the Council and an amount of Rs. 16,974,380 was spent on it.	In certain instances, the services of private attorneys were obtained due to the difficulty in securing the services of a Government Attorney, as court proceedings were sometimes scheduled at short notice.	Action should be taken in accordance with the relevant Cabinet Memorandum.
(c) Guidelines for State Owned Enterprises No. 01/2021 dated 16 November 2021.			
(i) Paragraph 2.1	In any case where the functions and duties of the Chairman and the Chief Executive Officer have been combined by the relevant laws, the Board of Directors should take steps to separate them in that legal framework. However, the Council had not taken steps to amend the existing Act to specifically specify the functions and duties of the Chairman who acts as the Chairman and the Chief Executive Officer of the Council.	This matter will be referred to the Board of Directors of the Council, and action will be taken in accordance with the decision received.	Action should be taken in accordance with the relevant guidelines.
(ii) Paragraph 6.7	Although an annual verification of fixed	At present, the bords of survey activities have been	Verification of inventories

		assets and inventories should have been carried out and the relevant Board of Survey reports submitted to audit, this had not been done.	completed in all sections except the student hostel.	should be carried out annually in accordance with the relevant regulations.
(d)	Supplement 32 issued by the Department of Public Finance on 01 March 2017 in addition to the Guidelines 2.9.1 of Procurement Guidelines 2024.	The procurement for various functions costing Rs. 44.6 million to celebrate International Youth Day 2025 had been carried out without obtaining a total cost estimate and without obtaining a declaration from the staff officers and other officers assisting the procurement committees as well as from the bidder or the representative. Furthermore, no agreement had been entered into in accordance with the Procurement Guidelines.	At present, declarations have been obtained confirming that all procurement activities being carried out are free from collusion.	Action should be taken in accordance with the Procurement Guidelines.
(e)	Circular No. PS/SP/SB/21/2018 dated 07 December 2018 issued by the Secretary to the President.	Although functions, seminars and workshops of state institutions should be held in government-owned places at a minimum cost, the Council was spent Rs. 12,556,970 to hold the Youth Film Festival in private hotels during the years 2024 and 2025.	The above programme was implemented based on the authority, recommendation, and approval of the Chairman/Director General.	The instructions contained in the relevant Circular should be complied with.
(f)	Public Administration Circular No. 09/2009 dated 16 April 2009	During the field audit examination, it was observed that the Divisional Officers attached to the District Offices in Gampaha, Nuwara Eliya, and Kegalle had received	At present, the fingerprint machines in all offices have been updated.	Action should be taken in accordance with the instructions contained in the Circular.

	salaries throughout the year 2025 without recording their attendance using the fingerprint machines.		
(g) Financial Regulation 104	A loss of Rs. 1,102,714 incurred due to the theft and removal of high-voltage electrical cables at the Sapugaskanda Training Centre, as well as a further loss of Rs. 609,092 incurred in 2026, had not been recorded in the Losses and Damages Registers. Further, although a formal disciplinary inquiry should have been conducted and the loss reported to the Auditor General, this had not been done.	The officers concerned have submitted explanations in this regard. Further action is to be taken against the parties responsible, taking the explanations submitted into consideration.	Action should be taken to recover the loss from the parties responsible.

2. Financial Results

The operating result for the year under review amounted to a deficit of Rs. 268.97 million and the corresponding deficit in the preceding year amounted to Rs.531.22 million. Therefore, an improvement in financial result by Rs.262.25 million was observed. Increase in Government grants and internally generated revenue, as well as the decrease in expenditure on youth development activities were the major reasons attributed for this improvement in financial results.

2.1 Trend Analysis of major Income and Expenditure items

Analysis of major income and expenditure items of the Council for the year under review compared with the preceding year with the percentage of increase or decrease is shown below.

	Year 2025	Year 2024	Variance {Favorable/ (Adverse)}	Percentage
	Rs. Mn.	Rs. Mn.	Rs. Mn.	%
Revenue				
Government Grants	2,039.41	1,902.15	137.26	7
Internally Generated Revenue	405.12	367.03	38.09	10
Expenses				
Administration Expenses	2,001.38	1,747.46	(253.92)	14
Youth Development Expenses	712.12	1,052.94	340.82	32

Expenditure on youth development had decreased by 32 per cent compared with the previous year due to two major functions that were required to be performed by the Council had still not been implemented, and the expected expenditure on youth development had not been incurred,

3. Operating Review

3.1 Management Inefficiencies

	Audit Issue	Management Comment	Recommendation
(a)	Disciplinary action had not been completed, and the loss had not been recovered up to the date of audit in respect of Rs. 1,841,193 in daily collections at the Batangala Training Centre, relating to the period from April to December 2024 and January to June 2025, which had not been deposited in the bank up to 03 September 2025.	Disciplinary action is expected to be taken.	Follow-up action should be taken regarding the banking of daily collections, and examination should be carried out to determine whether the daily collections have been deposited late or have not been deposited at all. Prompt action should be taken against the parties responsible.
(b)	Although a Youth Centre Sports Club had been maintained under the Council, there was no legal basis for maintaining such a Sports Club.	Action is being taken to obtain the necessary legal provisions and formal approval.	The legal status of the Youth Centre Sports Club should be confirmed.

3.2 Transections of Contentious Nature

	Audit Issue	Management Comment	Recommendation
(a)	The Sri Lanka Youth Clubs Federation, established as a charitable institution under Section 31(9)(a) of the Inland Revenue Act No. 28 of 1979, had been established as a division at the Head Office under the National Youth Services Council without a clear legal basis. The Council had paid allowances of Rs. 750 per month to 10 members of the Federation from 2018, amounting to Rs. 1,197,700 up to the end of the year under review. Further, the Chairman of this Federation was also the Chairman of the Council.	This allowance has been paid since 2018, with the approval of the Board of Directors of the Council.	Such allowances should be paid only with proper legal authority.
(b)	Sri Lanka National Youth Services Cooperative Societies Limited was conducting courses using the official name and logo of the Council as well as the name of the Line Ministry. However, the legal relationship between the Cooperative Society and the Council was not clear to audit. Further, officers of the Council had been appointed on a full-time and part-time basis to serve as the Chairman, General Manager, and members of the Board of Directors of the said Cooperative Society. In addition, the Cooperative Society had conducted a sales programme called "NISCO Pola" within the premises of the Council, and the revenue generated from this programme had not been received by the Council.	Documents relating to the payable amounts for the "NISCO Pola" programme held in December 2025 have been forwarded to the NISCO Cooperative Society.	The legal relationship between the Council, the Ministry, and the Cooperative Societies should be clearly established and confirmed.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Issue	Management Comment	Recommendation
Although Rs. 49.62 million had been paid as consultancy fees for the repair of the roof of the multi-purpose building of the council due to its dilapidation, the building was already unusable as a contractor had not been selected for this work.	Arrangements have been made to expedite the procurement process.	The assets of the Council should be utilized effectively and efficiently.

3.4 Defects in Contract Administration

Audit Issue	Management Comment	Recommendation
Although construction works under four contracts valued at Rs. 162,944,263 had been suspended during the period from 2013 to 31 December 2020, the management had not taken prompt action to proceed with the implementation of these projects.	The projects relating to the Matara Youth Park, Piliyandala Hostel, and Volleyball Court could not be continued due to the non-allocation of funds. The works at the Bellwood and Monaragala Centers are being completed in stages due to financial constraints.	The management should take prompt action to complete the contracts that have been suspended midway.

3.5 Utilization of Resources of Other Organizations

Audit Issue	Management Comment	Recommendation
Out of the total amount of Rs. 93,375,719 received from the Ministry of Education under the Thirteen-Year Guaranteed Education Programme, the remaining amount of Rs. 74,685,728 as at 31 December 2025 had not been utilized for the intended purposes.	An inaccurate response stating that "Action has been taken to achieve the objectives of this programme" had been submitted.	The funds received should be utilized effectively and efficiently for the intended purposes.

3.6 Human Resources Management

Audit Issue	Management Comment	Recommendation
No duties had been assigned to the Superintendent and a Music Instructor attached to the Anuradhapura Youth Centre (Niketana), and their performance had not been evaluated. Nevertheless, salaries amounting to Rs.	The Superintendent who had been attached to the Anuradhapura Youth Centre was transferred to the Head Office and assigned duties.	Proper duties and responsibilities should be assigned to all staff members.

4,320,786 had been paid to them during the year under review.

3.7 Management of Vehicle Fleet

Audit Issue	Management Comment	Recommendation
Although 10 vehicles belonging to the Council had been withdrawn from operation during the period from 2011 to 2021, the necessary action had not been taken to dispose of them by auction up to the date of the report. Consequently, the vehicles had been kept parked for a prolonged period at the Head Office without any shelter, resulting in their deterioration.	Approval has been obtained to commence the disposal process in accordance with the new Circular.	Action should be taken either to auction the deteriorating vehicles or to repair them and return them to service.

4. Accountability and Good Governance

4.1 Progress of the Annual Action Plan and Targeted Activities

	Audit Issue	Management Comment	Recommendation
(a)	No key performance indicators (KPIs), targets, or officers responsible for the following functions that were required to be performed by the Council had been identified, in a manner that would enable an assessment of whether such functions had been performed during the year under review. Further, no progress report on these functions had been submitted.		
	• Establishing a database system to collect information on unemployed youth, establishing a job bank to facilitate their placement, and managing the relevant process through an online platform to systematically reduce unemployment.	A software application named “Youth App” has been introduced to collect information on unemployed youth. The application is currently being improved, and it is expected that the process will be formally implemented upon completion of the improvements.	The functions that are required to be performed by the Council should be carried out efficiently and effectively.

	• Taking measures to create young entrepreneurs and introducing and implementing mechanisms to provide them with the necessary incentives and new opportunities.	The programme introduced could not be implemented due to Ditwah cyclone situation.	The functions that are required to be performed by the Council should be carried out efficiently and effectively.
(b)	Although the establishment of farms was intended to encourage youth to engage in the agricultural sector in terms of Sections 4(e), 5(2)(g), and 5(2)(h) of the National Youth Services Council Act No. 69 of 1979, training programmes had not been conducted at the 15 farms maintained by the Council. Further, the recruitment of agricultural trainees had been temporarily suspended from the second half of 2025 by Letter No. NYSC/Agricultural Development/Training/2025 dated 11 July 2025 issued by the Director General of the Council.	It is informed that the quality of the courses has been improved and, accordingly, the courses have been modified to some extent.	The functions that are required to be performed by the Council should be carried out efficiently and effectively.
(c)	The National Youth Sports Festival had been conducted during the year under review at a cost of Rs. 168 million. However, relevant key performance indicators had not been identified in relation to the objectives and targets in a manner that would enable the benefits received by young people through the conduct of the Sports Festival to be specifically identified and evaluated.	A total of 188,174 athletes participated in the provincial, district, and national-level competitions conducted under the 35th National Youth Sports Festival and represented the Youth Sports Final Festival.	Key Performance Indicators (KPIs) should be identified.
(d)	According to the minutes of the discussions held at the Committee on Public Enterprises (COPE) on 18 and 20 February 2025 and at the Sub-Committee of the said Committee on 19 March 2025, the following recommendations that were required to be implemented by the Council had not been implemented up to the date of this report:		
	(i) To prepare an updated corporate plan, taking into consideration Government policies, and submit it to the Sub-	The draft new Corporate Plan for the period 2026–2028 has been submitted to	The decisions of the Committee on Public

Committee within three months**.**	the Board of Directors of the Council for its reviews, and further action is expected to be taken after obtaining such reviews.	Enterprises (COPE) should be implemented promptly.
(ii) To report to the Committee within one month the reasons for the failure to obtain Treasury approval to write off 144 loan balances amounting to Rs. 6.87 million**,** together with the officers responsible for such failure.	It will be submitted to the Board of Directors of the Council after being presented to the Audit and Management Committee and obtaining its approval.	The decisions of the Committee on Public Enterprises (COPE) should be implemented promptly.
(iii) Although relevant approvals should have been obtained in respect of all lands under the Council, 79 out of the 90 lands occupied by the Council were not owned by the Council, while 11 were gifted freehold lands. To conduct a study in this regard and to submit the recommendations thereof.	Action is currently being taken to obtain legal ownership of the lands utilized by the National Youth Services Council.	The decisions of the Committee on Public Enterprises (COPE) should be implemented promptly.