

National Enterprises Development Authority - 2012

1. Financial Statements

1:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the National Enterprises Development Authority as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1:2 Comments on Financial Statements

1.2.1 Accounting Deficiencies

A difference of total of Rs.276,974 was observed between the amount of depreciation to be provided during the year on fixed assets and the amount of depreciation provided as shown in the accounts.

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

The following non-compliances were observed.

Reference to Laws, Rules, Regulations, etc.	Non - compliance
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(a) Section 19(3) of the National Enterprises Development Authority Act, No. 17 of 2006	Even though all the monies provided or received to establish a Technological Development Fund by the Authority for technological development activities should have been credited to that Fund in terms of relevant instructions, that Fund had not been established even as at end of the year under review.

(b) Financial Regulations

(i) F.R 103 and 104

Action had not been taken to recover the financial loss amounting to Rs.56,279 incurred to the Authority relating to a vehicle met with an accident from the responsible party.

(ii) F.R 110

The Authority had not maintained a Register of Losses and Damages.

(iii) F.R 388

A register which should be kept for sending cheques by post had not been maintained by the Authority.

(c) Public Enterprises Circular
No.PED/12 dated 02 June 2003.

(i) Section 5.2.1

According to the circular provision, a budget including the following matters had not been prepared and presented for audit.

- Budgeted income and expenditure account
- Budgeted balance sheet
- Budgeted cash flow statement.

(ii) Section 8.3.9

Even though the line Ministry should not utilise the resources of the institutions under its supervisions, without considering it a cab vehicle and a driver had been attached for activities of the Ministry from 09 July 2012.

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| (d) Treasury Circular No.842 dated 19 December 1978 | The Authority had not maintained a Register of Fixed Assets. |
| (e) Public Enterprises Circular No.PED/ 58 dated 29 April 2011 | Even though the monthly allowance of the former Chairman was Rs.50,000, the Authority had paid at the rate of Rs.62,695 per month from January to July of the year under review. Accordingly, allowances overpaid amounting to Rs.111,083 had not been recovered. |
| (f) Letter No. NSCC/2/7/5/5/113 dated 01 June 2011 of the Salaries and Cadre Commission | A sum of Rs.252,450 had been overpaid to the Director of the Authority during the year under review due to paying salaries exceeding the salaries approved by the letter. |

2. Financial Review

2.1 Financial Results

According to the comprehensive statement of income presented, the workings of the Authority during the year under review had indicated a deficit of Rs.2,050,079 as against the surplus of Rs.708,537 for the preceding year. Accordingly, there was a acute deficit of Rs.2,758,616 in the financial results during the year under review. The increase of administrative expenses by Rs.5,390,754 had mainly attributed for arising deterioration.

2.2 Analytical Financial Review

Decrease of development expenditure by Rs.4,053,540 or 21 per cent and increase of grants received from the Treasury and deferred capital income by Rs.2,701,305 or 13 per cent during the year under review as compared with the preceding year and increase of recurrent expenditure by Rs.5,390,754 or 26 per cent as compared with the preceding year was the main reason for the deterioration of Rs.2,758,616 in these operating results.

3. Operating Review

3.1 Irregular Utilisation of Assets

Two lap top computers valued at Rs.280,000 obtained by a former Chairman had not been returned back to the Authority up to 02 January 2014.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Even though the financial statements of the Authority should have been presented for audit before 28 February of the ensuing year after close of the accounting year in terms of Section 6.5.1 of the Public Enterprises Circular No.PED 12 Dated 02 June 2003, the financial statement for the year 2012 had been presented for audit only on 02 October 2013 after a delay of 07 months.

4.2 Corporate Plan

The following observations are made.

- (a) Even though operating results relating to previous three years should have been shown in the Corporate Plan in terms of the Public Enterprises Circular No.PED 12 dated 02 June 2003, financial results for the years 2006 – 2008 had only been shown in the Corporate Plan presented for the period from the year 2011 to year 2015.
- (b) Necessary activities or targets for achieving the self financial stability of the Authority had not been included in the operating plan shown in the Corporate Plan. Further, the income earned by the Authority during the previous year was Rs.126,526. However, it had decreased up to Rs.57,359 or 55 per cent in the year 2012 and as such the Authority had not taken action to achieve the targets of the Corporate Plan.

4.3 Budgetary Control

Considerable variances were observed between the budgeted figures and actual figures and as such the budget had not been made use of as an effective instrument of management control.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Authority from time to time. Special attention is needed in respect of the following areas of control.

- (a) Control over Assets
- (b) Budgetary Control