

National Enterprises Development Authority – 2015

The audit of operational activities of the National Enterprises Development Authority for the year ended 31 December 2015, 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 20(2) of National Enterprises Development Authority Act, No. 17 of 2006. The financial statements for the year 2015 had not been presented even by the date of this report in terms of Section 13(6) of the Finance Act No. 38 of 1971 and My observations on the functioning of the Authority during the year under review. Which I consider should be furnished to the parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka, appear in this report.

1.2 Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

2. Financial Statements

2.1 Presentation of Financial Statements

Even though the financial statements of the Authority should be presented for audit within 60 days of the ensuing year after the close of the year of accounts in terms of Section 6.5.1 of the Public Enterprises Circular No. PED 12 dated 02 June 2003, the financial statements for the year 2015 had not been presented for the Auditor General even by the date of this report.

2.2 Duration of Assets and Liabilities

Descriptions of Assets, Liabilities, income and expenditure stated in the financial statements which had prepared by the Authority at last time were as follows.

Items of the financial statements	Value Rs.
Assets	
Non-current Assets	16,752,897
Current Assets	2,492,381
Total Assets	19,245,278
Equity and Liabilities	
Equity	3,705,071
Liabilities	
Non-current Liabilities	13,840,972
Current Liabilities	1,699,235
Total Liabilities	19,245,278
Total income	30,592,712
Total expenditure	27,064,820
Surplus	3,527,892

2.3 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) Financial Regulations of Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulations 110	A register of losses had not been maintained
(ii) Financial Regulations 115 (b)	For Lapsed payments from financial provisions in the Estimates, payments may be made on the certificate of a duly authorized officer. For lapsed payments amounting to Rs. 197,106 had not been taken authorized approval as such.
(iii) Financial Regulations 257	Even though it was mentioned, payments to be made only on certified vouchers. The payment voucher amounting to Rs. 197,106 regarding payment of newspaper advertisements had not been certified.
(iv) Financial Regulations 371 and Public Finance Circular No.03/2015 of 14 July 2015	Even though the ad-hoc sub imprests given to the officer, should be settled immediately after the completion of the purpose for which is granted, the value of ad-hoc sub imprest of Rs. 1,173,164 granted in 30 instances in the year 2015 had not been settled.
(v) Financial Regulations 756	A Verification for fixed assets and inventory stocks of the Authority had not been done during the year under review.
(b) National Budget Circular No.112 of 24 July 2003	An approval of the Director of the National Budget had not been taken for the purchased of two vehicles

3. Operating Review

3.1 Performance

The objectives of the Authority in terms of National Enterprise Development Authority Act, No. 17 of 2006 are as follows.

The objectives of the Authority shall be to

- (a) Stimulate the growth, expansion and development of Sri Lanka's economy by encouraging, promoting and facilitating small and medium enterprise development within Sri Lanka
- (b) Stimulate and encourage the establishment and operation outside Sri Lanka of enterprises designed with a view to internationalize domestic enterprises capable of penetrating foreign markets for the fulfillment of the objectives of this Act,

- (c) Formulate policies, plans, promotional incentives appropriately designed and effectively support and promote trade and development in industry and agriculture,
- (d) Empowerment of people of human capital development with technical skills as an integral component of enterprise development,
- (e) Develop infrastructure facilities required to meet the development needs,
- (f) Facilitate the access of entrepreneurs to finances required for enterprise development and operation,
- (g) Establish a Technology Development Fund to promote research and development in connection with product development, technological enhancement and commercialization of patents, and
- (h) Facilitate regional economic development.

3.2 The progress of the activities which was planned to start and implement during the year under review are as follows.

- (a) The target under the programme for the establishment of Divisional Enterprise Forums which was expected to hold by covering in every district secretariats, spending Rs. 1,200,000 for the purpose of by introducing small scale Entrepreneurs, suppliers of Enterprises Development and investors and for the guidance and solve problems when going on businesses only 77 of Divisional Enterprises Forums. It was 30 per cent out of expected objective.
- (b) For the purpose of National level discussions with the participation of public and private stakeholders such as Business Development service providers, Financial and other service providers, Investors and net working among those parties, Even though programmes had been included in the action plan amounting to Rs. 200,000. Any National level discussion had not been held during the year under review.
- (c) Even though the National Enterprises Development Authority has developed “Issu Traker” collaboration with Asia Foundation for the purpose of solving problems of the small and medium Enterprises pilot programme for only 3 Districts finalized incurring Rs. 48,000 by the end of the year and the physical progress was 40 per cent only.
- (d) Even though it had been included in the action plan to implement 12 Rupavahini programmes of “Diriyata Saviya” as a one programme for a month, for giving knowledge of entrepreneurs in the field of Technical, Sources of funding, business rules and regulations etc. Only 7 programmes had been conducted and amounting to Rs. 2,352,180 had been incurred for that. It was not observed that the follow up actions had implemented by the authority to confirm. Whether the expected objectives obtained from those programmes.
- (e) Even though the three news letters had been planned to publish for the purpose of giving information for small and medium Enterprises and Business Development suppliers, only one news Letter had been published.

- (f) Identify 100 war widows and provide assistance to develop successful entrepreneurs for the purpose of war widows Livelihood Development programme had not been planned and obtained only 30 per cent of physical progress during the year.
- (g) The programme of the study on identification of competitive business plans and issues at Districts levels based on 4 Districts of Kurunegala, Kandy, Mannar and Batticaloa was cancelled during the year and Rs. 603,459 had been incurred for that.
- (h) The project had stated in 2015 for to prepare data base and resource profile of small Enterprises at Districts level for the purpose of aware, among Business Development suppliers and small entrepreneurs in the region and availability of resources need, had not been completed by the end of the year and the physical progress of that was 30 per cent only.
- (i) Even though the Introduce of Hand operated milking machine, Aricunut sheath cups, Tender CoCo, De husking machine, Banana Fiber and Thread machines etc,by establishing Technology Development Fund during the year had been included in the programme, only one Hand operated milking machine had been introduced by spending Rs. 334,142 and the physical progress was 30 per cent.
- (j) Even though the two “Technology Transfer programmes” to be implanted during the year had been included in the action plan, non of the programmes had been implanted and it was shifted to the next year. However Rs. 26,424 had been incurred for this programme during the year.
- (k) Even though an international conference for the development of small and Medium Entrepreneurs had been included in the action plan in the year 2015. That programme was cancelled.

3.3 Staff Administration

The following observations are made.

- (a) The approved cadre were 32 and actual cadre were 22 as at 31 December 2015 and 10 posts were vacant. Actions had been taken to fill only 2 posts out of them in the year 2017.
- (b) A Driver of the Authority had been released to the Ministry of Industrial and Commercial Affairs and the Authority had paid to him Rs. 961,223 as salaries and allowances and Rs. 225,035 as overtime and travelling expenses from the year 2015 to year 2017.
- (c) The posts of Enterprises Promotion Assistant were directly affected to perform objectives which were established the Authority. Therefore vacancies of those 08 posts may be affected inversely to perform objectives of the Authority.

4. Systems and Controls

Deficiencies 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.

Areas of system and control -----	Observations -----
(a) Maintaing books and registers	(i) A register of losses had not been maintained. (ii) A register of Audit Query had not been maintained.
(b) Advances	Delay in settlement of Advances