

National Enterprise Development Authority - 2016

The audit of the operating activities of the National Enterprise Development Authority for the year ended 31 December 2016 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 Enterprise Development Authority Act, No. 17 of 2006. The financial statements for the year 2016 which should be presented in terms of Section 13 (6) of the Finance Act had not been presented even by the date of this report. My observations which I consider should be furnished to the Parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka on the operation of the Authority in the year under review 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 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 and the draft annual report should be presented to the Auditor General within 60 days after close of the year of accounts in terms of Paragraph 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the financial statements of the years 2015 and 2016 had not been presented to the Auditor General even by the date of this report.

2.2 Existence of Assets and Liabilities

Particulars of assets, liabilities, income and expenditure shown in the last financial statements prepared as at 31 December 2014 by the Authority are given below.

Item of Financial Statements	Value
	Rs.
<u>Assets</u>	
Non-Current Assets	16,752,897
Current Assets	<u>2,492,381</u>
Total Assets	19,245,278
	=====

Equity and Liabilities

Equity	3,705,071
<u>Liabilities</u>	
Non-current Liabilities	13,840,972
Current Liabilities	<u>1,699,235</u>
Total Liabilities	19,245,278
	=====
Total Income	30,592,712
Total Expenditure	<u>27,064,820</u>
Surplus	3,527,892
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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**

(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) Financial Regulation 110

The Register of Losses had not been updated.

(ii) Financial Regulation 371 and Public Finance Circular No.03/2015 of 14 July 2015

(*) As the amount required for the relevant purpose was not accurately estimated in granting advances, 35 instances of savings exceeding 30 per cent of the advances issued, were observed. The said value totalled Rs.351,796 and it represented 49 per cent of the advances issued.

(*)Thirty seven instances where the advances were settled after delays ranging from 01 month to 05 months, were observed and that value amounted to Rs.6,900,305.

(*)Nine instances of granting advances ahead of the date of requirement by considerable number of days , were observed and that value totalled Rs.177,117.

(*) Fifty two instances of granting advances on the pretext of special programmes were observed during the period from 30 November 2016 to 31 December and that value amounted to Rs.30,055,550. It represented 84 per cent of the total advances granted during this year and out of these advances a sum of Rs.11,399,000 had not been settled even by 14 September 2018.

(iii) Financial Regulation 756 and Public Finance Circular No.05/2016 of 31 March 2016

A Board of Survey on goods and fixed assets of the Authority had not been conducted for the year 2016.

3. Operating Review

3.1 Performance

3.1.1 Function and Review

Attention had not been paid in respect of the achievement of following objectives of the Authority as per the National Enterprise Development Act No. 17 of 2006, in the year 2016 as well.

- (i) Stimulate and encourage the establishment and operation outside Sri Lanka of enterprises designed with a view to internationalizing domestic enterprises capable of penetrating foreign markets for the fulfillment of the objectives of this Act.
- (ii) Establishment of a Technology Development Fund to promote research and development in connection with product development, technological enhancement and commercialization of patents.

3.2 The progress of activities planned to be commenced and carried out during the year under review was as follows.

- (a) Even though it had been planned to publish 4 newsletters during the year under review with a view to providing information to the small and medium entrepreneurs and service providers of enterprise development, only one newsletter had been issued.
- (b) Plans had been made during the year 2016 to create and maintain a database containing the essential information on the small and medium entrepreneurs and the progress thereof during the year under review had been 50 per cent.
- (c) Enterprise Forums were expected to be held in regional and district level with a view to guiding into the settlement of problems faced by the parties such as small and medium entrepreneurs, service providers of enterprise development, investors etc. in business affairs and the entire provision of Rs.270,000 made therefor had been utilized.

Nevertheless, the physical progress of holding Enterprise Forums in regional and district level in the year under review had been 25 per cent and 20 per cent respectively and the number of Enterprise Forums held stood at 11.

- (d) Even though a provision of Rs.50,000 had been made to hold Enterprise Forums in national level during the year under review , no Enterprise Forum whatsoever had been held in the year under review while 20 per cent out of the provision made, had been utilized.
- (e) It had been planned to hold 02 industrial and business trade fairs in national and regional level each with a view to making more opportunities for markets in respect of small and medium entrepreneurs. A provision of Rs.420,000 had been made for this programme in the year under review and out of the provision made, 74 per cent or Rs.314,000 had been spent to hold 02 business trade fairs in regional level. Action had not been taken to hold industrial and business trade fairs in national level and the progress of this programme had been 50 per cent of the expected objective.
- (f) Certificate courses and 03 work shops were planned to be conducted during the year 2016 under a provision of Rs.500,000 with a view to enhancing the knowledge on entrepreneurship of the small and medium industrialists. One course had been commenced during the year under review and no cost had been incurred therefor while progress of the programme was 25 per cent.
- (g) It had been planned to encourage 50 widows to develop as successful entrepreneurs during the year 2016 with a view to uplifting the livelihoods of widows displaced in war and the provision made therefor amounted to Rs.250,000. Even though the said entire provision had been utilized, only a survey to identify the widows with necessities had been conducted whereas the progress of the programme was only 10 per cent.
- (h) The programme included in the Action Plan for the promotion of entrepreneurship among school children had not been conducted during the year 2016.
- (i) The estimated cost of the programme included in the Action Plan for the training of 250 graduates in the Universities of Wayamba, Sabaragamuwa, Uva Wellassa, Jayewardenepura, Ruhuna, Jaffna, and Peradeniya and producing 25 entrepreneurs out of the said graduates, amounted to Rs.1,200,000. Even though 98 per cent of the provision made therefor had been utilized, progress of the programme had been 50 per cent.

3.3 Staff Administration

The following observations are made.

- (a) The approved cadre and actual cadre of the Authority as at 31 December 2016 stood at 32 and 22 respectively and as such 10 vacancies existed. Action had been taken to fill 02 of the said vacancies in the year 2017.

(b) A driver of the Authority had been released to the Ministry of Industry and Commerce and a sum of Rs.967,752 as salaries and allowances and Rs.252,310 as Over Time and travelling expenses had been paid by the Authority from the year 2015 to 2017.

(c) Even though stimulate the growth, expansion and development of Sri Lanka economy by encouraging, promoting, and facilitating small and medium enterprise development within Sri Lanka are the main objectives of the Authority, 8 vacancies existed even by 31 December 2017 in the 13 approved posts of Enterprise Promotion Officers and Enterprise Assistant Promotion Officers which directly affect the achievement of the said objectives.

4. Systems and Controls

Weaknesses 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.

Areas of Systems and Control

Observations

(a) Maintenance of Books and Registers

Non-maintenance of a Register of Audit Queries

(b) Advances

Delay in the settlement of advances.