

## National Enterprise Development Authority - 2017

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The audit of the operating activities of the National Enterprise Development Authority for the year ended 31 December 2017 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 2017 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

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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

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### 2.1 Presentation of Financial Statements

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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, 2016 and 2017 had not been presented to the Auditor General even by the date of this report.

### 2.2 Existence of Assets and Liabilities

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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.

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

### **Equity and Liabilities**

Equity 3,705,071

### **Liabilities**

Non-current Liabilities 13,840,972

Current Liabilities 1,699,235

**Total Liabilities** **19,245,278**

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Total Income 30,592,712

Total Expenditure 27,064,820

**Surplus** **3,527,892**

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## **2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions**

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Instances of non-compliance with laws, rules and regulations are given below.

### **Reference to Laws, Rules, and Regulations etc.**

### **Non-compliance**

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(a) Statutory Provisions  
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Stamp Duty Act, No.12 of 2006 and Gazette No.1530/13 of 01 January 2008 of the Democratic Socialist Republic of Sri Lanka

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Even though a stamp duty of Rs.25 should be charged for payments over Rs.25,000, stamp duty pertaining to payments of distress loans totalling Rs.2,365,101 had not been charged from 11 officers.

(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka  
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Chapter XXIV

(i) Section 3.5

Even though the total monthly deductions on account of instalments of loans, together with other deductions should not exceed 40 per cent of such salary, distress loans totalling Rs.633,840 had been paid to 03 officers disregarding the said limit.

(ii) Section 3.17.1

Even though no officer should be accepted as a surety if the principal debtor is in a position of authority over him, on the contrary, a subordinate officer had signed as a surety of a principal debtor.

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

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(i) Financial Regulation 110

Even though the main electricity circuit of the Authority was damaged, it had not been recorded in the Register of Losses while a sum of Rs.158, 500 had been spent to restore it.

(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, 39 instances of savings exceeding 30 per cent of the advances issued, were observed. The said value totalled Rs.476,945 and it represented 49 per cent of the advances issued.
- Eighteen instances where the advances were settled after delays ranging from 01 month to 06 months, were observed and that value amounted to Rs. 257,230.
- Thirteen instances of granting advances ahead of the date of requirement by considerable number of days , were observed and that value totalled Rs.200,580.
- Advances amounting to Rs.119,355,327 comprising a sum of Rs.66,580 out of the advances granted in 04 instances in the year 2015, Rs.507,725 out of the advances granted in 18 instances in the year 2016, Rs.5,540, 530 out of the advances granted in 442 instances in the year 2017, Rs. 11,399,000 out of the advances granted in 16 instances for the conduct of special programmes in the year 2016 and Rs.101,841,492 out of the advances granted in 62 instances for the conduct of special programmes in the year 2017, had not been settled even by 31 December 2017.

### **3. Operating Review**

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#### **3.1 Performance**

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##### **3.1.1 Function and Review**

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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 2017 as well.

- (i) 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.
- (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 Operating Activities**

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The following observations are made.

- (a) Even though it had been planned to conduct Television Programmes of 30 minutes per week for providing latest and updated information to the competitive entrepreneurs, only 06 programmes had been conducted in the year 2017.
- (b) Plans had been made to conduct Capacity Building Programmes to disseminate the knowledge on enterprise technology and skills among 20 service providers of enterprise development and a provision of Rs.500,000 had been made therefor. However, a sum of Rs.14,000 had been spent in the year under review while no training programmes were conducted.
- (c) Even though a provision of Rs.500,000 had been made to establish District Enterprise Forums, Enterprise Forums had not been newly established in the year 2017 while Rs.69,000 out of the provision had been spent.
- (d) A provision of Rs.1 million had been made to develop Issue Tracker for solving the issues of micro, small and medium entrepreneurs. These activities had been carried out as a pilot project in 03 districts from the year 2015 to the year under review while only the inclusion of unresolved issues of entrepreneurs had been done.
- (e) Even though 09 meetings of buyers and sellers had been planned to conduct at provincial level during the year under review, only two meetings had been conducted in the two districts, Kandy and Gampaha.

- (f) A provision of Rs.500,000 had been made for the introduction and development of Internal Systems of Control required to obtain the ISO Certificate for the Authority and an agreement had been entered into with the Consultancy Firm to implement the ISO 9001. However, sluggishness was observed in the said process as the cooperation of staff of the Authority had been at a weak level.
- (g) Special Entrepreneurship Development Programme
- (i) A provision of Rs.40 million had been made for the conduct of Stage I and Stage II of training programmes to train the trainers for the staff to support one million job opportunities under the Special Entrepreneurship Development Programme and for the conduct of training programmes for entrepreneurs in all Districts. Nevertheless, no such programme whatsoever had been conducted in the year 2017.
- (ii) A provision of Rs.10 million had been made for the conduct of training programmes named “Upadhidari Vyavasayake Udanaya” in all universities under this programme and to provide financial assistance for selected graduate entrepreneurs. Nevertheless, these programmes had been conducted only in the University of Kelaniya, Jaffna and Uva and financial assistance totalling Rs.2,734,500 had been granted.
- (iii) Plans had been made for the identification of beneficiaries, assessment of training requirements, providing machinery and equipment and taking follow up action in respect of 07 Districts under the Special Entrepreneurship Development Projects and a provision of Rs.105,000,000 had been made therefor. Out of the advances of Rs.102,452,492 granted to Divisional Secretariats under this Project in the year 2017, 98 per cent had not been settled even by the date of this report.

### **3.3 Staff Administration**

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The following observations are made.

- (a) According to the information made available, the approved cadre and actual cadre of the Authority stood at 32 and 23 respectively. Two posts of Enterprise Promotion Officer, 06 posts of Enterprise Assistant Promotion Officer and 01 post of Management Assistant had fallen vacant and action had not been taken to fill those vacancies in the year under review as well.
- (b) 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 in the 13 approved posts of Enterprise Promotion Officers and Enterprise Assistant Promotion Officers which directly affect the achievement of the said objectives.

- (c) A driver of the Authority had been released to the Ministry of Industry and Commerce and a sum of Rs.566,741 comprising Rs.454,742 as salaries and allowances and Rs.111,999 as Over Time and Combined Allowances had been paid by the Authority in the year 2017. Nevertheless, action had not been taken to reimburse that expenditure from the Ministry.

#### **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.

| <b>Areas of Systems and Control</b>    | <b>Observations</b>                            |
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| (a) Maintenance of Books and Registers | Non-maintenance of a Register of Audit Queries |
| (b) Advances                           | Delay in the settlement of advances.           |
| (c) Staff Administration               | Not fill the vacancies.                        |