

Transactions of the National Enterprise Development Authority - 2020

The audit of the operational activities of the National Enterprise Development Authority for the year ended 31 December 2020 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 the National enterprise Development Authority Act , No.17 of 2006 . My observations in connections with only the operations of the Authority in the year under review which I consider should be presented 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 Responsibilities of Management and Those Charged with Governance For the Financial Statements

Each audit entity should maintain its own books and records of its income, expenditure, assets and liabilities to enable it to prepare annual and periodic financial statements on that entity in terms of Section 16 (1) of National Audit Act No.19 of 2018. The Annual Financial Statements For each audit entity should be submitted to the Auditor General by the Chief Accounting Officer along with the Annual performance Report of such instances as may be specified by the rules in terms of Section 16 (2) of the Act. It should be ascertained to prepare Annual Reports and other financial statements within the required time period in terms of Section 38 (1) (d) of the Act and in addition to that the Chief Accounting Officer should responsible for presenting of the Annual Reports related to the entity which was being audited to parliament.

1.3 Presentation of Financial Statements

According to the Section 6.5.1 of the Public Enterprises Circular PED/12 dated 02 June 2003, financial statements along with the draft annual report should be submitted to the Auditor General within 60 days after the close of the accounting year. However ,the financial statements for the years of 2019,2020 and 2021 had not been presented to the audit even as at the date of this report.

2. Audit Observations

2.1 Existence of Assets and Liabilities

The details of assets, liabilities, income and expenses shown in the financial statements as at 31 December 2018 last prepared by the Authority are given below.

Item of the financial statement	Value
	Rs.
Assets	
Non-current Assets	7,476,170
Current Assets	154,219,287
Other Current Assets	561,941
Total Assets	162,257,398
Equity and Liabilities	
Equity	49,798,341
Liabilities	
Non-current Liabilities	5,919,000
Current Liabilities	106,540,060
Total Liabilities	162,257,401
Total Revenue	33,245,125
Total expenditure	29,599,492
Surplus	3,645,633

2.2 Non-compliance with Laws, Rules and Regulations

The instances where the rules and regulations were not complied with are stated below.

Reference to Laws, Rules and Regulations	Non-compliance	Management Comment	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	(i) Two laptop computers amounting to Rs. 203,890 and two tab	A preliminary investigation has been conducted in this regard and a complaint has	Actions should be taken in terms of Financial
Financial Regulations 103,104 and			

	<p>computers amounting to Rs. 61,900 in the possession of the Authority were misplaced during the period from 2015 to 2019. However, actions had not been taken in this regard even in the year under review in terms of Financial Regulations 103,104 and 110.</p>	<p>been filed with the Police at Narahenpita for further investigation on the advice of the management. The police report has not been received yet. The necessary legal actions will be taken as soon as the police report is received.</p>	<p>Regulations</p>
	<p>(ii) The engine of the cab bearing number PD-6379 had been damaged while it was being driven by the chairman due to insufficient water application. According to the report of the inspection conducted in accordance with the financial regulations, it was recommended that the amount of Rs. 498,110 spent for the repair should be recovered from the chairman. However, the Authority had not taken steps to recover the amount.</p>	<p>A letter was sent by registered post informing to pay the amount. As the answer for the letter has not been received to date, legal actions are being taken.</p>	<p>The amount decided to be recovered should be recovered.</p>
<p>(i) Stamp Duty Act No. 12 of 2006 and the Gazette of the Democratic Socialist Republic of Sri Lanka No. 1530/13 dated 01 January 2008</p>	<p>Although stamp duty of Rs.25 should be charged for payments over Rs.25,000, stamp duty for 69 instances related to the payments amounting to Rs. 7,208,000 had not been deducted .</p>	<p>Money for 68 out of the 69 payments shown here was given to graduates under the Graduate Entrepreneurship Upgrading Program. But stamps of Rs.25 have not been affixed. However, the actions will be taken to avoid such mistakes in the future.</p>	<p>Actions should be taken according to the relevant regulations.</p>

3. Operational Review

3.1 Performance

Audit Issue

According to the National Enterprise Development Authority Act No. 17 of 2006, the following objectives of the Authority had not been focused to be achieved even in the year 2020.

- (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 the Act.

Management Comment

Actions were taken to bring foreign technology to the country and to carry the local entrepreneurs to the international level through the implementation of the business delegation program. In the previous years, the local entrepreneurs were got participated in international trade fairs such as Canton (China) for this purpose. Especially from the year 2019, it is possible to carry the products of local manufacturers to the local market as well as to the foreign market through the "Made in Sri Lanka" market portal and through that, an opportunity will arise to sell their products. Further, the "Made in Sri Lanka" trade fairs conducted by the Authority are targeted at local as well as foreign market opportunities and it has been able to build an international marketing coordination by focusing their local products to tourists. Also, the Authority has planned to establish "Made in Sri Lanka" authorized outlets in Sri Lanka, and through this, it may lead to build up a foreign trade coordination directly

Recommendation

The objectives of the Act should be achieved.

by local manufacturers and market opportunities will be arisen.

<p>(ii) Establishment of a Technology Development Fund to promote research and development in relation to technological enhancement, product development, and the commercialization of patents.</p>	<p>It is collaborated with the German Project for the Development of Sri Lankan Small and Medium Enterprises (GIZ) to start the Technical Development Fund and as the institution requested a large amount of money to establish the Technical Development Fund, it was presented to the Board of Directors (then) and the Ministry for approval. As the approval was not received, the fund could not be established. However, the entrepreneurs have been given opportunities by the organization for technological enhancement, product development and obtaining patent rights through the Regional Enterprise Development Program. Further, the technical enhancement and product development of the entrepreneurs will be carried out through the "Made in Sri Lanka" market portal. Further, the research and development programs of entrepreneurs for their products can be carried out through the incubation center established in Makadura.</p>	<p>The objectives of the Act should be achieved.</p>
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2.3 Advance control

The following observations are made

Audit Issue -----	Management Comment -----	Recommendation -----
<p>(a) 05 cases were observed where the given advance amount had been retained for a period of 22 to 148 days without spending and the</p>	<p>Some of the planned programs could not be implemented due to the spread of the Corona pandemic in the year 2020. The programs</p>	<p>Advances should be given after estimating the cost accurately and if the relevant tasks are not</p>

entire amount had been settled and its value was Rs.537,400.

shown here also could not be implemented due to the Corona pandemic. Therefore, the given amount itself had to be settled again. It has taken some time to settle due to the inability to maintain offices as scheduled as a result of Corona pandemic.

completed, the advances obtained should be settled as soon as possible.

(b) The advances amounting to Rs.372,281 given in the year 2017, Rs.1,939,410 given in the year 2018, and Rs.1,862,852 given in the year 2019 had not been settled even as at the date of the audit.

The value of the advances to be settled in relation to the year 2017 had been Rs. 372,281, and the value of the advances to be settled in relation to the year 2018 had been Rs. 1,939,410.00 and these advances have been given for the programs implemented by divisional secretariats and district secretariats. The value of the advances to be settled related to the year 2019 is Rs 1,862,852. The actions have been taken to settle the above mentioned advances and the advance account will be maintained at zero value in the next accounting years.

It should be ensured that an advance given to an officer is settled immediately just after the completion of the assigned task.