

## **National Enterprise Development Authority - 2010**

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### **1. Financial Statements**

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#### **1.1 Opinion**

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So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the National Enterprise Development Authority had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards , give a true and fair view of the state of affairs of the National Enterprise Development Authority as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

#### **1.2 Comments on Financial Statements**

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##### **1.2.1 Sri Lanka Accounting Standards**

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Although prior years adjustments totalling Rs.442,966 of year 2009 should be adjusted to the income and expenditure accounts of the year under review in terms of Sri Lanka Accounting Standard No. 10, it had been shown in the prior year adjustments account and adjusted to the accumulated balance of the profit and loss account of the preceding year. This had not been rectified even as at 31 December 2010.

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

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The following instances of non-compliance were observed during the course of audit.

Reference to Laws, Rules, Regulations,  
etc.,

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Non-compliance

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(a) National Enterprises Development  
Authority Act, No. 17 of 2006 -  
Section 19(3)

Even though the relevant provision required the authority to establish a Technical Development Fund and all money allocated or received for technical development should be credited to such Fund, action had not been taken in compliance with such provision.

(b) Public Enterprises Circular No.  
PED/12 of 02 June 2003  
Section 5.1.3

Even though the updated Corporate Plan and an Annual Budget approved by the Board of Directors of the Authority should be prepared and presented to the Auditor General 15 days prior to the commencement of each year of accounts, action had not been taken in compliance with such provision.

(c) Government Financial Regulations

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Financial Regulation 133(1)(a)

An internal audit of the Authority had not been carried out in terms of the provisions.

## **2. Financial and Operating Review**

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### **2.1 Financial Review**

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#### **2.1.1 Financial Results**

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According to the financial statements presented, the operations of the Authority for the year ended 31 December 2010 had resulted in a deficit of Rs.1,799,967 as against the surplus of Rs.838,478 for the preceding year. The decrease of recurrent grants by Rs.3,768,000 and the increase of total expenditure by Rs.7,705,660 had contribute for the deterioration of financial results by Rs.2,638,445 during the year under review, as compared with the preceding year.

#### **2.1.2 Financial Position**

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The equity of the Authority had been increased by Rs.3,918,079. The increase of working capital by Rs.5,183,476 and the decrease of opening accumulated loss by Rs.7,152,042 had contributed for the above improvement.

### **2.2 Operating Review**

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#### **2.2.1 Performance**

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Although the overall total expenditure of the year under review had been increased by Rs.7,705,660 including the increase of staff expenses by Rs.2,690,343 and the traveling expenses by Rs.519,078 as compared with the preceding year, the management had failed to ensure the manner in which the resources were employed to achieve the following performance goals laid down by the National Enterprise Development Act, No. 17 of 2006.

- (a) Ensure the economic enhancement and development of Sri Lanka through providing facilities for enterprise development, encouragement and promotion.
- (b) Penetrating international markets.
- (c) Effectively assist for development of industrial and agricultural trade.
- (d) Empowerment of people through human capital development with technological skills.
- (e) Provide infrastructure facilities for development needs.
- (f) Provide access for facilities needed for enterprise development and operations.
- (g) Establishment of a Technology Development Fund for promoting development and research activities.

### **2.2.2 Building Rent**

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The accrued building rent amounting to Rs.6,313,564 as at 31 December 2009 had been written-off on the approval of the Ministry of Enterprise Development and Investment Promotion.

### **2.2.3 Budgetary Control**

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Significant variances were observed between the actual expenditure and the budgeted expenditure for the year 2010, therefore, the management had failed to make use the budget as an effective instrument of control.

### **3. Systems and Controls**

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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.

- (a) Internal Control
- (b) Fixed Assets
- (c) Accounting