

Transactions Report of the National Enterprise Development Authority - 2019

The audit of the operational activities of the National Enterprise Development Authority for the year ended 31 December 2019 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 audit even as at the date of this report.

2. Audit Observations

2.1 Assets, Liabilities, Income and Expenditure

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 and Management Decisions

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

Reference to Laws, Rules and Regulations	Non-compliance	Management Comment	Recommendation
<p>(a) National Enterprise Development Authority Act No. 17 of 2006</p>	<p>(i) 13(b) Actions had not been taken to 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.;</p>	<p>Actions had been taken to attract foreign technology into the country and to carry local entrepreneurs to the international level through implementation of the Business Delegation program.</p>	<p>Actions should be taken to achieve the objective of establishment and operation of enterprises outside Sri Lanka with the objective of internationalize domestic enterprises.</p>
<p>(ii) 13 (g)</p>	<p>Actions had not been taken to establish a Technology Development Fund to promote research and development in connection with product development, technological enhancement and commercialization of patents.</p>	<p>In working together with the German Project for the Development of Small and Medium Enterprises of Sri Lanka (giz) to start the Technical Development Fund it was submitted to the Board of Directors (then) and the Ministry for approval as the said institution requested a large sum of money. The fund could not be established as the approval was not received for that.</p>	<p>Objectives of the Act should be achieved.</p>
<p>(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</p>			

(i) Financial Regulations 103 and 104	Two laptop computers amounting to Rs. 203,890 and two tab computers amounting to Rs. 61,900 in the possession of the Authority were misplaced. However, actions had not been taken in this regard.	Two laptop computers in the possession of the Authority were lost in 2015 and 2017 and two tab computers were lost in 2019. In this regard, a preliminary investigation has been conducted around 09/09/2020 and a complaint has been filed with the Narahenpita Police for further investigation on the advice of the management. The police report has not been received yet.	Actions should be taken in terms of Financial Regulations
(ii) Financial Regulations 395 (c)	Even though every institution having a bank account should prepare a bank reconciliation statement before the 15th of the following month regarding the transaction status at the end of each month, the Authority had not prepared bank reconciliations for the year 2019 and submitted them for audit.	The preparation of bank reconciliations was delayed in the respective months due to the lack of employees and unavailability of trained staff.	Actions should be taken in terms of Financial Regulations.
(iii) Financial Regulations 507 and 756	Although an inventory survey should be conducted and a report should be submitted to the Auditor General by December 31, an inventory surveys had not been conducted for the years 2017, 2018 and 2019 even as at the date of this report.	Due to shifting of the organization to different locations (in the same building where the office is currently maintained), it was not possible to carry out the inventory survey in the years 2017, 2018 and 2019. However, so far the inventory survey has been conducted since 2020.	Actions should be taken in terms of Financial Regulations.
(iv) Stamp Duty Act No. 12 of 2006 and Gazette of	Although stamp duty of Rs.25 should be charged for payments above Rs.25,000, stamp	It was informed that actions will be taken to avoid such mistakes in the future.	Stamp duty of Rs.25 should be charged for payments over Rs.25,000.

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duty for 72 instances related to the payments amounting to Rs. 7,325,000 had not been deducted .

2.3 Advance control

 The following observations are made

Audit Issue -----	Management Comment -----	Recommendation -----
(a) 40 cases were observed where more than 30 percent of the advance amount given was saved and the value was Rs.740,195. It had been 47 percent of the amount of the advances issued.	These advances had been given for the programs conducted through the Divisional Secretariats and the relevant amount of money is released based on the budgeted expenditure given by them. We have advised to get always the necessary amount of money required for the expenses as the advance.	The advance should be given after estimating the cost accurately.
(b) 21 cases were observed where the given advance amount had been retained for a period of 03 to 281 days without spending and the entire amount had been settled and its value was Rs.685,960.	Actions will be taken in terms of Financial Regulations related to advance control.	Events should be properly planned and executed and advances issued for non-executed events should be recovered without a delay.

3. Operational Review

3.1 Planning

 The progress of the events planned to be implemented during the year under review was as follows

Audit Issue -----	Management Comment -----	Recommendation -----
(a) A provision of Rs. 8,000,000 had been made to conduct 9 regional	Award ceremonies had to be conducted in only five provinces	Provisions should apply for in advance and actions

enterprise award ceremonies and a national enterprise award ceremony to evaluate the contribution of entrepreneurs to economic development and Rs. 6,020,000 had been spent for that. However, award ceremonies had been conducted in only 05 provinces and the National enterprise awards ceremony had not been conducted even as at 31 December 2019.

due to the insufficient amount of allocations received by the Authority and as the allocations were received at the end of the year. Although the Authority planned to conduct a national level award ceremony out of the enterprises that won the regional award ceremonies, it was delayed to get the names of the winning enterprises in the regional award ceremony as the regional award ceremonies were held at the end of the year. Therefore, the Authority could not conduct a national level award ceremony.

should be taken to accomplish the planned tasks.

(b) According to the action plan of the year 2019, Rs.1, 000,000 had been allocated for the establishment of the business data system. It was expected to establish the data system containing the information of micro, small and medium scale entrepreneurs and to develop entrepreneurs through that system and Rs. 120,000 had been spent for the event of distribution of computers purchased for the establishment of the system. However, the business data system had not been established even as at 31 December 2019.

It was decided to check all the Tab machines properly and fix the errors as various errors were reported in a short time after using the Tab machines. Accordingly, all the Tab machines were taken back, the defects were identified, repaired through the supplier and returned and as a long period was taken for this, those could not be returned in the year under review.

Planned activities should be carried out.

(c) A total of Rs.232,642 was spent as Rs.71,762 in the year 2016, Rs.125,000 in the year 2017 and Rs.35,880 in the year 2018 to obtain the ISO certificate,. Furthermore, a provision of Rs.500, 000 had been made in the year 2019 as well for obtaining the ISO certificate. However, the ISO certificate had not been obtained.

Although ISO certification could not be obtained through this program, proper organizational policies and methods were created in the organization to increase the productivity of the organization.

Planned activities should be carried out.

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| <p>(d) According to the Action Plan of the Ministry of Industry and Commerce for the year 2018, the Ministry had given an amount of Rs.1,140,000 to the Authority for the implementation of the Youth Enterprise Development Program during the year under review, However any program had not been conducted during the year.</p> | <p>Only an amount of Rs. 1.14 million had been received to the Authority for this program as an advance (20%) from the estimated amount. The authority was able to train 100 vocational trainees and to purchase only a part of the relevant machinery related to them through procurement procedure.</p> | <p>Planned activities should be carried out.</p> |
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3.3 Management Inefficiencies.

Audit Issue -----	Management Comment -----	Recommendation -----
<p>According to the Action Plan of the Ministry of Industry and Commerce for the year 2018, the Authority had implemented the Know How program. Although, Rs. 2,605,147 had been spent in the year 2019 in excess of the advance amount given by the Ministry for the implementation of this program, actions had not been taken to be reimbursed the excess amount.</p>	<p>Although the Ministry was informed in writing to be reimbursed the remaining amount from the Ministry, it was not possible to be reimbursed the amount.</p>	<p>The amount to be reimbursed to the Authority should be got reimbursed without a delay.</p>