

The audit of the operational activities of the National Enterprise Development Authority for the year ended 31 December 2021 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. The financial statements for the year 2021 required to be submitted in terms of Section 13(6) of the Finance Act had not been submitted even as at the date of this report. My observations in connection 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 be responsible for presenting of the Annual Reports related to the entity which was being audited to parliament.

2. Financial Statements

2.1 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.

2.2 Assets, Liabilities, Revenue 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

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 Financial Regulations 103, and 104 | (i) 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 during | A preliminary investigation has been conducted in this regard on the days around 09/09//2020 and a complaint has 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 | Actions should be taken in terms of Financial Regulations |

the period from 2015 to 2019. However, actions in terms of Financial Regulations 103 and 104 had not been taken in this regard even in the year under review.

necessary legal actions will be taken as soon as the police report is received.

- (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 even in the year under review.
- A letter was sent through the registered post informing the chairman to pay the amount of Rs. 498,110. Legal actions are being taken as the reply for the letter has not been received to date.
- The amount decided to be recovered should be recovered.

3. Operational Review

3.1 Performance

| Audit Issue ----- | Management Comment ----- | Recommendation ----- |
|----------------------|-----------------------------|-------------------------|
|----------------------|-----------------------------|-------------------------|

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 2021.

- | | | |
|--|---|---|
| (i) Stimulate and encourage the establishment and operation outside Sri Lanka of enterprises designed with a view to internationalize domestic | Especially from the year 2019, it is possible to take the products of local manufacturers to the local market as well as to the foreign market through the "Made in Sri | The objectives of the Act should be achieved. |
|--|---|---|

enterprises capable of penetrating foreign markets for the fulfillment of the objectives of the Act.

Lanka" market portal and from which there will be an opportunity to sell their products. Also, the Authority has planned to establish "Made in Sri Lanka" authorized stores in Sri Lanka and from which, it leads the local manufacturers to directly create foreign trade coordination and to create market opportunities. Further, there was some setback in the programs due to the Covid pandemic throughout the country during the years of 2020 and 2021.

(ii) Establishment of a Technology Development Fund to promote research and development in relation to technological enhancement, product development, and the commercialization of patents.

Through the regional enterprise development program, the institute has provided opportunities to entrepreneurs for technology development, product development and obtaining patent rights. Further, through the "Made in Sri Lanka" market portal, the technical development and product development of the entrepreneurs are carried out. The Technical Development Fund has not yet been established.

The objectives of the Act should be achieved.

3.2 Advance control

Audit Issue

The actions had not been taken to settle the advances amounting to Rs.372,281 given in the year 2017, Rs.425,130 given in the year 2018, Rs.902,552 given in the year 2019 and Rs. 14,000 given in the year 2020 even as at the date of the audit.

Management Comment

These advances have been given for the programs implemented by divisional secretariats and district secretariats. The actions have been taken to settle advances and the advance account will be maintained at zero value in the next accounting years.

Recommendation

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

3.3 Management Inefficiencies

The following observations are made

Audit Issue

(a) The Know How program had been implemented according to the Action

Management Comment

Although the amount incurred in excess for the Know How

Recommendation

The funds to be get reimbursed to the

Plan of the year 2018 of the Ministry of Industries and Commerce. Although an amount of Rs. 2,605,147 had been spent in excess of the advance amount given by the Ministry for the implementation of this program during the year 2019, the actions had not been taken to get reimbursed the amount incurred in excess even in the year under review.

- (b) The actions had not been taken to obtain the ISO certificate even during the year under review, though aggregating to Rs. 232,142 as Rs. 71,762 in the year 2016, Rs. 125,000 in the year 2017, Rs.35,880 in the year 2018 had been spent in order to obtain ISO certificate for the Authority.

program was requested in the year 2019 from the Ministry of Industries and Commerce, the funds were not received.

Authority should be get reimbursed without a delay.

Obtaining ISO certificate was temporarily stopped by the then Board of Directors.

ISO certificate should be obtained.