

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Enterprise Development Authority (“Authority”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, 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 provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. Due to the delay in the financial reports, the report on the transactions related to the Authority was tabled in Parliament in three languages on 10 December 2024. Further, My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Authority is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Authority.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Authority, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority;
- Whether the Authority has performed according to its powers, functions and duties; and
- Whether the resources of the Authority had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standards

Non-Compliance with the reference to particular Standard	Management Comment	Recommendation
For the year under review, actuarial losses amounting to Rs.958,888 were included in gratuity expenses instead of being separately presented under other comprehensive income in accordance with paragraph 114 of Sri Lanka Accounting Standard 19.	It has been corrected in the Final Accounts for the year 2024.	In accordance with Sri Lanka Accounting Standards, actuarial losses should be recognized under other comprehensive income.

1.5.2 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) Property, plant and equipment and the accumulated surplus were overstated by Rs.548,785 as the camera (Canon EOS RP Mirrorless) purchased on 18 January 2024 for the International Labor Organization (ILO) project had been accounted for in the accumulated fund as a prior year adjustment during the year under review.	It has been corrected in the Final Accounts for the year 2024.	Transactions relating to a particular year should be recognized and accounted in the financial statements of that year.

- (b) An advance of Rs.1,000,000 was received on 19 January 2024 for the Mushroom Cultivation Cluster Development Program, submitted by a cooperative society under the Cluster Development Program. As it was accounted for as an advance payment during the year under review, the assets and liabilities as at 31 December of the year under review were overstated by that amount.
- It has been corrected in the Final Accounts for the year 2024.
- Transactions relating to a particular year should be recognized and accounted in the financial statements of that year.
- (c) As the total expenses amounting to Rs.5,011,143 relating to the year under review for the “Upadhidhari Vyawasayaka Udanaya – 2023” Phase II were not accounted for, the surplus was overstated and current liabilities were understated by that amount.
- Although it was planned to provide the funds earlier, money was provided in 2024 due to a lack of available funds.
- Transactions relating to a particular year should be recognized and accounted in the financial statements of that year.

1.5.3 Unreconciled Control Accounts or Records

Item	as per Financial Statements Rs.	As per corresponding Record Rs.	Difference Rs.	Management Comment	Recommendation
Property, plant and equipment	35,337,444	26,673,472	8,663,472	It has been corrected in the Final Accounts for the year 2024.	Account balances should be compared with corresponding records and adjustments should be made to the financial statements.

1.5.4 Preparation of Consolidated Financial Statements

Audit Observation	Management Comment	Recommendation
Although the consolidated financial statements of the Authority, which includes B-Express Ltd, a subsidiary in which the Authority holds 60	The accounts are scheduled to be submitted for audit up to 2024, immediately after the	Consolidated financial statements should be prepared and submitted for

percent shareholding, should be prepared in accordance with Sri Lanka Accounting Standard 26, the consolidated financial statements for the year 2017 to year 2024 had not been prepared and submitted for audit.

appointment of the Board of Directors.

audit in accordance with Sri Lankan accounting standards.

1.5.5 Documentary Evidences not made available for Audit

Evidences not available	Management Comment	Recommendation
Although the advance payment of Rs.255,250 given in the year 2019 was settled in the year under review, the accuracy of the relevant advance payments could not be verified as the supporting bills were not submitted for audit.	Agreed to obtain the necessary information from the District Secretariat and provide it for audit.	Written evidences to verify all the transactions should be maintained and submitted for audit.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Management Comment	Recommendation
Necessary actions had not been taken by the Authority to recover the sum of Rs.500,000 receivables from its subsidiary company of the Authority.	Actions will be taken to recover this amount in the future.	Immediate action should be taken to recover the outstanding amount.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
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(a) National Audit Act, No. 19 of 2018

Section 40	No steps had been taken to appoint an internal auditor for the Authority.	The approval to establish an Internal Auditor position has been granted by the letter DMS/1574/Vol.II dated 13.10.2023 of the Director General of the Department of Management Services.	Action should be taken immediately to appoint an internal auditor as per the provisions of the Act.
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Accordingly, at present, an Internal Auditor has been recruited on acting basis through the Line Ministry.

- (b) In terms of Section 6.6 of the Operational Report for the Manual for State-Owned Enterprises issued by Public Enterprises Circular No. 01/2021 dated 16 November 2021
- Although the financial statements and the Draft Annual Report for the financial year 2023 were required to be submitted to the Auditor General on or before 28 February 2024, they were submitted for audit on 02 July 2025, after a delay of 488 days.
- Steps will be taken to submit the financial statements within the stipulated time frame from the year 2025 onwards.
- Financial statements should be prepared and submitted for audit on the due date.
- (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- (I) Financial Regulations 119
- The engine of the cab bearing registration number PD-6379 was damaged in 2020 while it was being driven by the chairman. 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
- The Ministry of Industries has reported this matter to the Attorney General's Department and the Attorney General's Department has informed that it will take action in this regard. Furthermore, Authority has also been inquired about this matter.
- Identified losses should be recovered in accordance with the recommendations of the investigations conducted under the Financial Regulations.

taken steps to recover the amount even as of August 10, 2025, of the year under review.

(II) Amended by Public Finance Circular No. 01/2020 dated 28 August 2020

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| (i) Financial regulations 371(5) | Although sub-imprests should be settled on or before 31 December of the financial year in which they were issued or within 10 days after the completion of the relevant task, advances amounting to Rs.1,018,809, granted on 141 occasions during the year under review, had not been settled as at 30 June 2025, despite the completion of the given work. Also, the advances totaling Rs.2,810,302, amounting to Rs.338,250, Rs.584,330, Rs.400,072, Rs.171,450 and Rs.1,316,200 given in the years 2017, 2018, 2019, 2021 and 2022 respectively, had not been settled by June 30, 2025. | Necessary steps have been taken to settle the outstanding advances before the end of September 2025. | Action should be taken as per the Financial Regulations, to settle the advances given immediately after the completion of the assigned task. |
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(ii) Financial regulations 756	Although the board of survey report for the relevant financial year is required to be submitted to the Auditor General on or before 31 March of the financial year, the board of survey reports for the years 2023 and 2024 of the Authority had not been submitted to the Auditor General as at 10 September 2025.	The board of survey report for the year 2023 will be submitted to the Auditor General in the future, and also, the board of surveys for the year 2024 have been conducted.	As per the financial regulations, surveys should be completed as per the time schedule and reports should be submitted to the Auditor General.
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2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.9,221,752 and the corresponding surplus in the preceding year amounted to Rs.3,740,583. Therefore, an improvement amounting to Rs.5,481,169 of the financial result was observed. The reasons for the improvement were mainly due to the increase in recurrent grants by Rs.10,991,869 and capital grants by Rs.13,280,566, while increase in administrative expenses by Rs.7,562,505 and program expenses by Rs.12,898,194.

3. Operational Review

3.1 Uneconomic Transactions

Audit Observation	Management Comment	Recommendation
The trade portal purchased by the Authority in the year 2021 at a cost of Rs.9,600,000 had not become operational level as at the audit date of 10 October 2024.	A system analysis has been conducted on the “Made in Sri Lanka” trade portal and identified several deficiencies. As the representative agreement has expired, plans have been made to either commence a maintenance program for the portal or to reappoint it as a Showcase Site.	Necessary action should be taken to make the trade portal was operated so that the expected objectives can be achieved.

3.2 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) As per Sections 13(b) and 13(e) of the National Enterprise Development Authority Act No. 17 of 2006, attention had not been paid to the achievement and had not been planned the relevant activities under the following objectives of the Authority.		
(I) Encourage the establishment and operation of enterprises outside Sri Lanka with the aim of internationalizing local enterprises capable of conquering foreign markets.	The “Made in Sri Lanka” Trade Portal, which has been in operation since 2019, has the potential to promote the products of local manufacturers in both local and international markets.	Action should be planned and implemented to achieve the objectives of the Act.
(II) Establish a Technology Development Fund to promote research and development related to technological advancement, product development and commercialization of patents rights.	Research and development programs for the products of entrepreneurs can be carried out through the incubation center established in Makandura. The Technical Development Fund has not yet been established despite several attempts.	Action should be planned and implemented to achieve the objectives of the Act.
(b) A monthly allowance totaling Rs.676,880 to 13 officers had been paid by the project for performing the duties of the project, solely based on the approval of the Board of Directors. However, such payments were not provided for under the provisions of the agreement entered into between the International Labor Organization (ILO) and the National Enterprise Development Authority on 13 June 2023 concerning the ILO project.	The allowance was paid to officers who performed project duties on outside official hours and on weekends, with the approval of the Board of Directors. Furthermore, these expenses were included under the “reimbursement of transportation expenses” heading in the cost estimate of the Memorandum of Understanding between the ILO and the NEDA and this is considered as authorized transaction since the approval of ILO has been granted.	The terms of the agreement should be adhered to when implementing projects.

3.3 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) Although it was planned to provide grants of Rs.250,000 each to 30 students under the “Upadhidhari Vyawasayaka Udanaya – 2023” program, grants were provided to only 28 students. Furthermore, instead of the two approved entrepreneurs, grants were awarded to two entrepreneurs who were not eligible.	Although it was planned to provide funds for the second phase of the “Upadhidhari Vyawasayaka Udanaya”, the disbursement was delayed until 2024 due to a lack of available funds.	Action should be taken to implement the planned activities as scheduled. Action should be taken against the officials responsible for providing funds to the entrepreneurs who were not eligible.
(b) Although Rs.25,703,580 was incurred as the expenses on enterprise development during the year under review, the Authority had not maintained a register or data base that would provide all the information, such as the venue, date, number of trainees, expenses incurred, advances paid, details of advance settlements, and the progress of trainees in the enterprise development programmes.	No report or database was maintained in the relevant division where all the information could be obtained. However, a file containing all the details related to each program is kept in the custody of each Enterprise Development Officer. In the future, it is also planned to prepare a progress report by entering that information annually.	A database maintaining all information on enterprise development programs conducted should be established and kept up to date.
(c) Although a total of Rs.465,284 was spent from the year 2016 to year 2018 to obtain ISO certification for the Authority, the ISO certification had not been obtained even by 30 June 2025.	During this period, due to the Authority being relocated to several locations, a considerable amount of expenditure had to be incurred to re-establish the environment required to obtain ISO certification. And the Authority needs to further systematize and improve its operational procedures in order to obtain certifications such as ISO. Furthermore, it has now been decided to merge our Authority with the Sri Lanka Industrial	Action should be taken to obtain ISO certification in accordance with the plan.

Development Board and the Small Business Division and establish them as a single institution.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation	Management Comment	Recommendation
<p>B Express Ltd, a company registered under the Companies Act in 2017 as a limited company with 60 percent of the shares are held by the Authority as an Incubator and Technology Transfer Center at Makandura Industrial Estate in terms of Cabinet Paper No. NP/IND/CM/16/02 dated 11 April 2016, had not prepared the financial statements and submitted for audit from the year 2017 to year 2024. Although it was informed to the management on several occasions in this regard, the financial statements had not been prepared as at 25 August 2025, the date of audit.</p>	<p>The accountant of the Authority has prepared the final accounts up to the year 2024. The accounts will be submitted for audit once the Board of Directors is appointed.</p>	<p>The parent institution should ensure that the affiliated company prepares and submits its financial statements for audit before the due date.</p>

4.2 Annual Action Plan

Audit Observation	Management Comment	Recommendation
<p>Although, as per the Action Plan for the year under review, it was planned to introduce at least 25 suppliers through franchise shops, not any business had been commenced. Furthermore, although it was planned to register at least 1000 suppliers on the Made in Sri Lanka trade portal, only 216 suppliers were registered during the year under review.</p>	<p>Due to the inability to secure a partner and the lack of sufficient funds in 2023, the funds were utilized for productive activities. A system analysis of the “Made in Sri Lanka” trade portal was conducted, and several deficiencies were identified.</p>	<p>Achievable targets should be included in the action plan after considering practical conditions, and action should be taken to achieve the planned progress.</p>