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வருடாந்த அறிக்கை

Annual Report

2017

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தேசிய தொழில்முயற்சி அபிவிருத்தி அதிகாரசபை

National Enterprise Development Authority

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கைத்தொழில் அமைச்சு

Ministry of Industry

N E D A

Introduction

National Enterprise Development Authority (NEDA) established in 2006 under the act no.17 of 2006.The mandate of this organization to facilitate the Small and Medium Enterprise (SME) in Sri Lanka. The authority act legislate to empower the SMEs with providing the infrastructure, financial and policy level support to local enterprises.

The authority engaged with various activities at the regional as well as the National level with the instructions and guidance of the line ministry. NEDA was listed under the Ministry of Investment Promotion and Enterprise Development from 2006 to 2010. NEDA listed under the Ministry of Industries & Commerce in the year 2010 & it is managing from the Ministry of Industry & Commerce to date.

NEDA initiated various programs, projects and activities from the divisional secretariat level for the SME community. It links with the public and private institutions such as public & private banks, Business Chambers Non-governmental organizations (Local &International) organizations etc.The objectives of these programs are to provide basic needs such as financial assistance, training, advisory support etc. for grass root level SMEs.There were regional level officers located at the divisional secretariat (DS) level to coordinate SMEs at the DS division level.

Vision & Mission

Vision

"Creating a dynamic and sustainable competitive Enterprise Sector, this will contribute to the economic, political and social aspirations of the nation"

Mission

"To facilitate and proactively support development, growth and competitiveness of NEDA's Enterprises as an integral part of the national economy of Sri Lanka"

Objectives

- ✓ Stimulate the growth, expansion and development of Sri Lanka's economy by encouraging, promoting and facilitating small and medium enterprise development within Sri Lanka.

- ✓ Stimulate and encourage the establishment and operation outside Sri Lanka of enterprises designed with view to Internationalize domestic enterprises capable of penetrating foreign markets for the fulfillment of the objectives of the act of NEDA.

- ✓ Formulate policies, plans, promotional incentives appropriately designed and effectively support and promote trade and development in industry and agriculture.

- ✓ Empowerment of people of human capital development with technical skills as an integral component of enterprise development.

- ✓ Develop infrastructure facilities required to meet the development needs

- ✓ Facilitate the access of entrepreneurs to finances required for enterprise development and operation.

- ✓ Establish a Technology Development Fund to promote research and development in connection with product development, technological enhancement and commercialization of patents.

- ✓ Facilitate regional economic development.

Board of Directors

1. Mr.Omar Kamil - Chairman /Director General
2. Mr. S Balasubramaniaum - Board Member Additional Secretary Ministry Of Industry And Commerce.
3. Ms.H.A. Tharaka Erandi - Board Member Assistant Director Department Of Public Finance Treasury
4. Mr.Sanjeewa Sickwella - Board Member
5. Mr M.S Mohomad Nadheer - Board Member
6. Mr.S Anandarasa   - Board Member
7. Mr.D.K Bogollagama - Board Member

14th February 2022

Hon.Wimal Weerawansha,

M.P Minister of Industry

Ministry of Industry

No.73/1,

Galle Road

Colombo 03.

Hon.Sir,

Annual Report 2017 In terms of section 14(2) of the Finace Act No.38 of 1971, I submit the following documents.

01. the progress report of the National Enterprise Development Authority for the year 2017.

02. Balance sheet as at 31st December 2017, Income and expenditure statement for the year ended 31st December 2017 and cash flow statement for the year ended 31st December 2017.

03. Report of the Auditor General.

Yours sincerely

Sunil Jayarathne
Chairman/ Director General

Annual Report 2017

Development programs

1.0Information Dissemination

2.0 Preparation of MSME data base

3.0 Capacity Development of Business Development Service (BDS) providers

4.0 Regional Entrepreneur Awarding ceremonies

5.0 District & Regional Enterprise Forums

6.0 Issue tracker

7.0 Buyer seller meeting (Province Level)

8.0 Cluster Development Program - Moratuwa Cluster

9.0 Facilitation to regional entrepreneurs who require packaging assistance

10.0 Regional Enterprise Development Program

11.0 Women Entrepreneurship Development Program

12.0 “Upadidhari Vyavasayake Udanaya” Program

13.0 Incubation Technology Transfer Center (ITTC)

Development Programs – 2017

Program 01: Preparation of MSME Guide book

NEDA has published Micro, Small, and Medium Entrepreneur's (MSME) Guide book for MSMEs and as well as Business Development service Providers. It includes information on machinery suppliers, business consultancy farms, trainers and other details of Business Development Service Providers. It will be very useful document to guide them for establish successful enterprise (About 200 pages).

Program 02: Preparation of MSME data base

NEDA is maintaining MSME database at Divisional Secretariat level and it updated annually. It includes contact details of Micro, Small and Media entrepreneurs operating in regional areas.

Program 03: Capacity Development of Business Development Service (BDS) providers

Business support services should be worked with the local community providing high quality customer driven advice, guidance, support and training, not only to the unemployed and entrepreneurs including the micro, small and medium business community. These services are provided by individual consultant as well as institutes which are providing Business Development Services (BDS). Entrepreneurs need to support services regard to business startup, expansion, exporting, funding, education or training and other business support services. But, there is no proper mechanism to provide such support services for entrepreneurs and no proper networking between entrepreneurs & BDS providers. In addition to that some BDS providers have lack of capacities to deliver quality services. NEDA wish to provide capacity development program for them to develop their capabilities and improve service qualities. In 2017, NEDA conducted need assessment from registered BDS providers and identified their requirements. Based on that, NEDA wish to conduct capacity development (Human resource Development) program for BDS providers in 2018.

Program 04: Regional Entrepreneur Awarding ceremonies

National Enterprise Development Authority conducts Entrepreneur Award Ceremonies with the objective of recognizing, rewarding and motivating these enterprises, who have profoundly contribute to the economic development of Sri Lanka.. NEDA conduced nine award ceremonies in all provinces with supporting of District Chambers/ government institutes.

Program 05: District & Regional Enterprise Forums

District and Regional enterprises Forums are established to develop proper mechanism for provide business development services to the entrepreneurs at District and Divisional Secretariat (DS) level. It consists of governmental and nongovernmental BDS (Business Development Services) providers, Chambers and trade or Business associations of the district. NEDA has planned to establish District and Regional Enterprise Forums at District and Divisional secretariat level. Objectives of District Enterprise Forum (DE) & Reagional Enterprise Forum (REF):

- Build up relationship among Business Development Service (BDS) Providers at DS level
- Facilitate Public Private Dialog
- Establish proper coordination between DEF/REF and SME associations
- Develop a system to provide business development services to entrepreneurs through DEF/REF forum
- Collecting business issues from DS level forum to National level forum and take action for solutions

Up to 2017, 173 REF are established island wide and conduct meeting regularly and established 13 DEF island wide.

REF in Anuradhapura

Program 06: Issue tracker

The issue tracker software is a tool to track issues at the SME sector and report to issues for relevant institutions for solutions. There is a separate server at NEDA with Sri Lanka Telecom to run this system. NEDA Developed issue tracker and upload unsolved Issues in selected Districts as a pilot project ((Kalutara , Hambanthota & Jaffna Districts))

Awareness in Jaffna

Program 07: Buyer seller meeting (Province Level)

There are several factors that continue to limit the capacity of entrepreneurs to make an effective contribution to sustainable and equitable economic growth. Many of these factors are well recognized and include lack of entrepreneurial knowledge & skills, lack of capital assets and infrastructure, limited access to markets and inadequate technical skills. NEDA is offering services with focusing these factors. In 2017, NEDA conducted buyer seller meetings to link entrepreneurs with relevant buyers and arrange these meeting at provincial level.

Producers will be identified through Development Officers and NEDA identify buyers based on list of producers identified by Development officers. Under this program, NEDA conducted buyer seller meeting at Gampaha & Kandy Districts and introduced 200 producers to buyers.

Program 08: Cluster Development Program - Moratuwa Cluster

NEDA is involving with Moratuwa Wood Furniture Entrepreneurs Development program. NEDA wishes to develop their capabilities in the fields of market development, entrepreneurship development, technology transfer, and financial assistant etc. Moratuwa wood furniture associations are involving with this activity and they expect short term & long term benefits through this program.

In 2017, NEDA conducted Entrepreneurship Development Program for 25 entrepreneurs (Carpenters) and facilitated for financial assistance.

Program 09: Facilitation to regional entrepreneurs who require packaging assistance

NEDA is introducing MSMEs to Super market as suppliers by facilitating them to qualify as suppliers. Hence, NEDA identify potential suppliers through Development officers and assess the quality of product and supply capacity of them. NEDA supports to improve on quality of the products through providing technical training. In 2017, NEDA provided technical training for 213 entrepreneurs in three districts based on the demand (Gampaha, Kaluthara & Puttalam).

 

Training program in Gampaha

Program 10 : Regional Enterprise Development Program

SMEs in regional level plays major role in the Sri Lankan economy. NEDA has identified that they have lack of knowledge on entrepreneurship, marketing, technical and financial management. They have faced with financial barriers to start / expand their business. NEDA Development officers are working at regional level and they are identifying these entrepreneurs who required above knowledge & skills.

Hence NEDA is conducting short term training and fallow up services for those entrepreneurs in regional level in all districts with supporting of Development Officers. NEDA is taking project proposal from Development officers

In2017, NEDA trained 7100 entrepreneurs at regional level.

 

Trainings in Kurunegala

Program 11: Women Entrepreneurship Development Program

Sri Lankan women have recently taken an active role in the business sector of the country. However, they are seemed competing on an equal footing with the men, in the business field. But still the number of female entrepreneurs is relatively low. However, the situation has now changed and there is evidence to prove that Sri Lankan women significantly contribute in economic aspect of the country. Especially in the business sector in Sri Lanka, shown significant progress over the men during the last few decades. A large number of women have started their own businesses and most of them have been able to meet with success. But, they have very lack of knowledge on entrepreneurship, marketing, technical and financial management. And also, they have faced with financial barriers to start / expand their business. Hence NEDA is conducting women entrepreneurship development program at regional level in all districts with supporting of Development Officers.

In 2017, NEDA trained 6200 women entrepreneurs at regional level.

Trainings in Kegalle

Program 12: "Upadidhari Vyavasayake Udanaya" Program

NEDA promotes, support, encourages and facilitate enterprise development within Sri Lanka with special emphasis to the Small and Medium Enterprise (SME) Sector of the country. It provides services such as entrepreneurship development, financial facilitation, marketing linkages, Research & Development and Infrastructure development to entrepreneurs and Business Development Service Providers. NEDA launch entrepreneurship Development

Program with Universities for graduates to engage them for business field. And it is named as "Upadhidari Vyavasayake Udanaya" to promote business for graduates.

Program Objective: To encourage graduates for business field and crate them for successful entrepreneurs

Implementation**:** National enterprise Development Authority (NEDA) and University - CGU

Target group: University Final year students who interest to business field

Facilities through the program**:**

- Capacity Development Trainings (Entrepreneurship development, Business management and marketing. etc……)
- Technology transferring (Based on the requirements)
- Market linkages
- Financial facilities to start/ expand business
- Exposal visits
- Business counseling and fallow ups

In 2017, NEDA conducted entrepreneurship development training for 186 graduates and provided grant for 61 graduates.

Awareness program Rajarata University

Providing financial grants

Program 13: Incubation Technology Transfer Center (ITTC)

NEDA has established ITT Center at Makadura with supporting of Wayamba University of Sri Lanka. The objective of this project is to facilitate micro and small industries in the area and start-up businesses of graduates passed out from the university until they grow up to the level of their self-sustainability. NEDA open this center at end of August with the presence of Hon. Prime Minister.

NATIONAL ENTERPRISE DEVELOPMENT AUTHORITY

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER	Note	2017 Rs.	2016 Rs.
UTILIZATION OF GRANTS FOR PROGRAMME			-
Grant Attributable for the Year	16	37,631,641	31,614,270
Programme Expenses	9	37,631,641	31,614,270
Surplus / (Deficit) for the Year from Program		-	-
OPERATION			
Recurrent Grants from General Treasury		19,609,491	19,202,159
Amortization of Government Grants	14	3,074,050	5,631,434
Other Income	7	28,287,093	18,548,872
Total Income		**50,970,633**	**43,382,465**
Administrative Expenses	8	23,536,262	25,333,872
Other Project Expenses	9	62,026	44,000
Total Expenses		**23,598,288**	**25,377,872**
Net Surplus / (Deficit) for the Year		**27,372,346**	**18,004,593**

NATIONAL ENTERPRISE DEVELOPMENT AUTHORITY

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER	Note	2017	2016
		Rs.	Rs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	10	10,097,481	11,988,452
Current Assets			
Receivables	11	322,395	-
Deposits and Advances	12	115,835,183	30,890,400
Prepaid Expenses	13	63,916	83,187
Festival Advance		10,250	10,000
Distress Loan		2,039,356	
Cash and Cash Equivalents		2,308,452	18,498,850
Total Current Assets		**120,579,552**	**49,482,436**
B.Express Ltd		46,432,687	**18,387,668**
Saving Accounts -Grativity		521,567	**521,567**
Total Other Current Assets		**46,954,254**	**18,909,235**
TOTAL ASSETS		**177,631,289**	**80,380,125**
EQUITY AND LIABILITIES			
Equity			
Accumulated Surpluses		26,303,316	18,564,910
Total Equity		**26,303,316**	**18,564,910**
Non-Current Liabilities			
Government Grant	14	7,334,163	9,225,134
Retirement Benefits Obligation	15	890,419	521,567
Total Non-Current Liabilities		**8,224,582**	**9,746,701**
Current Liabilities			
Grant for Programme	16	139,358,986	34,650,594
Accrued Expenses	17	527,093	1,479,581
Contract liabilities	18	-	4,326,007
Ministry Incubator Project	19	17,313	11,612,332
M/S.GIZ	20	3,200,000	
Total Current Liabilities		**143,103,392**	**52,068,514**
TOTAL EQUITY AND LIABILITIES		**177,631,289**	**80,380,125**

The Notes on pages 05 tol 8 from an integral part of these financial

I certify that these financial statements of the Athority comply with the Sri Lanka Accounting Standards.

....
Accountant

Signed by:

....
Mr.Anuska Gunasinghe
Chairman/ Director General

The Board of Directors are Reponsible for Preparation and Presentation of these financial statements.

Approved and signed for and behalf of the Board of Directors

....	....
Director	**Director**
Mr.Asanka Wijesundara	**Mr.A.Hemasiri Perera**

NATIONAL ENTERPRISE DEVELOPMENT AUTHORITY

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Accumulated Surpluses Rs.	Total Rs.
Balance as at 01 January 2016	**2,132,443**	**2,132,443**
Net Surplus for the year	-	-
Adjstment for the Year 2015	(1,572,126)	(1,572,126)
Balance as at 31 December 2016	**560,317**	**560,317**
Net Surplus for the year	27,372,346	27,372,346
Adjstment for the Year 2016	(1,629,347)	(1,629,347)
Balance as at 31 December 2017	**26,303,316**	**26,303,316**

The Chairman,
National Enterprise Development Authority

Auditor General's Report on the Financial Statements of National Enterprise Development Authority (NEDA) for the year ended 31st December 2017, in terms of the Section 14 (2) (c) of the Finance Act No. 38 of 1971

In terms of the 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 to be read in conjunction with the provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka, an Audit was conducted on my order accompanying Financial statements of National Enterprise Development Authority (NEDA) which comprise the statement of financial position as at 31st December 2017 and the statement of Comprehensive income, Changes in Equity and the statement of Cash Flow for the year ended and the summery of significant Accounting Policies and other explanatory notes. The report on the transactions of the Authority has been tabled in Parliament on 24th July 2020 in all three languages due to delays in submitting financial reports. In accordance with the Section 14 (2) (c) of the Finance Act, this report sets out my views and observations that I intend to proclaim along with the Annual Report of the Authority.

1.2 Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with the Sri Lanka Accounting Standards and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material miss statement, whether due to fraud or error.

1.3 Auditor's Responsibility
…………………………………………………………..

My responsibility is to express an opinion on these financial statements based on my audit. I have conducted my audit in accordance with Sri Lanka Audit Standards in line with the International Audit Standards (ISSAI 1000-1810) of the Supreme Audit Institutions. It is expected by those standards to comply with the requirements of ethics and perform the audit to obtain reasonable assurance whether the financial statements are free from quantitative misstatements.

An audit includes examining, on test basis evidence supporting the amounts and disclosures in the Financial Statements. The selected procedures depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments; the Auditor considers internal control relevant to the Authority's preparation of the Financial Statements that give a fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements. Subsections (3) and (4) of Section 13 of the Finance Act No. 38 of 1971, confer arbitrary powers on the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 The basis for the adverse opinion
……………………………………………………………….

Many of the fundamentals included in the subsidiary financial statements could have quantitatively been adapted if adjustments had been made to the statements of paragraph 2.2 of this report.

2. Financial Statements

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2.1 Adverse opinion

……………………………

I am of the view that, the financial position of the National Enterprise Development Authority as at 31st December 2017 and its financial performance and cash flow for the year ended have not been presented in a fair and equitable manner in accordance with Sri Lanka Accounting Standards when taking into account the importance of the statements in paragraph No. 2.2 of the report.

2.2 Commenting on Financial Statements

……………………………………………………………………

2.2.1 Non-compliance with Sri Lanka Accounting Standards

…………………………………………………………………….

(A) L K A S 16 Presentation of Financial Statements

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In accordance with the standard, as per the L K A S 08, the statement of Changes in Equity should be presented in a manner of identifying the effects according to the past re-statements by showing every component of the equity. However, only the net difference of the adjustments made in the previous years had been calculated and indicated in the statement of Changes in Equity submitted for the 31st of December in the corresponding year.

(B) L K A S 16 :- Property, Plants and Equipment

…………………………………………………………………………….

(i) The residual value of an asset and the useful life span should be reviewed at least at the end of each financial year and if the expected conditions differ from the previous estimates; those changes should be accounted as a change in LKAS- 8, accounting estimate. However, the residual value and useful life span that the written value of

Rs. 10,097,481 as at December 31 2017 for machineries, cars, office equipment, furniture and fixtures, library books, accounting software and computers and computer peripherals had not been reviewed.

(ii) 01 no. of car, 24 no's of office equipment and 49 no's of computers and accessories which were completely depreciated but then again are being used were not disclosed in the financial statements.

2.2.2 Accounting deficiencies

………………………………………………..

Observations are as follows:

(a) (i) An institution named "Incubator and Technical Transfer Centre" was constructed in Makandura Industrial Zone during the corresponded year by spending Rs.46,432,687 out of the expenditure of Rs.46,450,000 released by the then Ministry of Industries and Commercial Affairs to the Authority (NEDA). The above Center has been registered under the category of 'Limited Company' and 60% of its Capital shares were possessed by the Authority. Although, the expenditure out of the total amount of Rs. 46,432,687 incurred for the construction of the above Centre has been indicated as an investment of the said company in the financial statements of the Authority in the corresponding year, the shares equal to that amount had not been offered to the Authority by the Company. Accordingly, the said investments indicated in the financial statements was an excess value to the actual amount.

(iii) Even though, the National Enterprise Development Authority must prepare consolidated financial account including the financial statements of the above administrative company; the Authority had not taken actions to prepare a consolidated account for the corresponding year as the financial statements had not been prepared by the said company for the corresponding year.

(b) Adjusting the advanced value of Rs. 19,633,940 settled for previous years to the cumulative surplus instead of adjusting it to the grant account contributing to the programmes, the balance of the cumulative surplus was shown less than the actual amount and the balance of the grant account contributing to the programme was greater than that amount.

(c) Insurance expenses for the corresponding year were shown as greater than the amount of Rs. 28,704 and the value of insurance premiums as shown as less than the respective amount in the financial statements due to the misstatement of Rs. 92,620, the value of insurance premiums paid during the corresponding year as Rs. 63,916 in the financial statements.

(d) Misstatement of the value of Rs.445,042 as Rs. 290,823 in the financial statements regarding the depreciation value of the computers and computer peripherals in the corresponding year and thereby, had occurred the deficit of Rs. 154,219 to the net value of depreciation account for the corresponding year.

(e) Expenditure incurred on the maintenance and repair of the office premises of the Authority which was established in a rented building during the year 2014 and the 2016 was respectively Rs.1,280,282 and Rs.56,250 had been stated as capital fixed assets instead of maintenance expenditure in the financial statements and accordingly, had been allocated Rs. 390,412 for depreciation. Consequently, the holding value of fixed assets had been increased by Rs. 745,640 at the end of the year.

(f) The following observations are made regarding the cash flow statement.

(i) The following differences were observed between the cash flow statement submitted by the Authority along with the financial statements and the cash flow statement prepared by the Audit.

	As per the cash flow statement submitted by the Authority Along with the Financial Statements **Rs.**	**As per the cash flow statement prepared by the Audit** **Rs.**	**Difference** **Rs.**
operational activities	28,288,562	(112,503,769)	(140,792,331)
Investment activities	(47,615,766)	(29,228,098)	18,387,668
Financial activities	3,136,805	125,541,469	122,404,664

(ii) The adjustment of Rs.19,633,940 for the had not been adjusted to the operational surplus of the corresponding year.

(iii) Deferred liabilities of Rs.28,045,019 included in other incomes had not been adjusted to the operational surplus.

(iv) Financial grants for implementing programmes had stated under the working capital changes instead of financial activities.

(v) The deficit of Rs.4,326,007 for contract liabilities was stated as Rs. 15,921,026 in the Cash Flow statement.

(vi) Although the difference between the investments made in the corresponding year and the previous year by the B-Express Limited Company was Rs.28,045,019, It was stated in the cash flow statement as Rs.46,432,687.

(vii) Even though, the net value of the grant receipts in the corresponding year was Rs.163,173,110 and the utilization was Rs. 37,631,641, only Rs. 3,136,805 was stated in the cash flow statement as government grants receipts under the financial activities.

2.2.3 Unmatched administration accounts

……………………………………………………………….

The bank acquisition statements prepared for the end of each months were not matched with the balance in the cash book.

3. Financial Review

…………………………………….

3.1 Financial results

……………………………….

The financial result of the Authority for the year ended 31st December 2017 was indicated as surplus of Rs. 27,372,346 while the previous year's surplus was Rs. 18,004,593 according to the submitted financial statements. Consequently, the financial result of the corresponding year had been increased by Rs. 9,367,753 when compared to the previous year. The major impact on the above surplus was the amount of Rs. 9,657,351 calculated as the value written on income out of the grant received for a project under the Ministry of Industries during the corresponding year.

3.2 Submitting Financial Statements

…………………………………………………………

In terms of the Section 6.5.1 of Government Business Circular No. PED/12, dated 2nd June 2003, Financial Statements and the Draft Annual Report must be submitted to the Auditor General within 60 days of the end of each financial year. However, the financial statements of NEDA for the year 2017 had been submitted to the Audit on 21st December 2020.

3.3 Non-implementation of the recommendations of Auditor General's Report for the previous year

………

Recommendations that I have made regarding the financial statements of the previous year had not been implemented.

W P C Wickramaratne

Auditor General