

Annual Report 2018

National Enterprise Development Authority

Ministry of Industry

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. D.K. Bogollagama (Chairman)
2. Mr. S. Balasubramaniam (Additional Secretary, Ministry of Industry & Commerce)
3. Mrs. H.A.T. Erandi (Assistant Director, Ministry of Finance)
4. Mr. Manjula Samarawickrama
5. Mr. M.S.M. Nadeer
6. Ms. Himali Jinadasa
7. Mr. M.F.S.W. Stembo
8. Mr. Seinudeen Marikar Ilham
9. Mr. Naina Mohamed Saroor

Development programs

- 9.0 Preparation of BDS Directory
- 2.0 Capacity Development of Business Development Service (BDS) providers
- 3.0 Regional Entrepreneur Awarding ceremonies
- 4.0 District & Regional Enterprise Forums
- 5.0 Cluster Development Program
- 6.0 Business Trade Fairs
- 7.0 Facilitation to regional entrepreneurs who require packaging assistance
- 8.0 International Business Delegation
- 9.0: Buyer seller meeting
- 10.0 Regional Enterprise Development Program
- 11.0 Establishment of Incubation and Technology Transfer Centre (ITTC)- Makadura
- 12.0 “Upadidhari Vyavasayake Udanaya” Program
- 13.0 Elevating SME’s in Supportive Knowhow
- 14.0 Enhancement of Sri Lankan youths through entrepreneurship development
- 15.0 Enterprise Management System - EMS
- 16.0 The Regional Asia Pacific 7th UNESCO APEID meeting on Entrepreneurship Education
- 17.0 United Nations development Programme (UNDP)
- 18. YOU LEAD Project
- 19. UNDP Social Enterprise Development Program

10th March 2023

Hon.Ramesh Pathirana,

M.P Minister of Industry

Ministry of Industry

No.73/1,

Galle Road

Colombo 03.

Hon.Sir,

Annual Report 2018 In terms of section 14(2) of the Finance Act No.38 of 1971, I submit the following documents.

01. The progress report of the National Enterprise Development Authority for the year 2018.
02. Balance sheet as at 31st December 2018, Income and expenditure statement for the year ended 31st December 2018 and cash flow statement for the year ended 31st December 2018.
03. Report of the Auditor General.

Yours sincerely

Lasantha Kariyapperuma

Chairman/ Director General

NEDA Development Programs – 2018

Program 01: Preparation of BDS Directory

NEDA has planned to publish SME Guide book for SMEs as well as Business Development service Providers. It include information on BDS Providers registered in NEDA and it will be very useful document to guide them for establish successful enterprise (About 200 pages). NEDA has collected information from NEDA Development officers and paper advertisement. It has been scheduling to publish in 2019.

Program 02: Capacity Development program for 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. NEDA planned to strength capacities of BDS providers. Objective of this project is to capacity building of BDS providers and build up proper business Support Service network. NEDA conducted need assessment of BDS providers and trained 25 officers in BDS Providers.

Program 03: 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 planned to conduct nine award ceremonies in all provinces with supporting of District Chambers/ government institutes. NEDA signed service agreement with supportive organizations and conducted eight award ceremonies in 2018.



Entrepreneur Award ceremony in Kandy & Ampara

Program 04: 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. Up to 2018, NEDA has established 14 DEF and 232 REF. And NEDA developed issue tracker to build up proper system to solve business issues in regional level.



DEF in Matara Distruct

Program 05: Cluster Development Program

NEDA is involving with business cluster Development program. NEDA wishes to develop their capabilities in the fields of market development, entrepreneurship development, technology transfer, and financial assistant etc. NEDA conducted sector development programs in each province (315 beneficiaries).



Cluster Development program in Matale & Kurunegala

Program 6: Business Trade Fairs

Business trade fairs are proposed for the purpose of SME sector development at regional level. NEDA has identified that the almost all the medium, small & micro scale entrepreneurs are unaware about the Business Development Services available in the region and in the country as well as the functions and services provided by BDS Providers thus unable to get maximum service out of them. In order to fulfil this gap between entrepreneurs and BDS providers, a strong linkages and interaction should be created. Business Service Trade fairs will make the bridge between small and medium scale entrepreneurs and BDS providers to utilize the services maximally from the BDS providers, thus enhancing the entrepreneurship ability of the potential entrepreneurs. And this will be good opportunity to introduce their product and establish market linkages. In 2018, NEDA conducted fair in each province.



Business Trade Fair in Gampaha District

Program 07: 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 2018, NEDA assist for 90 entrepreneurs in Matara & Kegalle districts.



Packaging training – Kegalle District

Program 8 : International Business Delegation

As per the NEDA action plan 2018 which includes above service intends to organize business delegations to foreign trade fairs and facilitate medium scale entrepreneurs to internationalize their businesses. NEDA complete Business Delegation to Expo manufacturing exhibition in Thailand (15 participants)

Program 09: Buyer seller meeting

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.



Buyer seller meetings in Gampaha Districts

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 has planned to implement short term training and follow up services for those entrepreneurs in regional level in all districts with supporting of Development Officers.

NEDA conducted training programs for 12100 new and existing entrepreneurs.



Regional enterprise development program in Kaluthara & Kurunegala Districts

Program 11: Establishment of Incubation and Technology Transfer Centre (ITTC)- Makadura

Incubator and Technology Transfer Centre (ITTC) is a venue that minimize the risk involve in engaging a new product or service line by reducing the initial capital to be invested backed by professional backing.

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.

ITTC facilitate the startups with required machineries and equipment together with novel business ideas derived from research and development activities of Wayamba University of Sri Lanka (WUSL) and surrounding research institutions.

NEDA and WUSL entered in to a MOU for the establishment, management and operation of the ITTC. ITTC will be a company registered at the Registrar of Companies and managed by a Board of Management.

Up to now, NEDA completed building activities and machinery installation and it was opened on September 2017. At present, NEDA provides services entrepreneurs and university graduates



Awareness program for entrepreneurs

Program 12: .Uni- Entrepreneurs (Upadhidari Vyavasayake Udanaya)

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 is to encourage graduates for business field and crate them for successful entrepreneurs

NEDA provided training program for 205 graduates in Sabaragamuwa, Rajarata, Uva wellassa, Kelaniya, Jayawardanapura and Jaffna Universities and provided grants for 13 graduates.



Training program in University of Peradeniya

Program 13: Elevating SME's in Supportive Knowhow

Majority of MSMEs are lack of proper knowledge on business rules and regulations. Hence, NEDA has decided to implement awareness programs at District level with supporting of Development officers. At first stage, NEDA arranged one day awareness programs on taxation & taxation process, labor related rules & regulations and services of consumer affairs Authority for Macro, Small & Medium entrepreneurs (MSMEs) in Sri Lanka. Resource persons are provided by the Department of Inland Revenue, Labor Department and Consumer affairs Authority. This program is conducted through District Secretariat and NEDA target is 100 MSMEs per District.

NEDA provide awareness program on business rules & regulations with supporting of relaxant institutes. NEDA conducted awareness programs in 14 districts.



Awareness program in Kandy district

Program 14: Enhancement of Sri Lankan youths through entrepreneurship development

This program is to support for youth (vocational/ technical college final year students or pass out students and youth handicraft entrepreneurs) by improving entrepreneurial skills, providing financial facilities, new technology, business counselling, monitoring, new designs etc. Therefore, this is a subject that has an importance to the development of the nation to promote entrepreneurship skills in Sri Lankan youth to achieve the range of opportunities in the global economy.

NEDA provides entrepreneurship development program for youth entrepreneurship development program for vocational trainees. In 2018, Program is implementing with supporting of Department of technical education and training. Program starts from Western province. NEDA has selected 100 youth beneficiaries and provided entrepreneurship development training. Machinery & equipment will be provided for them in 2019.



Awareness program in Kaluthara

15. Enterprise Management System - EMS

The Enterprise Management System is an automated digital system used to Register and Input new enterprises by development officers of National Enterprise Development Authority in order to create a database of enterprises as its initial stage.

It will be used to Track and Follow-up on meetings with Enterprise owners while it will provide a Basic Workflow for easy use.

EMS is a Structured Communication Guide to enable NEDA officers to confidently introduce NEDA products to Enterprises.

The EMS will create a more efficient platform for National Enterprise Development Authority to provide its services to entrepreneurs.



Training program in Ampara & Anuradhapura Districts

16. The Regional Asia Pacific 7th UNESCO APEID meeting on Entrepreneurship Education

The Regional Asia Pacific 7th UNESCO APEID meeting on Entrepreneurship Education convened by the UNESCO 's Asia-Pacific Program of Educational Innovation for Development (APEID) Division is held every year.



In the year 2018 Sri Lanka got the opportunity to host the event, which convened by UNESCO and hosted by the National Enterprise Development Authority (NEDA) with the theme “Leveraging Multi-Stakeholder Engagement to Nurture Future Entrepreneurs” on 9-11 October 2018, Trinco Blu, Trincomalee, Sri Lanka

80 senior delegates from over 20 countries- Government, UN Agencies, universities and the private sector participated in the event which was web streamed globally with international media, UNESCO networks and other international partner organizations.

17. United Nations development Programme (UNDP) -2018

NEDA Participated and contributed to draft the outline of the Recovery Policy, to draft the outline of Building Back Better guidelines for the Housing and Micro Small Medium Enterprise (MSME) sector which implemented under the Ministry of Industry and Commerce, guided by the Ministry of Disaster

Management and funded By UNDP. Accordingly, the following activities have been completed in the year of 2018.

04. NEDA acted as a member of the Technical working Committee and conducted 06 regional level programmes with the stake holder organizations.
05. Three-day residential TOT programme has been conducted for NEDA regional staff to capacitate the regional officials.
06. 04 regional workshops has been completed in Rathnepura , kaluthara , Galle and Mathara districts for MSMEs on Business Continuity Plan (BCP)



TOT for NEDA regional staff



18. YOU LEAD Project

You Lead is a VEGA project implemented by IESE (www.iesc.org/youlead). Accordingly, NEDA act as a main stake holder organization with them. They conducted a serious of workshop with the participation of all the business development service provider organizations in the government and private sector organizations to collect the suggestions and experiences. As an outcome of the project, we have developed a common enterprise development curriculum for Sri Lanka which can be by any BDS. The developed products are available in their website.

NEDA organized one Awareness programme on Financial Management and How to work with Financial Financial Institutions at Kalutara district with the supporting of You Lead. All the nominated of the Banking sector who work in kalutara district and One hundred sixty entrepreneurs participated for the above.



19. UNDP Social Enterprise Development Program

NEDA conducted three one day TOT programs for selected 300 government officers on entrepreneurship skills & social enterprise development exposing them with an individual entrepreneur and a social enterprise operates successfully in Kurunegala & Kandy districts.

Field workshops were conducted for 300 existing entrepreneurs who involve on non-agriculture and processed food industry in Polonnaruwa district to develop as social enterprises.

A synthesis recommendation report was submitted for develop the identified potential enterprises in to social enterprises in collaboration with the key stack holders of the project.

NATIONAL ENTERPRISE DEVELOPMENT AUTHORITY

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER		2018	2017
	Note	Rs.	Rs.
UTILIZATION OF GRANTS FOR PROGRAMME			-
Grant Attributable for the Year	16	28,557,098	37,631,641
Programme Expenses	9	28,557,098	37,631,641
Surplus / (Deficit) for the Year from Program		-	-
OPERATION			
Recurrent Grants from General Treasury		24,617,557	19,609,491
Amortization of Government Grants	14	2,505,842	3,074,050
Other Income	7	6,121,726	28,287,093
Total Income		33,245,125	50,970,633
Administrative Expenses	8	26,600,152	23,536,262
Other Project Expenses	9	2,999,340	62,026
Total Expenses		29,599,492	23,598,288
Net Surplus / (Deficit) for the Year		3,645,633	27,372,346

NATIONAL ENTERPRISE DEVELOPMENT AUTHORITY

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

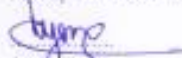
	Note	2018 Rs.	2017 Rs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	10	7,476,170	10,097,481
Current Assets			
Receivables	11	374,591	322,395
Deposits and Advances	12	103,179,402	115,835,183
Prepaid Expenses	13	93,716	63,916
Festival Advance		9,000	10,250
Distress Loan		2,095,588	2,639,356
Cash and Cash Equivalents		2,016,990	2,308,452
B. Express Ltd	22	46,450,000	46,432,687
Total Current Assets		154,219,287	167,012,239
Saving Accounts -Gratuity		561,941	521,567
Total Other Current Assets		561,941	521,567
TOTAL ASSETS		162,257,401	177,631,289

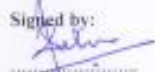
EQUITY AND LIABILITIES

Equity			
Accumulated Surpluses		49,798,341	26,303,316
Total Equity		49,798,341	26,303,316
Non-Current Liabilities			
Government Grant	14	4,867,072	7,334,163
Retirement Benefits Obligation	15	1,051,929	890,419
Total Non-Current Liabilities		5,919,000	8,224,582
Current Liabilities			
Grant for Programme	16	104,067,179	139,358,986
Accrued Expenses	17	1,745,747	527,093
Ministry Incubator Project		-	17,313
M/S.GIZ		-	3,200,000
Ministry Youth Programme	18	539,906	
M/S UNDP	18	187,228	
Total Current Liabilities		106,540,060	143,103,392
TOTAL EQUITY AND LIABILITIES		162,257,401	177,631,289

The Notes on pages 05 to 18 form an integral part of these financial

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


Accountant

Signed by:

Mr. Sumil Jayaratne
Chairman/ Director General

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

Approved and signed for and behalf of the Board of Directors


Director
Mr. Anura Wijesundara


Director
Hemasiri Perera

NATIONAL ENTERPRISE DEVELOPMENT AUTHORITY

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Accumulated Surpluses Rs.	Total Rs.
Balance as at 01 January 2017	560,317	560,317
Net Surplus for the year	27,372,346	27,372,346
Adjustment for the Year 2016	(1,629,347)	(1,629,347)
Balance as at 31 December 2017	26,303,316	26,303,316
Net Surplus for the year	3,645,633	3,645,633
Adjustment of Advance Settlement for the Year 2017	19,638,313	19,638,313
Adjustment of Prepaid Insurance & Diviyata Udana Programme for the Year 2017	1,017,647	1,017,647
Adjustment of Depreciation of Computer & Acce., Audit Fees & Stationery Year 2017	(806,569)	(806,569)
Balance as at 31 December 2018	49,798,341	49,798,341



Chairman,
National Enterprise Development Authority

In terms of the Section 12 of the Finance Act No. 19 of 2018, Auditor General's Report on the Financial Statements and other legal and regulatory requirements of National Enterprise Development Authority (NEDA) for the year ended 31st December 2018.

1. Financial Statements

1.1 Adverse opinion

In terms of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971 to be read in conjunction with the provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka, the process of Audit was conducted on my order on the financial statements comprised with the statement of financial position as at 31st December 2018, the statement of Comprehensive income for the year end, Changes in Equity and the statement of Cash Flow and the summary of significant Accounting Policies and other explanatory notes of National Enterprise Development Authority (NEDA) for the year ended as at 31st December 2018. The report on the transactions of the National Enterprise Development Authority was not been able to forward to Parliament in time due to the delay in receiving financial reports by the Authority however, it has been tabled in Parliament on 24th July 2020 in all three languages. In accordance with the Section 154 (6) of the Constitution, my report in this regard will be tabled in Parliament in due course.

I am of the view that, the financial position as at 31st December 2018, Authority's 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 basis for the adverse opinion of my report.

1.2 The basis for the adverse opinion

1.2.1 Non-compliance with Sri Lanka Accounting Standards

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

- (a) According to the LKAS paragraph No. 51, the residual value of the assets and the useful life span should be revalued 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, in the financial estimate. However, the residual value and useful life span that the written value of Rs. 7,476,170 as at December 31, 2018 for machineries, cars, office equipment, furniture and fixtures, library books, accounting software and computers and computer peripherals had not been calculated.
- (b) In terms of the LKAS Paragraph 79(a), it is necessary to disclose the residual value of the property, plants and equipment in the financial statements which are being used but completely depreciated. Nonetheless, the residual value of 03 cars, 22 office equipment and 37 computers and accessories had not been disclosed in the financial statements which are being used but have completely been depreciated.

1.2.2 Accounting deficiencies

- (a) According to a certificate of shares issued by a company implementing under the Authority, in 2017, 60 shares (value of each Rs. 10/-) out of 100 declared shares were issued to the Authority had not been included in the financial statements of the NEDA in the year under reviewed.
- (b) As a capital grant Rs.46,450,000 has been released to the Authority (NEDA) by the then Ministry of Industries and Commercial Affairs for the establishment of “Incubator and Technical Transfer Centre”. However, the said grant has been identified as a revenue by

the Authority and expenditure occurred for that purpose were indicated as an investment of the said company under the recurrent expenditure account of the Authority. As a result, it was indicated as upsurge of Rs. 46,450,000 out of the net value of surplus and recurrent assets in the financial statements for the corresponding year.

I have conducted my audit in accordance with Sri Lanka Audit Standards. My responsibility align with the Standards has further explained under the section of “Auditor’s responsibility in auditing financial statements”. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.3 Management’s and Controlling parties’ Responsibility on 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.

It is a responsibility of management to determine the going concern of the authority when preparing the financial statements. Further, it is a responsibility of management to keep accounts on a going concern basis and to disclose matters relating to the going concern of the Authority unless the management intends to liquidate the Authority or, cease operations in the absence of any other alternative.

Controlling parties are responsible for the authority's financial reporting process.

In accordance with sub-section 16(1) of the National Audit Act No. 19 of 2018, the Authority shall maintain proper books and records of its income, expenditure, assets and liabilities in order to prepare annual and periodic financial statements.

1.4 Auditor's Responsibility in Auditing Financial Statements.

My objective is to provide reasonable assurance that the financial statements as a whole are free from material misstatements resulting from fraud and error and to issue the auditor's report containing my opinion. Though the reasonable assurance is a high level of assurance, it

will not always be an assurance that a material understatement will completely be detected when conducting an audit in accordance with Sri Lanka Auditing Standards. Individual or collective fraud and error can result in material misstatements, and are expected to affect the economic decisions made by users based on these financial statements.

I conducted the audit in accordance with Sri Lanka Auditing Standards with professional judgment and professional skepticism. Further;

- Identifying the risks of material misstatement of the financial statements due to fraud or error, and planning appropriate audit procedures in a timely manner by obtaining sufficient and appropriate audit evidence to eliminate the risks of fraud or error is based on my opinion. The effect of fraud is stronger than the effect of material misstatements, and fraud can be caused by connivance of fraudsters, falsification of documents, intentional omission or circumvention of internal controls.
- Even though I have obtained understanding of the Authority's internal control in order to plan appropriate audit procedures, it is not intended to express an opinion on the effectiveness of internal control.
- Evaluated the reasonableness of accounting policies and accounting estimates used and the appropriateness of related disclosures made by the management.
- The appropriateness of using the going concern basis of accounting was determined based on the audit evidence obtained as to whether there is material uncertainty as to the continuing existence of the entity due to events or circumstances. If I conclude that there is sufficient uncertainty, my audit report should focus on the related disclosures in the financial statements, and if those disclosures are insufficient, I should modify my opinion. However, the continuance may terminate upon future events or circumstances.
- The presentation, structure and content of the financial statements including the disclosures were evaluated and it was noted that the underlying transactions and events are appropriately and fairly included in the financial statements.

Controlled parties were apprised of significant audit findings, key internal control weaknesses and other matters identified during my audit.

2. Report on other legal and regulatory requirements

2.1 Special provisions are included on the following requirements of the National Audit Act No. 19 of 2018.

2.1.1 I have obtained all the information and explanations necessary for the audit in accordance with the requirements of Section 12(a) of the National Audit Act No. 19 of 2018, except the effect of the matters described in the Basis for Adverse Opinion section of my report and as per my examination, Authority had been maintained proper financial records.

2.1.2 According to the requirement mentioned in Section 6(1) (d) III of the National Audit Act No. 19 of 2018, the financial statements of the Authority are consistent with the previous year.

2.1.3 According to the requirement mentioned in Section 6(1) (d) iv of the National Audit Act No. 19 of 2018, the recommendations which were made last year by myself are included in the presented financial statements.

2.2 In the course of action followed and the evidence gathered and confined to material facts, nothing significant has come to my attention to make the following remarks.

2.2.1 According to the requirement of Section 12(d) of the National Audit Act No. 19 of 2018, whether any member of the Governing Body of the Authority has directly or indirectly involved with any contract outside the ordinary course of business which the Authority is involved.

2.2.2 As per the requirement mentioned in Section 12(e) of the National Audit Act No. 19 of 2018, apart from the following observations, whether it has acted in non-compliance with any relevant written law or other general or special directives issued by the governing body of the authority.

Reference to the Rules and Regulations Directives**Particulars**

- | | |
|--|--|
| (a) Stamp Duty Act No. 12 of 2006 and Gazette paper No. 1530/13 dated 01 January 2008. of the Democratic Socialist Republic of Sri Lanka | Stamp duty value of Rs. 25/- shall be charged for the payments above Rs. 25000/- But in 10 cases, stamp duty was not collected in respect of the payments of Rs.1,646,130/- |
| (b) Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka | |
| (i) FR 104 and 105 | During the year under review, there were 5 accidents encountered with the authority's vehicles, but action has not been taken according to the financial regulations. |
| (ii) FR 395 (E) | Every institution having a bank account shall prepare a bank reconciliation statement of the transaction status at the end of each month before the 15 th day of the following month. However, the bank reconciliations for the year under review had not been prepared accordingly by the authority. |
| (iii) FR 507 and 756 | A survey of the belongings should be carried out and a report submitted to the Auditor General by the 31 st December. But commodity surveys were not conducted for the years 2017 and 2018. |

2.2.3 Authority have not been acted upon according to the powers, duties and functions as required by Section 12 (g) of the National Audit Act No. 19 of 2018.

2.2.4 That the resources of the Authority have not been procured and used in accordance with the relevant rules and regulations in a frugal, efficient and effective manner, except for the following observations as per the requirement mentioned in Section 12 (h) of the National Audit Act No. 19 of 2018.

- (a) Although Rs. 500,000/- was allocated for the capacity building of 50 business development service providers, only 27 business development service providers were trained. Accordingly, only 26 percent of the provision had been utilized at the end of the year under review.
- (b) In the year under review, Rs. 850,000/- was estimated for technical training on packing methods for 200 entrepreneurs, however only 90 entrepreneurs in Matara and Kegalle districts had been trained by the end of the year under review due to limited funding from the Ministry of Finance.
- (c) 4.5 million rupees were allocated to train 150 graduates and provide financial assistance to 25 graduates under the “Vyawasayakathwa Udanaya” programme. But only 13 graduates had been received Rs. 1,825,000/- as financial assistance during the year under review.
- (d) In the year under review Rs. 200,000 had been allocated for obtaining ISO certification. A newspaper advertisement had been published for getting the services of a consultant to strengthen the condition management system of the Authority. Further, respectively from the year 2016 to 2018 as per Rs. 71,262, Rs. 125,000/- and Rs. 35,880/- a total of Rs. 232,142/- had been spent for the same purpose and no arrangements had been made to obtain the ISO certificate by the end of the year under review.
- (e) Rs. 5.7 million had been allocated to the Authority by the Ministry of Industry and Commerce and Rs. 1.14 million has already been released as an advance for the

development of youth enterprises proposed by the authority to be implemented under the action plan of the ministry under the reviewed year. It was planned to train 225 entrepreneurs from all 9 districts as per 25 trainees from each district and to provide 180 trainees with Rs. 100,000/- as a financial assistance for starting businesses under this training programme. Although this programme should have been implemented continuously in the year under review, by the end of the year, only 100 beneficiaries in the Western Province had been identified and given only 02 days of training in business planning. Hence, only 678,914/- rupees had been spent out of the allocated provisions for the programme by the end of the year.

(f) Rs. 7 million had been allocated under the **‘Know How’** project, to hold awareness programmes for 100 micro, small and medium entrepreneurs from each district regarding taxation, taxation process, labor related laws and rules and services of Consumer Affairs Authority, under the first phase of the year under review. However, this programme was conducted only in 14 districts, and awareness programmes have been conducted only for 373 entrepreneurs in 6 districts due to non-availability of the estimated total allocation.

(g) Rs. 49,507 had been spent for publishing a tender notice for renting out an office space in the year 2017, and again Rs. 48,300 had been spent for extending the last date of acceptance of bids related to the said advertisement. However, due to the decision taken to run the relevant office in the Ministry office building itself, the Rs. 97,807 had turned out to be a wasteful expenditure.

2.3 Other matters

(a) According to the National Enterprise Development Authority Act No. 17 of 2006, the Authority had failed to achieve the following main objectives among the objectives of the authority.

- i. Promoting and encouraging the establishment and operation of enterprises outside Sri Lanka, with a view to internationalizing domestic enterprises capable of conquering foreign markets to achieve the objectives of the Act.
 - ii. Establishment of a Technology Development Fund to promote research and development related to technological advancement, product development and commercialization of patent rights.
- (b) Though the financial statements and the draft annual report must be submitted to the Auditor General within 60 days of the end of the accounting year, according to Section 6.5.1 of the State Business Circular No. PDE/12 dated June 02, 2003, the financial statements related to the year under review had been forwarded to the Auditor General on August 18, 2022.
- (c) Rs.163,760 and Rs. 315,962 had been spent respectively for the publication of newspaper advertisements to recruit to the posts of 02 Enterprise Promotion Officers and 06 Enterprise Promotion Assistants in the year 2017 and to recruit to the posts of 02 Enterprise Promotion Officers, 08 Enterprise Promotion Assistants and 01 Assistant Director in the year 2018, nevertheless, as of 31st of December 2018, no recruitment had been done for the above positions.

W P C Wickramaratne

Auditor General