

Annual Report 2019

National Enterprise Development Authority

Ministry of Industry & Commerce

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.

1.0 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. D.K Bogollagama
Chairman /Director General
2. Mr. S Balasubramaniaum : Board Member
Additional Secretary
Ministry of Industry & Commerce.
3. Ms.H.A. TharakaErandi: Board Member
Assistant Director
Department Of Public Finance Treasury
4. Mr.ManjulaSamarawickrama : Board Member
5. Mr. M.S.M. Nadeer : Board Member
6. Ms.HimaliJinadasa: Board Member
7. Mr.M.F.S.W.Stembo : Board Member
8. Mr. SeinudeenMarikarIlham : Board Member
9. Mr. Naina Mohamed Saroor: Board Member
10. Ms. Fazna(Board Secretary)

04th May 2023

Hon.Ramesh Pathirana

Minister of Industry

Ministry of Industry

No.73/1,

Galle Road

Colombo 03.

Hon.Sir,

Annual Report 2019

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 2019.

02. Balance sheet as at 31st December 2019, Income and expenditure statement for the year ended 31st December 2019 and cash flow statement for the year ended 31st December 2019.

03. Report of the Auditor General.

Yours sincerely

Lasantha kariyapperuma

Chairman/ Director General

Annual Report 2019

Development programs

Program 01: SME Guide book (Preparation of BDS Directory)

Program 02: Regional Entrepreneur awarding ceremonies

Program 03: District & Regional Enterprise Forums

Program 04: Cluster/Sector Development Program

Program 05 : Business Trade Fairs

Program 06: Regional Enterprise development program

Program 07: Establishment of Incubation and Technology Transfer Centre (ITTC)- Makadura

Program 08: .Uni- Entrepreneurs (UpadhidariVyavasayakeUdanaya)

Program 09: Elevating SME's in Supportive Knowhow

Program 10: Enhancement of Sri Lankan youths through entrepreneurship development

Program 11: Other programs

Development Programs – 2019

Program 01: Preparation of BDS Directory

National Enterprise Development Authority (NEDA) has planned to publish SME Guidebook (BDS Directory) for MSMEs as well as Business Development service Providers. It includes information on BDS Providers and it will be very useful document to guide them for establish successful enterprise (About 200 pages). NEDA collected information from NEDA Development officers and paper advertisement. It has been scheduled to publish in 2020.

Program 02: 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 contributed to the economic development of Sri Lanka. NEDA planned to conduct national level award ceremony and nine award ceremonies in all provinces with supporting of District Chambers/ government institutes.



Award Ceremony: North Central province



Award Ceremony: Central province



Award Ceremony: Western province

NEDA has conducted five award ceremonies in Western, Sabaragamuwa, Central, North Central and Southern provinces. National award ceremony is scheduled in 2020.

Program 03: District & Regional Enterprise Forums

In Sri Lanka, much of the population operates or works for Micro, Small and Medium scale enterprises (MSMEs) and to reduce poverty, therefore, it is important to create a conducive and dynamic business environment for these enterprises. In this, the local economy has an important function simply since most interaction between government animisms occurs at the local level. Based on this, Local Economic Development (LED) is an attractive alternative to traditional development strategies, the advantage of LED being its ability to tailor-make strategies according to the local setting. LED is a participatory approach to development. A wide range of local stakeholders are working alongside regional and national governments and international organizations to realize a locality's economic potential. Through its focus on participation, LED creates incentives and opportunities and partnership between local private and public sector stakeholders as well as social and political groups.

To create public-private dialogue for local economic development, District Enterprise Forums(DEF), which bring together representatives of National and Provincial Government authorities, private sector, NGOs and Government service providers are established in each districts and it is chaired by the District secretary. Regional enterprise forum(REF) is chaired by the Divisional secretary and represent the key entrepreneurs in business sectors and all divisional level government & privet sector business development service providers same as district forum.

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. NEDA has planned to establish District and Regional Enterprise Forums at District and Divisional secretariat level. Up to 2019, NEDA has established 14 DEF and 222 REF. Forum meetings were held once a two /three month.



REF – Thihagoda



DEF – Puttalam

Program 04: Cluster/Sector Development Program

Micro, Small and Medium-sized Enterprises (MSMEs) are recognized as a driver for economic growth and diversification in Sri Lanka. However, MSMEs in Sri Lanka are isolated and had to work independently along the value chain. MSMEs individually cannot develop its capacity to continuously respond to competitive pressure. To overcome this issue, cluster/sector-based approach to MSME development should be explored.

The cluster/sector-based approach has various advantages. MSME clusters can achieve training and technological innovation, easier access to finance and greater institutional support. It also becomes more cost- effective for the government and other supporting agencies to provide business development services (BDS) to a whole cluster of enterprises rather than to individual enterprises in several locations.

In 2019, NEDA involved with business cluster Development program and NEDA wishes to develop their capabilities in the fields of market development, entrepreneurship development, technology transfer, and financial assistant etc. NEDA Identified 15 Business sectors and conducted development programs for 467 beneficiaries.

Business sector	District	No. of beneficiaries
Java Batik	Badulla	25
Floriculture	Gampaha	21
Coir Products	Kalutara	16
Kids garments	Anuradhapura	30
Bag production	Ampara	20
Batik Designing	Matale	34
Gent hair cutting	Kurunegala	30
Beauty culture	Puttalam	50
Floriculture	Matara	48
Beauty culture	Galle	74
Incense Stick	Hambanthota	10
Coconut shell production	Rathnapura	19
Handicraft	Jaffna	30

Food processing	Killinochchi	25
Coconut shell-based Products	Mulathive	25
Handicraft	Mulathive	10
		467



Technical training – Matale



Technical training – Mulathive



Distribution of equipment - Matara



Coir products – Kalutara



Distribution of equipment - Gampaha



Distribution of certificates- Jaffna

Program 5 : 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 fulfill 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.

Business fair- Matara

In 2019, NEDA planned to conduct fair in all province. NEDA completed 17 trade fairs. And, NEDA conducted a national trade fair (160 Stalls).



BusinessFair–Kandy



Business Fair - Kurunegala



National Trade Fair

Importance of regional trade fairs:

1. Micro/small level entrepreneurs at regional level can introduce their product/s and establish market linkages. At initial stage, they find it difficult to link with national level trade fairs. In addition, micro/small level entrepreneurs who are involved with different business sectors can introduce their products at regional level trade fair (Floriculture, food processing, handicraft, garments, etc...). After expanding their business, they will be able to attend national level trade fair.
2. Opportunity to market research to identify their products are competitive or not and the place that entrepreneurs use as a testing ground for new products, processes, ideas and strategies.
3. Create learning environment for both entrepreneurs and customers.
4. Give entrepreneurs to get their brand in front of new or existing customers.
5. Providing networking opportunities
6. Trade fair allows businesses to facilitate discussions with their suppliers and even with other businesses, as well as move projects to another level if the opportunity arises.

District	No. of Fairs	No. of stalls
Monaragala	01	25
Kalutara	01	30
Gampaha	01	43
Anuradhapura	01	40
Trincomalee	03	80
Ampara	01	20
Puttalam	02	90
Kurunegala	01	150

Kandy , Nuwara Eliya, Matale	01	60
Matara	01	80
Galle	01	70
Hambanthota	01	45
Kegalle	01	10
Vauniya	01	21
	17	764

Program 6: Regional Enterprise development program

Micro, Small and medium enterprises (MSMEs) have been identified as an important strategic sector for promoting growth and social development of Sri Lanka. Over the years, MSMEs have gained wide recognition as a major source of employment, income generation, poverty alleviation and regional development. The MSMEs cover broad areas of economic activity such as agriculture, mining, manufacturing, construction and service sector industries.

The growth and expansion of MSMEs are constrained by problems emanating from product and factor markets and the regulatory system they operate in. These problems fall into broad areas of access to finance, physical infrastructure, level of technology, regulatory framework, access to information and advice, access to markets, business development services, industrial relations and labour legislation, intellectual property rights, technical and managerial skills, linkage formation and environmental issues

NEDA has identified that they have above issues such as lack of knowledge on entrepreneurship, marketing, technical and financial management. And also, 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 solutions for above issues.

Hence NEDA implement short term capacity development training, financial assistance, market facilitation, and other enterprise development services and follow up services for those entrepreneurs in regional level in all districts. NEDA take project proposal from Development officers and provide financial support to implement these project proposals submitted by the Divisional/ District Secretariat.

Technical training – Poojapitiya



Technical training – Kurunegala



Technical training – Annuradhapura



Technical training – Kalutara



In 2019, NEDA conducted 389 training programs for 14521 new and existing entrepreneurs.

District	No. of programs conducted	No. of entrepreneurs trained
Monaragala	15	397
Badulla	12	726
Colombo	03	100
Gampaha	13	650
Kalutara	14	725
Anuradhapura	20	1025
Polonnaruwa	01	32
Ampara	26	685

Batticaloa	20	521
Trincomalee	06	191
Kurunegala	58	1719
Puttalam	13	1769
Matale	09	828
Kandy	17	524
Nuwara Eliya	01	56
Matara	45	435
Galle	25	435
Hambanthota	08	535
Kegalle	17	612
Jaffna	24	603
Killinochchi	07	145
Vauniya	18	55
Mannar	01	72
Mulathive	08	216
Rathnapura	08	1200
Total	389	14551

And, NEDA established 857 new business and 1456 business expanded as given bellow.

District	No. of new business established	No. of business expanded
Monaragala	47	28
Badulla	60	182
Colombo	15	11
Gampaha	68	85
Kalutara	92	33
Anuradhapura	07	37
Batticaloa	35	17
Ampara	26	35
Traincomalee	05	0

Matara	30	15
Galle	08	09
Hambanthota	60	34
Kurunegala	100	313
Puttalam	86	267
Matale	103	227
Kandy	60	104
Nuwara Eliya	22	28
Kegalle	16	13
Rathnapura	17	18
Jaffna	35	0
Killinochchi	13	0
Vaunia	57	27
Total	964	1483

Program 7: 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 is a company registered at the Registrar of Companies and managed by a Board of Management. It was opened on September 2017. At present, NEDA provides services entrepreneurs and university graduates.

Program 8: .Uni- Entrepreneurs (UpadhidariVyavasayakeUdanaya)

MSMEs have been identified to play a crucial role in the economic development process and to alleviate poverty & solve unemployment in country. As per statistics, MSMEs play a critical role in providing employments and contributing to the Gross Domestic Products (GDP) in year 2013, the contribution of Small and Medium Enterprises (SMEs) contributed 40% of the country's GDP and it was 52% in year 2014. Specially, statistics from the ILO shows a continued rise in the proportion of unemployed youth and supporting youth to engage in an enterprise is one of the solutions to the problem of youth unemployment.

Having understand this fact, NEDA launched a specialized program for motivating university graduates, in order to develop them as successful entrepreneurs by improving their capabilities and directing towards opportunities in the business world. It requires a more concrete effort to embed entrepreneurship education and the development of soft skills in order to create a conducive environment for this initiative. NEDA is in the view that the present career guidance units of Universities will play a crucial role to make entrepreneurial graduate, so that it will become a unit that helps creates career opportunities to others by producing graduate entrepreneurs.

Hence graduates opted to engage in carriers due to social pressure and lack of awareness about the benefits that will result by being an entrepreneur. Moreover, lack of awareness of enterprise opportunities, lack of knowledge in business undertaking, lack of initial capital and the risk involve in business undertaking have demotivated graduates in engaging in business, Having considered the above mentioned factors, NEDA has designed and introduced the Graduate Entrepreneurs program.

NEDA launch entrepreneurship Development Program with Universities for graduates to engage them for business field. And it is named as “UpadhidariVyavasayakeUdanaya” to promote business for graduates. Program Objective is to encourage graduates for business field and create them for successful entrepreneurs.



UVU Granting ceremony

In 2019, NEDA provided ED training for 304 graduates in Universities of Jayawardanapura, Visual & Performing Arts, Kelaniya, Peradeniya, Wayamba & Jaffna and provide financial assistance (grant) for 72 graduates.

Program 9: Elevating SME's in Supportive Knowhow

NEDA provide awareness program on business certification branding & new marketing strategies, service quality & customer protection, business rules & regulations etc. with supporting of relevant institutes. NEDA conducted awareness programs as given bellow.

District	No of programs	No. of participants
Monaragala	04	300
Badulla	06	504
Colombo	02	87
Gampaha	07	350
Kalutara	08	425
Anuradhapura	08	398
Batticaloa	07	685
Ampara	05	382
Trincomalee	04	365
Kandy	08	408
matale	07	407

Nuwaraeliya	03	163
Kurunegala	07	379
Puttalam	08	441
Galle	07	310
Matara	08	350
Hambanthota	08	380
Rathnapura	08	1200
Kegalle	06	240
Jaffna	03	245
Killinochchi	01	60
Vavniya	01	90
Mannar	01	40
Mulathive	02	140
Total	129	8334



Awareness program - Mawanella

Program 10: Enhancement of Sri Lankan youths through entrepreneurship development

NEDA provides entrepreneurship development program for vocational trainees. This program is implementing with supporting of Department of technical education and training and start from Western province. In 2019, NEDA provided entrepreneurship training for 100 vocational trainees and machine & equipment were provided for 28 youths involving with beauty culture.

Program 11: Other programs

ADB Funded project: Business planning training for food cluster women entrepreneurs in Jaffna (60 Beneficiaries) and packaging training program for 60 beneficiaries in Trincomalee districts.

INCEE Cement: Training program for meson entrepreneurs (2812) in Kandy, Hambanthota, Monaragala, Galle, Rathnapura, Badulla, Anuradhapura, Matara, Puttalam & Jaffna. (NVQ L 111 Qualifiers 112)

Social Ventures: Awareness program for 30 women entrepreneurs to select for the development project - Polonnaruwa.TOT program (Social enterprise Development) for 40 Dos. Opportunities given to participate (entrepreneurs) in the trade fair.

HI Humanity and inclusion Program:

Value chain development program Dairy, Vegetables & fruit sectors in Walimada, Haliela, Passara&Lunugala areas. Special women entrepreneurship development program in Monaragala, Bibila,Wellawaya&Badalkumbura areas. One day business counselling program for NEDA staff. Support for REF (Matale, Badulla, Monragala& Nuwara Eliya Districts).

You Lead:TOT training for NEDA Dos (26) on Entrepreneurship Development. Market linkage for food & textile entrepreneurs



UNDP Project: Enterprise development program in Madirigiriya, Lankapura, Walapane&Mahaveli area (80 entrepreneurs). Expand the market linkage for textile & food by introducing entrepreneurs to good market at Battaramulla.

NATIONAL ENTERPRISE DEVELOPMENT AUTHORITY**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR
ENDED 31 DECEMBER**

	Note	2019 Rs.	2018 Rs.
UTILIZATION OF GRANTS FOR PROGRAMME			
			-
Grant Attributable for the Year	18	37,057,416	28,557,098
Programme Expenses	9	37,057,416	28,557,098
Surplus / (Deficit) for the Year from Program		<u>-</u>	<u>-</u>
OPERATION			
Recurrent Grants from General Treasury		25,260,257	24,617,557
Amortization of Government Grants	14	2,545,873	2,505,842
Other Income	7	825,256	6,121,726
Total Income		<u>28,631,386</u>	<u>33,245,125</u>
Administrative Expenses	8	29,499,033	26,600,152
Other Project Expenses	9	<u>-</u>	<u>2,999,340</u>
Total Expenses		<u>29,499,033</u>	<u>29,599,492</u>
Net Surplus / (Deficit) for the Year		<u>(867,647)</u>	<u>3,645,633</u>

NATIONAL ENTERPRISE DEVELOPMENT AUTHORITY**STATEMENT OF FINANCIAL POSITION AS AT 31
DECEMBER**

	Note	2019 Rs.	2018 Rs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	10	5,752,892	7,476,170
Current Assets			
Receivables	11	1,754,416	374,591
Deposits and Advances	12	89,970,926	103,179,402
Prepaid Expenses	13	98,604	93,716
Festival Advance		24,000	9,000
Distress Loan		2,232,034	2,095,588
Cash and Cash Equivalents		351,521	2,016,990
B.Express Ltd	22	600	46,450,000
Total Current Assets		94,431,500	154,219,287
Saving Accounts -Grativity		583,670	561,941
Total other Current Assets		583,670	561,941
TOTAL ASSETS		100,768,062	162,257,401
EQUITY AND LIABILITIES			
Equity			
Accumulated Surpluses		2,405,900	49,798,341
Total Equity		2,405,900	49,798,341
Non-Current Liabilities			
Government Grant	14	2,899,092	4,867,072

Retirement Benefits Obligation	15	1,692,735	1,051,929
Total Non-Current Liabilities		4,591,827	5,919,000

Current Liabilities

Grant for Programme		89,676,008	104,067,179
Accrued Expenses	17	3,830,470	1,745,747
Ministry Programme	18	76,630	539,906
M/S UNDP	18	187,228	187,228
Total Current Liabilities		93,770,336	106,540,060

TOTAL EQUITY AND LIABILITIES		100,768,062	162,257,401
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The Notes on pages 05 to19 from an integral part of these financial statements.

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

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Accountant

Signed by:

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Mr.Lasantha Kariyapperuma
Chairman/ Director General

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

Approved and signed for and behalf of the Board of Directors

.....
Director

.....
Director

NATIONAL ENTERPRISE DEVELOPMENT AUTHORITY

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
31 DECEMBER 2019**

	Accumulated Surpluses Rs.	Total Rs.
Balance as at 01 January 2018	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
Net Surplus for the year	(867,647)	(867,647)
Adjustment of Advance Settlement	(43,997)	(43,997)
Adjustment of B.Express Ltd Investment	(46,450,000)	(46,450,000)
Adjustment of Depreciation Year 2018	(30,797)	(30,797)
Balance as at 31 December 2019	2,405,900	2,405,900

The Chairman,
National Enterprise Development Authority

Auditor General's Report for the year ended 31st December 2019 on the Financial Statements and other Legal & Regulatory Requirements of National Enterprise Development Authority (NEDA), In terms of the Section 12 of the National Audit Act No. 19 of 2018.

1. Financial Statements

1.1 Assessed opinion

In terms of the Finance Act No. 38 of 1971 and the National Audit Act No. 19 of 2018 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 with the statement of financial position as at 31st December 2019 and the statement of Comprehensive income, Changes in Equity and the statement of Cash Flow for the year ended and the summary of significant Accounting Policies and other explanatory notes. In accordance with the provisions of Article 154 (6) of the Constitution, my report in this regard will be submitted to Parliament in due course.

In my opinion, financial statements and its financial performance and cash flows of the Authority for the year ended give a true and fair view of the financial position as at 31 December 2019, in accordance with Sri Lankan Accounting Standards except for the effect of the matters described in the Basis for audited opinion section of my report.

1.2 The basis for the Assessed opinion

1.2.1 Non-compliance with Sri Lanka Accounting Standards

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

- (i) The residual value of an 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. 5,752,892 as at December 31 2019 for cars, office equipment, furniture and fixtures, computers and computer peripherals and machineries had not been calculated.
- (ii) Though the residual value of the property, plants and equipment which have completely been depreciated but are being used must be disclosed in the financial statements in accordance with the Chapter 79 (b) of LKAS, 03 no's of cars, 28 no's of office equipment, 30 no's of furniture and equipment and 38 no's of computers and accessories which were completely depreciated but are being used were not disclosed in the financial statements.

1.2.2 Accounting deficiencies

- (a) Although the total grants deployable for programmes during the corresponding year were Rs. 40,678,286; a difference of Rs. 3,620,870 was observed due to the inclusion of Rs. 37,057,416 in the financial statement.
- (b) Actual expenditure incurred under the “Know How” project implemented by the Ministry of Industry and Commerce in the corresponding year was Rs. 3,456,847; However, there was stated only Rs. 2,130,773 in the financial statement as the expenditure incurred for the said project and also Rs. 1,326,074 was indicated as the due amount to be received from the Ministry which has not actually been confirmed by the Ministry. Accordingly, the expenditure incurred under the said programme in the corresponding year was understated by Rs. 1,326,074 and the balance due was overstated by the same.

(c) A motor bicycle worth of Rs. 275,500 which has been provided to the Authority as a grant, was indicated in the financial statements as other income during the corresponding year. Therefore, the deficiency of the year and the balance of the main account were understated by the same amount.

I have conducted my audit in accordance with Sri Lanka Audit Standards. My responsibility with regard to the Audit standards has been further described under the section of Auditor's responsibility of conducting audit on financial statements of the Report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.3 Responsibilities of Management and Administrative Authorities on 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 in preparing the financial statements. Consistently, disclosing matters relating to the Authority's going concern is a responsibility of management unless management intends to liquidate the Authority or, cease operations in the absence of any other alternative.

Administrative authorities are responsible for the financial reporting process of the Authority.

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 so as to be able to prepare annual and periodic financial statements.

1.4 Auditor's responsibility in relation to the audit of financial statements

My responsibility is to proclaim a reasonable assurance whether the financial statements are free from quantitative misstatements and issuing an Audit Report of same which is containing my opinion. Reasonable assurance is a high level of assurance, but it will not always be assurance that material misstatements will be detected when performing an audit in accordance with Sri Lanka Auditing Standards. The impact of fraud and error, individually or collectively, can result in material misstatements. The impact on the economic decisions made by users depending on the basis of these financial statements.

I executed professional judgment and professional skepticism during the audit as a part of the audit in accordance with Sri Lanka Auditing Standards. Further by me;

- Designed and performed proper audit procedures as appropriate to identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, in providing a basis for the audit opinion expressed. The effect of fraud is stronger than the effect of material misstatements due to misrepresentation because they are caused by deviousness, falsification, intentional omission, misrepresentation or circumvention of internal controls.
- Obtained an understanding of internal control in order to plan proper audit procedures as appropriate, even though not with the intention of expressing an opinion on the effectiveness of internal control.
- Assessed the appropriateness of accounting policies used, reasonableness of accounting estimates and related disclosures made by management.
- Observed the basis of accounting procedures based on the audit evidence obtained by concerning whether there is sufficient uncertainty of the continuing existence of the entity due to events or circumstances. If I have to conclude with that there is sufficient uncertainty, audit report should be prepared by focusing on the related disclosures in the financial statements, and if those disclosures are insufficient, my opinion should be modified appropriately. Continuance may terminate upon future events or circumstances.
- Assessed the overall presentation of the financial statements including the disclosures and appropriate and fair inclusion of transactions and events which can be considered as the basis of the structure and content of the financial statements.
- Informed the Administrative authorities about 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 regarding the following requirements of the National Audit Act No. 19 of 2018 are included.

- 2.1.2 All the necessary information and explanations for the audit were obtained in accordance with the requirements of Section 12(b) of the National Audit Act No. 19 of 2018. According to the observation of my audit, except for the effect of the matters described in the Basis for Audited Opinion section of my report the authority had maintained proper financial records.
- 2.1.3 Financial Statements of the authority are consistent with the previous year according to the requirement mentioned in section (6) (1) (c) (iii) of the National Audit Act No. 19 of 2018.
- 2.1.4 As per the requirement mentioned in Section (6) (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me in the last year are included in the presented financial statements.
- 2.2 On the basis of the proceedings followed and the evidence obtained and confined to material facts, nothing has come to my notice to the extent of making the following statements.
- 2.2.1 As required by Section 12 (d) of the National Audit Act No. 19 of 2018, any member of the Governing Body of the Authority has any connection, directly or indirectly, out of the ordinary course of business in relation to any agreement relating to the Authority.
- 2.2.2 According to the requirement mentioned in Section 12 (e) of the National Audit Act No. 19 of 2018, except for the following observations, that it has acted in non-compliance with any relevant written law or other general or special regulations issued by the governing body of the authority.

**Reference to rules,
regulationetc.**

non-compliance with the rules and regulations

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**(a) National Enterprise
Development
Authority Act No. 17 of
2006**

- | | | |
|------|--------|---|
| (i) | 13 (b) | Action has not been taken to encourage the establishment and operation of enterprises outside Sri Lanka with the aim of internationalizing local enterprises capable of conquering foreign markets. |
| (ii) | 13 (g) | A technology development fund was not established to promote research and development related to technological advancement, production development and commercialization of patent rights. |

**(b) Financial Regulations
Code of the Democratic
Socialist Republic of Sri
Lanka**

- | | | |
|-------|--|---|
| (i) | FR 103 and 104 | Actions had not been taken with regard to the misplaced two laptops worth of Rs. 203,890/- and two tab computers worth of Rs. 61,900/- which were belong to the Authority |
| (ii) | FR 395 (c) | Every institution having a bank account should prepare a bank reconciliation statement before the 15th day of the following month regarding the transaction status at the end of each month. However, the authority had not prepared or submitted the bank reconciliation to the audit for the year 2019. |
| (iii) | Stamp Duty Act No. 12 of 2006 and Gazette No. 1530/13 dated 01 January 2008 of the Democratic Socialist Republic of Sri Lanka. | Stamp duty of Rs. 25/- must be deducted for every payment above Rs. 25000.00, nevertheless, it was neglected to deduct stamp duty for the payments of Rs. 7,325,000/- in relation with 72 cases. |

3. Other Audit Observation

- (a) In terms of the Section 6.5.1 of Government Business Circular No. PED/12, dated 2nd June 2003, Financial Statements must be submitted to the Auditor General within 60 days of the end of each financial year. However, the financial statements of the Authority (NEDA) for the corresponding year were submitted to the Audit on 28th February 2023 after delaying the period of 36 months without a draft annual report.
- (b) The amount of Rs. 8,000,000/- had been allocated for conducting 9 regional enterprise award ceremonies and a national enterprise award ceremony to pay gratitude to the entrepreneurs for their valuable contribution towards economic development, however, only the amount of Rs. 6,020,000/- had been spent out of the said amount for conducting 05 regional enterprise award ceremonies, nonetheless the National Enterprise Awards ceremony had not been held as of December 31, 2019.
- (c) As per the action plan of the year 2019, Rs. 1000,000/- had been allocated for the establishment of Business data system. It was expected to establish a data base containing the information of micro, small and medium scale entrepreneurs and to develop entrepreneurs through the system. 120,000/- had been spent for the inaugural ceremony of distributing computers. Even so, the business data system had not been established by December 31, 2019.
- (d) Arrangements had not been made to obtain the ISO certificate even though the total amount of Rs. 232,642/- had been spent for obtaining the certificate as of Rs. 71,762/- 125,000/- and 35,880/- respectively in the years of 2016, 2017 and 2018.
- (e) The amount of Rs. 1,140,000/- had been provided to the Authority by the Ministry to implement the youth entrepreneurship development programme in the corresponding year but no programme was conducted during the year.
- (f) The amount of advance given by the Ministry to the Authority for the implementation of the 'Know How' programme was exceeded by Rs. 2,605,147/- during the corresponding year but no arrangements were made to reimburse the excess amount incurred.

W.P.C.Wicramarathna
Auditor General