

National Enterprise Development Authority - 2015

The audit of financial statements of the National Enterprise Development Authority for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with 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. Due to the delays in submission of the financial statements, the report on the transactions relating to the Authority has been tabled in Parliament on 08 March 2019 . My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7) (a) of the Finance Act was sent to the Chairman of the Authority on 13 December 2019.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based in my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial Statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected 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 and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to 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 Submission of Financial Statements

Although the Financial Statements and Draft Annual Report should be submitted to the Auditor General within 60 days of the end of the financial year in terms of Section 6.5.1 of the Public Enterprises Circular No. PED / 12 of 02 June 2003, the financial statements for the year 2015 had been presented on 07 October 2019 .

1.5 Basis for Qualified Opinion

My opinion is qualified based on the matters described in Paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in 2.2 of this report, the financial statements give a true and fair view of the financial position of the National Enterprise Development Authority as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) Although the cash balance as per the Bank Reconciliation Statement and the cash book was Rs. 628,560 , the cash balance in the balance sheet had been shown as Rs. 593,251 . Accordingly, the cash balance had been understated by a sum of Rs. 35,309 .
- (b) Although the accrual expense for the travelling and subsistence allowances as per the ledger was Rs. 4,550 , thus it had been shown as Rs. 7,963 in the final accounts, a sum of Rs. 3,413 had been overstated under accrual expense.
- (c) Although the cost for other services as per the ledger was Rs. .331,429, it had been shown as Rs. 367,229 under the administrative cost in the final accounts and a sum of Rs. 35,800 had been overstated in the accounts.
- (d) Even though the tender charges as per the ledger was Rs. 84,000, this amount had been shown as Rs. 84,500 under the other income in the final accounts.
- (e) Even though the depreciation of furniture equipment for the year 2015 was Rs. 843,946 for the year 2015, since it had been shown in the final accounts as Rs. 1,419,386 , the depreciation had been overstated by a sum of Rs. 575,440 .
- (f) Although the balance of the provision for furniture equipment depreciation account should be Rs. 2,014,614 as at 31 January 2015 it had been shown as Rs. 1,845,755 The less adjustment in depreciation by a sum of Rs. 168,859 in previous years had caused for this.

- (g) Even though the furniture purchases in the year 2015 was Rs. 1,571,509 as per the Register of Fixed Assets, it had been shown in the furniture equipment account in the ledger as Rs 1,533,674 .
- (h) Even though the purchase of furniture equipment in the year 2014 as per the Register of Fixed Assets was Rs. 2,283,401, that value had been shown as Rs. 2,321,236 in the furniture equipment account.
- (i) Even though the balance of the furniture equipment depreciation account in the ledger was Rs. 1,321,109, a sum of Rs. 1,419,386 had been shown as depreciation for furniture equipment in the financial statements.
- (j) As the annual depreciation on furniture equipment had overstated by a sum of Rs. 477,163 the government grants which was written off and shown in the comprehensive income statement had also been overstated by a sum of Rs. 477,163 .

3. Financial Review

3.1 Financial Results

- (a) According to financial statements presented the financial result of the Authority for the year 31 December 2015 had been a deficit of Rs. 613,396 and since the surplus of the preceding year as against to that was Rs. 3,527,892 thus indicating a decline of Rs. 4,141,288 in the financial result for the year under review as compared to the preceding year. The decrease in the Treasury Grants in the year under review by Rs. 4,691,928 and the decrease in amortization of Government Grants by a sum of Rs. 1,317,790 had mainly attributed to increase the above deficit .
- (b) The net surplus/ deficit during the previous 05 years of the Authority was Rs. 507,711 for the year 2011, Rs. (2,050,079) for the year 2012, Rs. (521,069) for the year 2013, and Rs. 3,527,892 for the year 2014, and Rs. (613,396) for the year 2015 . In the re-adjustment of the remuneration and the depreciation incurred for each year, a net surplus for all years was indicated and it had been a sum of Rs. 10,415,540, Rs. 11,783,227, Rs. 13,823,867, Rs. 19,486,750 and Rs. 17,084,600 respectively.