



2013

ANNUAL REPORT

CONDOMINIUM MANAGEMENT AUTHORITY



CONDOMINIUM MANAGEMENT AUTHORITY

1st Floor ,National Housing Department Buiding

Sir Chittampalam A Gardiner Mawatha

Colombo 02

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Director Board



Vision

Condominium as a solution to the housing requirement of the country



Mission

Constructing condominium property to be apposite with the benefit and welfare of residents and establishing management corporations for the systematic administration and management of such property and regulating their maintenance activities

CORPORATE INFORMATION

Name

Condominium Management Authority

Year of Incorporation

2003 November 10
Common Amenities Board Act No 10 of 1973
Common Amenities Board (Amendment)
Act No 24 of 2003

Registered Office

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Web

www.condominium.lk

Objectives of the Authority

- ▶ Control, manage, maintain and administer the condominium parcels, the common elements and the common amenities of the Condominium Property or Semi Condominium Property;
- ▶ Ensure the common elements and the Common Amenities of the Condominium Property or Semi Condominium Property are properly maintained in good order and that periodic repairs are being carried out in order to maintain such property in good and serviceable order, and to assist the management corporation or the owner or owners or occupiers to carry out such activities in the event of the management corporation or owner or owners or occupiers failing to carry out such activities;
- ▶ Ensure that all buildings comprising such Condominium parcels are insured against risk of fire, civil commotion and riot or to insure or keep insured, if so requested by the management corporation or by the owners, and to recover such premium or charges from the management corporation or the owners as the case may be ;
- ▶ Remove all such unauthorized constructions erected or carried out by the respective owners or occupiers of such Condominium Parcels or by any person, contrary to the registered Condominium Plan of the Condominium Property or the registered Semi Condominium Property;
- ▶ Ensure that the management corporation of the Condominium Property or Semi Condominium Property are properly functioning and to manage and administer the activities of such management corporation;
- ▶ Assist the management corporation or the owner or owners or occupiers of the Condominium Parcels, of the Condominium Property or Semi Condominium Property in providing the services such as water, sewerage, drainage, gas, electricity, garbage disposal, air conditioning, telephone, radio and redifussion services to the owner or owners or occupiers of the Condominium Parcels of such Condominium Property or Semi Condominium Property ;
- ▶ Assist the management corporation to establish and maintain for use by owners or occupiers of such condominium parcels , facilities such as roads , access ways , lawns , gardens , parks , play grounds and other open spaces , or to be directly involved with such activities in the event of the management corporation failing to establish and maintain such facilities
- ▶ Transfer to the local authority the maintenance of roads, access ways, lawns, gardens, parks, playgrounds, and other open spaces for the use by owners or occupiers of the Condominium Parcels of the Condominium Property or Semi Condominium Property;
- ▶ Provide maintenance and repair services to such Condominium Parcels of the Condominium Property or Semi Condominium property at the request of the management corporation or owners or occupiers thereof;
- ▶ Monitor the progress of the construction of the registered provisional Condominium Property in order to ensure that the interests of the stakeholders are protected and to intervene wherever necessary to protect such interests;
- ▶ Formulate and submit Condominium re-development program including capital investment plans to the Minister for approval by the Government ;
- ▶ Call upon the National Housing Development Authority or the Urban Development Authority or any local authority or any government agency or any private sector developer, to undertake the implementation of such Condominium re-development projects, or to undertake the execution of the Condominium re-development projects, of such program as may be approved by the Government;
- ▶ Undertake the completion of any Condominium Building shown in the registered Semi Condominium Plan or Provisional Condominium Plan , in the event of any owner failing to complete such project;
- ▶ Develop or re-develop land for carrying out of any of the objectives of the Authority and
- ▶ Do all such other acts as may be necessary or conducive to the attainment of any or all of the above objectives.

Powers of the Authority

- (a) Acquire by way of acquisition , vesting grant of purchasing , or to receive by way of gift or otherwise any immovable or movable property and to hold , manage , sell , surrender , exchange , lease or otherwise dispose of such property ;
- (b) Receive donation and bequests from any source whether local or foreign ;
- (c) Borrow moneys required by it for the discharge of the functions ;
- (d) charge rent for any land parcel or buildings or Condominium Property let by the Authority ;
- (e) Levy fees or charges , for any services rendered by the authority under this Law or any other written law ;
- (f) Recover any premia from owners in proportion to their interests in the condominium parcels ;
- (g) Recover from any person including an owner , expenses incurred in making good any day damage caused by him to the common amenities or common elements of the condominium parcels ;
- (h) Providing to any condominium parcel , any services including its refurbishment , repair , and maintenance at the request of the management corporation or owner or occupier of the condominium parcel and levy charges therefor ;
- (i) Undertake construction work ;
- (j) Enter , either by itself or by its duly authorized agents , at all reasonable times , any condominium parcel for the purpose of inspecting , or renewing pipes , wires , cables and ducts witch also serve other condominium parcels or the common elements of the condominium parcels or for the purpose of maintaining , renewing , refurbishing , or repairing the condominium parcel or the common amenities or the common elements , of the Condominium Property or for the purpose of removing or demolishing unauthorized constructions of the condominium property or semi condominium property or for the purpose of ensuring that any relevant statutory requirements are being compiles with , or in the exercise of any of the powers , referred to in this section ;
- (k) Enter either by itself or by its duly authorized agents at all reasonable times , any land parcel of the Provisional Condominium Property for the purpose of inspecting and reviewing the progress of the construction of the building shown in the registered provisional condominium plan ;
- (l) Enter into contracts and to make such arrangements as are reasonably required for the purpose of carrying out any of the objects of the Authority ;
- (m) Resolve disputes between the management corporation and the owner or owners , and occupier , or owner and purchaser , or owner and mortgagee , or mortgagee and prospective purchaser or morgagor and mortgagee of the condominium parcels of the Condominium Property, or registered Provisional Condominium Property ;
- (n) Employ such officers and servants as may be necessary to carry out the work of the Authority and exercise disciplinary control over its officers and servants ;
- (o) Make rules for the administration of the affairs of the Authority ; and
- (p) Do all things which in the opinion of the Authority , are necessary to facilitate the carrying out of its objects .”

Administrative Report

2013



Condominium Management Authority

Report of the Administrative

In the year 2013, an income of Rs. 63 million was generated from the operational activities of the Authority. In comparison to operational income in the year 2012 which amounted to Rs. 41.5 million, the operational income has posted a growth of 65.8%. The overall expenditure in the year 2012 was Rs. 71.6 million and it increased to Rs. 82.2 million in the year 2013. The net loss in the year 2013 was Rs. 8.96 million.

- ✓ Though the construction of new condominium properties is experiencing a significant upward trend, property developers seek the condominium certificate only after completing the buildings and obtaining certificate of compliance.
- ✓ Reversal in progress of condominium sector due to inordinate delay in granting approval for the construction of buildings by the approving authorities.

Issuance of initial clearance for the construction of condominium properties

With a view to minimizing recurrent problems such as the furnishing the condominium plan to the Authority after the construction of the condominium property and inadequate provision of common amenities in certain constructions, it has been decided that initial clearance instructions should be sought from this Authority. Accordingly, initial clearance was granted to 61 condominium properties proposed to be constructed in the year 2013. These clearance instructions served as guidance to property developers in the construction activities.

Issuance of Condominium Certificates

One of the key regulatory responsibilities of this Authority is to ensure that common amenities and common elements are available in the condominium properties constructed by the public or private sector for the benefit and welfare of the residents. Due to these condominium certificates, the unit owners of the property have undisturbed possession of the common amenities and common elements. The certificates have also contributed to prevent the registration of property on forged documents and the delay in disposing the ownership after having obtained money through sales agreement.

Further, the issuance of this certificate has assured the conformity with construction standards, proper provision of utilities such as insurance schemes, water, electricity while also making it possible to exert pressure on the property developer.

The income generated through the issuance of condominium certificates is the main source of income of

the Authority. From 2005, the Authority has issued 754 such certificates. Although 112 certificates were targeted in the year 2013, the Authority received applications for 66 certificates.

The Authority has issued 754 certificates from the year 2005 up to now.

The income generated through the issuance of certificates is the main source of income of this Authority. Payment of salaries and funds for other operational expenditure are mainly financed through income so generated.

		Annual Targets	Progress
2011	Financial (Rs Mn)	56.0	27.7
	Physical	115	62
2012	Financial (Rs Mn)	60.9	21.53
	Physical	116	77
2013	Financial (Rs Mn)	82.6	27.0
	Physical	112	66

Of the applications forwarded in the year 2013 seeking to obtain condominium certificates, certificates were not issued in respect of 35 of them owing to the non -issue of certificate of compliance, non granting deeds and other shortcomings.

Though a decline in the condominium property construction sector was witnessed from the year 2008 onwards, this trend started to change gradually by 2011. The Urban Development Authority has planned and commenced construction of 22 condominium properties in Colombo and the suburbs. The Urban Settlement Development Authority has completed the construction work of 03 housing schemes but is yet to apply for the common amenities certificate. As provisional condominium certificates have not been made compulsory under Act No. 39 of 2003, these projects do not have to obtain certificates until their completion and it has contributed to the failure of the Authority to achieve expected income.

Nearly 80 buildings constructed by the private sector are unable to apply for the certification of the Authority on account of being unable to obtain certificates of compliance. There are 63 such properties of the National Housing Development Authority as well. In order to address this issue, the Authority as the regulator of the sector, has obtained the approval of the Cabinet of Ministers to amend the Apartment Ownership Act No 04 of 1999 and the relevant amendments have been referred

to the Legal Draughtsman and the relevant draft bill is now under examination.

Further, a Bill introducing amendments to the Condominium Management Authority Act No.10 of 1973 incorporating provisions making it mandatory to obtain the provisional certificate of the Authority before the construction of any condominium property has been submitted for the approval of the ministerial subcommittee on constitutional affairs and the amendments endorsed by the subcommittee are being reviewed at present.

Establishing, registering and actively maintaining Management Corporations

Though a property with private ownership is maintained by the owners of such property, the maintenance of common elements and common amenities in a condominium property with shared ownership cannot be maintained by any single individual and as such all those who share these common elements and common amenities band together to constitute management corporations which are the legal structure for their administration.

From the year 2005 up to now, the authority has constituted management corporations in 768 condominium properties.

The progress achieved in establishing Management Corporations by the Authority from 2011 up to 31.12.2013 is summarized in the following table.

Registration of Management Corporations and Committees				
	Physical		Financial (Rs. Thousands)	
	Targets	Progress	Targets	Progress
2011	130	184	0.99	0.468
2012	250	219	1.02	0.944
2013	40	77	0.19	0.086

However, the following difficulties were experienced in establishing management corporations

- Lack of understanding among property owners regarding the importance of the Management Corporation for maintaining property
- Lack of interest among residents of the apartment housing schemes constructed by the government for the establishment of management corporations
- Owners of condominium property constructed by the private sector not residing permanently in them
- Lassitude of owners to be involved in maintenance and management activities under a voluntary

basis due to them being busy

Defaulting the payment of maintenance fees and other residents not cooperating with the panel of office bearers of the Management Corporation.

Resolving disputes of Condominium Property

The Authority has been vested with powers Common Amenities Board Law No 10 of 1973 to intervene in the event of disputes arising between the management of the condominium property and the property owner or between the residents and the owner or between the owner and the buyer. Accordingly, when a complaint is forwarded to the Authority in writing by those who have entered into a sales agreement to purchase condominium property or a resident, the Authority initiates necessary action for its prompt resolution. Dispute which cannot be resolved are referred to an investigation.

An investigation council has been set up for the resolution of such disputes. The complaints received by the Council can be categorized as follows according to their nature.

- Non granting of deeds to the residents since the Condominium Plan cannot be registered despite the lapse of a long period of time since the construction and sale through a sales agreement.
- Construction in violation of the approved building plan; some property developers are unable to obtain the certificate of compliance as they have executed sales agreement after constructing only several floors.
- Not providing common amenities and common elements in accordance with the approved plan
- Residents not paying the monthly maintenance fee to the Management Corporation
- Erecting unauthorized structures
- Problems arising in using car parks and the public area

In the year 2013, the Authority has taken measures to resolve 130 complaints so received.

No of disputes resolved	
2010	120
2011	25
2012	87
2013	130

Institutional mechanism to respond positively to public grievances

- Upon receiving a complaint, forwarding a copy of the complaint within 03 days to the respondent party and obtaining observations within 14 days.

- Summoning the complainant and the respondent for an inquiry within a week of receiving observations
- If there is a solution, reporting it on the first day itself and concluding the inquiry
- Recording verbal or written evidence
- Giving an order within 03 months of initiating the inquiry

Awareness Programmes

Educating Management Corporations, which is the legal structure of residents of condominium property as provided for by the Apartment Ownership Act No. 11 of 1973 and the Common Amenities Board Law No. 10 of 1973 and creating awareness among property developers and other stakeholders on the administration and maintenance of the property in good order has to be carried out on a regular basis.

Creating awareness among all stakeholders of the condominium property is continually carried through following measures.

- Distributing 15,000 copies of “Condominium” quarterly publication
- Awareness programmes for schoolchildren, conducting a meeting of the representatives of management corporations and a conference of property developers to coincide with World Habitat Day
- Conducting the annual general meetings and special general meetings of Management Corporations under the patronage of the officials of the Authority

In addition to the printing and distributing of a publication titled “Condominium” for raising awareness, a meeting of the representatives of Management Corporations and a get-together of property developers was held in October 2013. The relevant details are outlined below. Over 650 leaders of management corporations participated in the meeting of the representatives of management corporations.

Transferring Ownership of Tsunami property constructed under Tsunami rehabilitation

The following facts came to light during the survey conducted by the Authority on condominium property constructed under Tsunami rehabilitation.

- The number of housing schemes constructed as flats is 39 and the number of housing units is 3749.

- The number of houses schemes constructed as twin houses (joint) is 30 and the number of housing units is 2064.

The Authority, having taken into account the fact that no measures had been taken to dispose of the ownership of these housing schemes, took this matter up with the Ministry of Land and Land Development which owns these lands and as a result such negotiations the approval of the Cabinet of Ministers was secured to introduce amendments to the Land Act to enable the transfer of ownership of such lands.

For this purpose, the Authority conducted 02 workshops in partnership with the Ministry of Land, the Land Department and the Survey Department and the draft of the necessary regulations was formulated.

Renovation of multi storeyed housing schemes of government

As the residents of these housing schemes have failed to properly maintain and administer their housing schemes in good order, the National Housing Development Authority has to spend public finances time and again in huge amounts for their upkeep. Having studied this situation, action was taken as per ‘Mahinda Chintana vision for the future’ to allocate funds from the budgets of 2011/2012/2013 for large scale renovations which the residents of these schemes are unable to carry out on their own.

Boosted by this, a new trend and inclination towards the establishment of management corporations has emerged. Keeping the management corporation active will help the residents to effectively carry out maintenance and administration and will ultimately lead to the gradual reduction of public funds spent on their maintenance. .

Project	Annual Targets			Progress
	Year	Finance	Treasury funds	Treasury funds
Facilitating the establishment of Management Corporations in government housing schemes and renovation of government housing schemes	2011		25.0	25.0
	2012		109.2	55.0
	2013	Rs.	178.7	139.8

During the period from 2011 to 2013, the amount spent by our Authority on renovation was Rs. 116 million. The number of beneficiary families was 919.

The following multi-storeyed housing schemes were renovated in 2013

- Dissanayakewatta housing scheme
- Aluthkade housing scheme
- Dias Place housing scheme

Regulatory interventions of Condominium Management Authority

Employing the aforementioned powers and provisions, the Condominium Management Authority has been able to execute the following very important services over the past few years.

- Hitherto the responsibility of maintaining pump houses of water towers the government housing schemes had been entrusted to their residents themselves. However due to the absence of persons with the required technical know-how to handle such activities, their repairs and maintenance had remained a problematic issue for many years. As a solution to this problem, a cabinet paper was submitted with the intervention of the Condominium Management Authority transferring their maintenance of pump houses to the Water Supply and Drainage Board. As an initial step towards this end, repairs are to be effected to pump houses of 10 government housing schemes for the benefit of 9389 families during this year.

Housing Scheme	No of housing units	No of underground tanks	No of pump houses	No of water towers
Jalthara Housing Scheme, Jalthara	400	01	01	01
Soyzapura Housing Scheme, Moratuwa	1992	01	01	01
Maligawatta Housing Scheme, Colombo 10	1520	01	01	01
Serpentine Housing Scheme, Colombo 09	158	01	01	01
Ketrawalamulla Housing Scheme, Colombo-08	352	01	01	01
Bloemandhal Housing Scheme, Colombo 13	480	01	01	01
Armour Street Housing Scheme, Colombo 13	300	01	01	01
Sri Sangharaja Mawatha Housing Scheme, Colombo 13	278	02	01	01

Bambalapitiya Housing Scheme, Colombo -04	293	01	01	01
Anderson Housing Scheme, Colombo-05	616	01	01	01

- Measures were taken in the year 2013 to seek the approval of the Cabinet to amend the Apartment Ownership (Special Provisions) Act No 04 of 1994 enabling the registration of properties which had been constructed several decades ago but which have not been registered as a condominium property thus preventing the handing over of their ownership to the residents. The relevant draft which will enable to the granting of deeds is in the process of being drafted by the Legal Draftsman. More than 15,000 families of housing schemes constructed by the public and private sectors who have not been able to secure deeds for their houses for more than 30-40 years will be benefited from this programme.
 - Prince of Wales housing scheme constructed in the year 1930 and the Wekanda Housing Scheme constructed in 1970 have been identified as posing a grave risk to their residents owing to their unsafe condition. Therefore a Cabinet Paper was submitted for the redevelopment of Wekanda Housing Scheme and Prince of Wales Street Housing Scheme whose decrepit condition could have posed a serious threat to the lives of residents. Consequently, the Cabinet of Ministers has decided to provide houses to the residents of these two housing schemes on a priority basis in housing schemes constructed under urban revival programme.
 - Securing the approval of the Cabinet of Ministers to amend the Common Amenities Board Act No 10 of 1973 and the Apartment Ownership (Amendment) Act No.11 of 1973 to suit the present day needs. At present the draft bills are being studied by the Cabinet Subcommittee on Constitutional Affairs. The new bills will enable the provision of solutions to many practical problems in the condominium construction sector and the Authority will be able expand the scope of its work.
 - In line with a proposal made by the Authority to the Sri Lanka Public Utilities Commission in the year 2013 to enhance the powers of Management Corporations and to make them more effective and also in accordance with the Sri Lanka Electricity (Amendment) Act, the power to distribute electricity of a condominium property or a semi condominium property can be acquired by the Management Corporation and the Corporation is vested with powers to disconnect the water supply of a resident who is not paying the subscription fee by disconnecting the electricity supply.

- The Urban Development Authority has commenced the construction of 22 multi-storeyed housing schemes in Colombo and the suburbs under the 'Urban Revival' (Punarjeewana) programme. These schemes consist of a number of buildings and having studied this complex problem, it has been decided on the instructions of the Board of Directors of the Authority to constitute one management corporation for each condominium property. Arrangements have already been made to implement this programme at the "Mihindu Senpura" housing scheme, Dematagoda, the housing units of which have already been handed over to recipients.

Meetings of the Board of Directors and Meetings of Audit and Management Committees

In the year 2013, six Board meetings were held and decisions were taken as regards a host of important board papers associated with the sector. Six meetings of Audit and Management Committee were held and 03 special meetings of Audit and Management Committee were held.

Human Resource Management Activities

Attempts made to recruit to the post of Deputy General Manager (Regulatory) have hitherto not been successful and a request to relax some of the qualifications relevant to the position has been forwarded to the Management Services Department through the line Ministry.

Restructuring Cadre

The cadre estimate and the promotion and recruitment procedure of the Authority were approved by the Department of Management Services in the year 2010.

Though the approved cadre in the year 2013 was 193, the number existed as at December 2013 was 108. Action will be taken to fill the vacancies in the year 2014. .

Staff Training

Sixteen employees of the Authority participated in local training programmes.

On the invitation of property developer M/s Kepple C.T. Developers (Private Limited), 07 officials undertook a study visit to Singapore on the field of condominium property.

Efficiency Bar Examination

The efficiency bar examination was conducted in the year 2013 for 08 officers of Management Assistant (Non technical) MA 1-1-111 Grade. Arrangements have been made to conduct the efficiency bar examination for the rest of the staff during the first quarter of 2014.

Amending the approved recruitment procedure

Approval was granted to amend the Management Assistant (Technical) –Engineering Assistant III recruitment procedure as a result of bringing to the notice of the Management Services Department of the difficulties experienced with the relevant procedure.

Acknowledgement

I wish to take this opportunity to extend our thanks to all members of the staff who contributed to the performance of the Authority in the year 2013 and to all ministries, departments and the heads of public and statutory bodies who supported the activities of the Authority. I also wish to convey my heartfelt thanks to the Minister of Construction, Engineering Services, Housing and Common Amenities Hon. Wimal Weerawansa who has been source of inspiration, constantly guiding us to ensure sustainability of the Authority and the Deputy Minister Hon. Lasanatha Alagiyawanna. My thanks are also due to the Secretary of the Ministry and the additional secretaries for their unstinted support extended to the activities of the Authority.

Kapila Gamage,
Attorney at law
Chairman 25/08/2014

Report of the Audit and Management Committee for the year 2013

The 2013 Audit Committee comprised of the following officers

<p>1. Mrs. Chandani Wijayawardane Chairman of the Committee (From January 2013 to May 2013) Audit and Management Committee (Treasury Representative) Deputy Director Fiscal Planning Department General Treasury</p>
<p>2. Mrs. Nalini Amaratunga Chairman of the Committee (From November 2013 to December 2013) Audit and Management Committee (Treasury Representative) Director National Budget Department General Treasury</p>
<p>Mr. K.B.V. Dhammika Namal Muthugala Member Municipal Commissioner Dehiwala Mount Lavinia Municipal Council</p>
<p>Brigadier Mahinda Mudalige Member General Manager National Housing Development Authority</p>
<p>Mr. E.K.K.S. Edirisinghe Observer Audit Superintendent Representative of the Deputy Auditor General Auditor General's Department</p>
<p>Mr. Dhammika Gunawardane Observer (from February to May 2013) Chief Accountant/ Internal Auditor Ministry of Construction, Engineering Services, Housing and Common Amenities</p>
<p>Mr. R.S. Samarakkody Observer (from November to December 2013) Chief Internal Auditor Ministry of Construction, Engineering Services, Housing and Common Amenities</p>

The following officers participated as invited officers of the Authority

1. **Mr. Kapila Gamage,**
Attorney at law,
Chairman
2. **Mr. G.U. Upawansa**
General Manager/Secretary to the Board
3. **Mr. K.H.A. Upali,**
Deputy General Manager (Finance)
4. **Mrs. Chamila Nilukshi Pemmawadu**
(From May to February 2013)
Internal Auditor

The progress of the renovation activities of the following housing schemes,

- Vewluwanapura housing scheme, Colombo-06
- Vithanage Mawatha housing scheme, Colombo-02
- Fairline housing scheme, Dehiwala
- Kamkarupura housing scheme, Colombo-14
- Elvitigala housing scheme, Colombo-08
- De Mel Watta housing scheme, Colombo-12
- Sancharachchige Watta housing scheme, Colombo-10
- Old Moor Street housing scheme, Colombo-12
- Saunders Place housing scheme, Colombo-12

for which funds were allocated from the 2013 budget were constantly reviewed and the staff of the Authority were encouraged to complete the work.

- Audit reports in respect of the years 2005, 2006, 2007, 2008, 2009 and 2010 to be submitted to the Committee on Public Enterprises were reviewed and offered solutions.
- Took measures to amend the policies pertaining to bad and doubtful debt of the Authority.
- Making recommendations to the Board of Directors to write off long standing account balances

from the books.

- Evaluated the cadre position and gave instructions as regards filling the vacancies
- While constantly reviewing the Corporate Plan, Action Plan and the annual budget of the Authority, the Committee assessed the variations in the expected targets.
- Updating and redrafting the Corporate Plan of the Authority on the basis of the recommendations made by the Committee on Public Enterprises.
- Having obtained the approval for the Cabinet Paper to amend the Apartment Ownership (Special Provisions) Act No.04 of 1999 enabling the granting of deeds to residents of housing units in the old condominium properties belonging to the National Housing Development Authority, National Housing Commissioner and the private sector, the future course of action was discussed with the Legal Draftsman's Department and necessary support was extended to the Authority to prepare the final draft.
- Introducing a methodology for drafting bylaws for the control, management, administration of common amenities and common elements in every building indicated in a registered condominium plan or provisional condominium plan and it was decided to adopt the same methodology for urban regeneration housing schemes and other housing schemes.
- Deployment of officers to train and create awareness among beneficiaries of urban regeneration housing schemes and review the progress in this regard regularly.

- In addition, the Audit and Management Committee constantly reviewed the following.
- Budget variation report
- Reports on financial activities
- Cash flow and liquidity
- Bank reconciliation reports
- Report on human resources management
- Reviewing transport expenses

Regular review of the achievement of the targets set out in the budget.

**Financial
Performance
Report and
Financial
Statement
2013**

*Financial
Performance
Report and
Financial
Statement as
at 31.12.2013*



Condominium Management Authority
Financial Performance Statement For the year ended 31 December 2013

	Notes	2013	2013	2013 Budget
Assets				
Non Current Assets				
Fixed Assets				
	Note 01			
Kataragama circuit bungalow land		1,520,000	1,520,000	1,520,000
Kataragama circuit bungalow building		5,092,000	5,360,000	5,090,000
Vehicles		10,144,513	17,971,150	18,500,000
Office furniture and accessories		23,679	229,439	255,000
Machinery, equipment and tools		1,520,203	1,697,626	1,670,000
		18,300,395	26,778,215	27,035,000
Investments –Long Term				
Fixed deposits at HDFC		3,000,000	3,000,000	3,000,000
		-	-	10,000,000
Current assets				
Stocks	Note 02	828,664	544,213	500,000
Trade debtors, employee loans and receivable balance	Note 03	38,989,014	22,173,855	19,250,000
Other receivable balances	Note 04	1,421,939	800,155	600,000
Payments made in advance	Note 05	99,706	118,668	440,000
Short term investments	Note 06	52,103,784	44,342,990	20,000,000
Cash and financial items	Note 07	5,880,463	1,628,874	3,000,000
		99,323,570	69,608,755	43,790,000
		120,623,965	99,386,970	83,825,000
Total assets				
Current Liabilities				
Bank of Ceylon-lease	Note 08	2,796,429	2,796,429	12,350,000
Payable	Note 09	63,114,742	31,220,939	4,200,000
Accrued expenses		2,595,415	1,678,935	1,500,000
Creditors/advances	Note 10	41,848,315	43,382,749	36,251,000
Provisions	Note 11	28,261,858	26,542,287	27,000,000
Total current liabilities		138,616,759	105,621,339	81,301,000
Non Current Liabilities				
Lease loan	Note 12	6,758,036	9,554,464	-
Total Liabilities		145,374,795	115,175,803	81,301,000
Net assets		(24,750,830)	(15,788,833)	2,524,000
Net assets/Equity				
Authorized capital		500,000	50,000	500,000
Government capital		500,000	500,000	500,000
Bonus shares		2,500,000	2,500,000	2,500,000
		3,000,000	3,000,000	3,000,000
Accumulated funds		44,710,261	60,715,713	45,735,000
Adjustments for previous year		-	-	-
Surplus/(deficit) in the year		(8,961,997)	16,005,452	19,338,000
Revaluation reserves		22,308,765	22,308,765	22,308,000
General reserves		1,350,000	1,350,000	1,350,000
Capital transfers		2,262,663	2,262,663	2,263,000
Total net assets/ rights		(24,750,830)	(15,788,833)	2,425,000

Condominium Management Authority

Financial Performance Statement For the year ended 31 December 2013

		2013	2012	2013 Rs.
Income				
Operational income	Notes 12	57,370,712	38,192,179	117,900,000
Other operational income	Notes 13	2,436,226	2,050,527	2,000,000
Non-operational expenses	Notes 14	3,377,358	1,272,416	600,000
Total operational income		63,184,296	41,515,122	120,500,000
Receipt of treasury provisions for payment of salaries		10,000,000	39,050,000	-
Total Turnover		73,184,296	80,565,122	120,500,000
Operational expenses				
Salaries and emoluments	Notes 15	48,732,807	49,043,661	59,172,000
Travel expenses	Notes 16	1,611,288	788,879	2,640,000
Supplies and consumer commodities	Notes 17	4,841,161	4,883,606	6,500,000
Maintenance expenditure	Notes 18	4,639,920	4,748,028	6,000,000
Statutory expenses	Notes 19	3,555,579	4,225,177	4,600,000
Direct expenses	Notes 20	5,560,266	1,591,652	2,980,000
Depreciation		9,228,662	3,537,805	8,250,000
Project expenditure	Notes 21	14,313	707,594	5,000,000
Other operational income	Notes 22	-	95,900	2,000,000
Total operational expenditure		78,183,996	69,622,302	97,192,000
Operational Activities –Surplus/(Deficit)		(4,999,700)	10,942,820	23,308,000
Financial expenditure	Notes 23	2,635,526	1,431,705	2,570,000
Non operational expenditure	Notes 24	1,326,771	553,158	900,000
Total non operational expenditure		3,962,297	1,984,863	3,470,000
Surplus/ (Deficit) over operational activities		(8,961,997)	8,957,957	19,838,000
Surplus/(deficit) of the sales of capital assets		-	7,047,495	-
Net surplus/(deficit) before tax deductions		(8,961,997)	16,005,452	19,838,000
Income tax provisions		-	-	500,000
Net surplus/(deficit)		(8,961,997)	16,005,452	19,338,000
Surplus./ (deficit) carried forward from last year		(44,710,261)	(60,715,713)	26,397,000
		(53,672,258)	(44,710,261)	45,735,000
Adjustments relevant to the last year				
Debit total		-	-	-
Credit total		-	-	-
		(53,672,258)	(44,710,261)	45,735,000

01. Management's responsibility towards financial statements

It is assured that measures have been taken to present fair financial statements by designing implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

02. Notes to the accounts

These accounting statements have been presented in compliance with generally accepted accounting principles and by selecting the Sri Lanka public sector accounting policies endorsed by the public sector accounting standards committee, preparing accounting estimates in timely and fair manner.

03. Accounting Policies

The accounting reports of the Authority have been presented with mutual interconnection between periods of time and on historic cost basis in accordance with recognized accounting policies. Adjustments have been made towards inflationary factors that may affect the financial policies and the accounting reports have been prepared on accrual basis.

04. Fixed Assets

The provisions for depreciation for fixed assets are calculated by using straight line basis from the date of purchase to the date of sale as per the policy of the Authority

Motor vehicles	25% on cost
Office furniture	20% on cost
Machinery and equipment	20% on cost
Office equipment	20% on cost
Buildings	20% on cost

05. Gratuity

Allocations have been made in accounts for the value of the gratuity to be paid for employees who have completed a minimum period of service of 05 years. The value of such allocation relevant to the year ended 31st December 2013 was Rs. 22,181,496.00.

06. Stocks

Purchasing of stocks are valued at cost and adjusted in accounts and no profit has been included in it..

07. Income

Profit/loss accounts have been prepared on the basis of gross income.

08. Allocations for bad and doubtful debt

It is the policy of the Authority to allow for bad and doubtful debt in the accounts after identifying unidentified and unrecoverable balances of trade debtors at the end of the year and constituting legal action and taking all other measures possible for the recovery of such balances and obtaining the approval of the Board of directors. As of now a sum of Rs. 3,848,645.71 has been allocated in the accounts for bad and doubtful debt.

09. Contingent liabilities

A case has been filed in the district court of Colombo under case number 53429/MR to recover Rs 807,187.50 due from Lanka Net (Pvt) Ltd. As there no contingent liabilities in respect of cases filed by or against the Authority, no allocations have been made in the accounts for that purpose.

10. Lease Lend

A lease lend of Rs. 17,912,410 on 5 year repayment basis has been obtained from Bank of Ceylon for 03 cars and 01 cab purchased in the year 2012.

Note 01

Property, plant and equipment	Cost as at 01/01/2013	Acquisitions during the year	Disposals during the year	Cost as at 31/12/2013	2012
Kataragama circuit bungalow land	1,520,000.00	-	-	1,520,000	1,520,000
Kataragama circuit bungalow building	6,700,000.00	-	-	6,700,000	6,700,000
office furniture and accessories	1,855,754.45	176,232	-	2,031,987	1,855,755
Motor vehicles	29,400,714.28	-	-	29,400,714	29,400,714
Machinery and equipment	1,004,141.16	68,810	-	1,072,951	1,004,141
Tools and equipment	2,638,271.00	505,800	-	3,144,071	2,638,271
	43,118,880.89	750,842	-	43,869,723	43,118,881

Less depreciation provision	Cumulative depreciation allocation as at 01.01.2013	Depreciation allocation for the year	Depreciation for disposal	Allocation for cumulative depreciation as at 31.12.2013	2012
Kataragama circuit bungalow building	1,340,000.00	268,000	-	1,608,000	1,340,000
Office furniture and accessories	1,626,316.30	381,991	-	2,008,308	1,626,316
Motor vehicles	11,429,564.17	7,826,637	-	19,256,201	11,429,564
Machinery and equipment	421,241.26	217,270	-	638,511	421,241
Tools and equipment	1,523,544.38	534,765	-	2,058,309	1,523,545
	1,634,066.11	9,228,662	-	25,569,328	16,340,666
Value written off as at 31.12.2013				18,300,395	26,778,215

Note 02

Stock accounts	2013	2012
Stocks of operational division	135,296	135,570
Stocks of head office	78,573	80,254
Office supplies stock	614,975	328,389
	828,664	544,213

Note 03

Trade debtors, employee loans and other receivable balances		2013	2012
Various deposits receivable	Schedule 01	257,337	253,066
Creditors	Schedule 02	32,169,506	17,778,679
Staff loan and advances	Schedule 03	6,562,171	4,142,110
		38,989,014	22,173,855

Note 04

Other receivables	2013	2012
Withholding tax	364,406	133,101
One day deposit interest	1,057,534	667,054
	1,421,940	800,155

Note 05

Payments made in advance	2013	2012
Fuel allowance	59,130	85,065
Vehicle registration fees	40,576	33,603
	<u>99,706</u>	<u>118,668</u>

Note 06

Short term investments	2013	2012
Savings deposit -People's Bank	1,016,437	685,244
Investment from the sinking fund of Edmonton government housing scheme	8,654,186	7,810,432
Gratuity allocation investment	2,433,161	1,847,314
Seven day deposits -People's Bank	40,000,000	34,000,000
	<u>52,103,784</u>	<u>44,342,990</u>

Note 07

Cash and financial items	2013	2012	
Bank and cash in hand	Schedule 04	5,880,463	1,628,874
		<u>5,880,463</u>	<u>1,628,874</u>

Note 08

Bank of Ceylon- Lease lend	2013	2012
Total lease lend amount	13,856,770	17,912,410
Less		
Total lease interest	4,302,306	5,561,517
	<u>9,554,464</u>	<u>12,350,893</u>
Current liabilities	2,796,429	2,796,429
Non-current liabilities	6,758,036	9,554,464
Total liabilities	<u>9,554,464</u>	<u>12,350,893</u>

Note 09

Payable	2013	2012	
Office rent	1,032,998	688,666	
Payable to contractors	50,396,657	21,896,279	
Accrued liabilities	Schedule 05	614,806	483,129
Payment for supplies	926,580	532,907	
Cash withheld	6,223,652	4,109,814	
Refundable tender fees	1,456,700	896,600	
Safe deposits	Schedule 06	2,463,349	2,613,544
	<u>63,114,742</u>	<u>31,220,939</u>	

		Note 10	
Creditors and advances		2013	2012
Advances from creditors	Schedule 07	1,599,750	1,599,750
Miscellaneous creditors	Schedule 08	40,248,565	41,782,999
		41,848,315	43,832,749

		Note 11	
Provisions		2013	2012
Provision for audit fees		2,176,730	1,989,330
Provision for gratuity		22,181,496	20,640,107
Provision for employee compensation		54,986	54,986
Provision for bad and doubtful loans		3,848,646	3,857,864
		28,261,858	26,542,287

		Note 12	
Operational income		2013	2012
Service charge income	Schedule 09	17,156,153	7757486
Income from issuing certificates for condominium property	Schedule 10	27,555,080	21526941
Income from repairs and maintenance	Schedule 11	11,836,149	8,047,852
Miscellaneous income	Schedule 12	823,329	859,900
		57,370,712	38,192,179

		Note 13	
Other operations income		2013	2012
Income from tender applications		62,000	152,000
Registration fees	Schedule 13	773,100	1,078,950
Application fees		125,250	84,750
Mediation charges		872,000	707,727
Condominium publication income		9,850	11,500
Administrative expenses		24,008	15,600
Awareness programme for residents of Mihindusenpura residents		570,018	-
		2,436,226	2,050,527

		Note 14	
Non-operational income		2013	2012
Fines and other recoveries		3,511	28,700
Interest for employee loans		187,114	124,021
Interest for savings		121,762	119,531
Income generated from issuing condominium information lists		-	5,000
Interest for seven-day deposits		3,049,314	995,164
New Year ceremony fund		15,658	-
		3,377,358	1,272,416

	Note 15	
Employee emoluments and allowances	2013	2012
Chairman's allowance	720,000	720,000
Chairman's housing rental	360,000	360,000
Salaries and wages	34,009,020	32,971,790
Employees' Trust Fund	2,748,383	2,784,001
Employees Trust Fund	728,486	692,656
Overtime and holiday payments	7,852,824	7,136,585
Bonus	-	105,400
Incentives	250,875	256,250
Gratuity	1,500,000	3,409,679
Board allowances	366,000	546,000
Health risks and inconveniences	3,700	-
Employee welfare	-	58,800
Employee training	193,520	2,500
	48,732,807	49,043,661

	Note 16	
Travel expenses	2013	2012
Foreign travel expenses	846,328	-
Transport expenses within the country	711,060	730,079
Site allowances	53,900	58,800
	1,611,288	788,879

	Note 17	
Supplies and Consumer Commodities	2013	2012
Printing and stationary	875,375	1,030,688
Tea expenses	698,439	828,103
Fuel for vehicles	2,077,885	2,044,356
Fuel allowances	1,036,830	858,180
office supplies	152,632	122,279
	4,841,161	4,883,606

	Note 18	
Maintenance	2013	2012
Vehicle repairs and maintenance	3,222,245	3,647,808
Computers repairs and maintenance	131,000	60,275
Maintenance of Kataragama circuit bungalow	323,863	240,345
Maintenance of furniture accessories, machinery and equipment	392,581	256,694
Office building maintenance	435,871	401,293
Office maintenance	134,360	141,613
	4,639,920	4,748,028

	Note 19	
Statutory expenses	2013	2012
Electricity	492,459	427,601
Telephones	880,800	909,064
Insurance	483,196	406,517
Water bills	153,439	151,265
Vehicle permit charges	73,367	55,800
Postal and telegram charges	146,587	123,135
Lawyers fees	342,842	1,106,879
Advertisement fees	433,620	224,616
Transit money insurance charges	28,148	28,148
Publicity expenses	45,000	289,635
Newspapers	114,920	82,360
Office rent	307,440	307,440
Translation fees	53,760	90,217
Appeal Committee expenses	-	22,500
	3,555,579	4,225,177

	Note 20	
Direct expenses	2013	2012
Expenditure for issuing certificates	257,140	211,050
Expenditure for repairs and maintenance	Schedule 16 4,744,016	860,704
Mediation charges	559,110	519,898
	5,560,266	1,591,652

	Note 21	
Project Expenses	2013	2012
Janasevana Project	-	17,940
Expenditure for seminars	-	76,895
Condominium newspaper	-	590,250
Establishing management corporations in Tsunami housing schemes	14,313	22,509
	14,313	707,594

	Note 22	
Other operations expenditure	2013	2012
Removal of unauthorized structures		95,900
		95,900

	Note 23	
Financial expenditure	2013	2012
Audit fees	330,000	345,872
Debit taxes	12,272	250
Bank charges	250	3,250
Procurement expenditure	8,000	7,000
Nation Building Tax	-	6,503
Stamp fees	23,448	-

Board of survey committee fees	20,000	18,000
Ex gratia payments	-	10,000
Vehicle lease stamp fees	-	202,790
Lease interest	1,259,211	734,540
Income tax	920,610	-
Semi luxury Tax	25,000	40,000
Designing website	36,734	36,000
Amending Condominium Act	-	27,500
	<u>2,635,526</u>	<u>1,431,705</u>

Note 24

Non-operational expenditure	2013	2012
Entertainment allowance for the visitors of the Chairman	37,603	25,503
Sundry expenses	41,917	90,517
Deyata Kirula exhibition	925,651	13,190
World Habitat Day Celebration	321,600	409,308
ICTAD registration fees	-	15,000
	<u>1,326,771</u>	<u>553,158</u>

Schedule 01

Sundry deposits	2013	2012
Employee safe deposit investments	87,858	83,587
Fuel deposits	100,000	100,000
Telecom deposit		
Charges for electricity supply		
Deposit for Lanka Oxygen cylinder	69,479	69,479
Deposit for the use of postal seal		
	257,337	253,066

Schedule 02

Debtors	2013	2012
Parliament Secretariat-Madiwela	903,271	777,428
Udumulla Purana Vihara	1,722,027	1,722,027
Gampaha Hospital	1,995,230	1,996,017
Lanka Net(Pvt)Ltd	807,188	807,187
Wildlife Conservtion Department	881,465	881,465
Car Park -Maligawatta	189,129	189,129
Maintenance of Housing Schemes, Gampaha-NHDA	152,953	147,812
Fatignam Realty Investment	2439,872	2,439,871
Mediation charges	1,850,729	1,371,530
Decentralized and provincial council funds	1,732,461	2,918,915
Electricity bills of govt. employee housing scheme, Jalthara	428,884	433,884
Negambo hospital, pump house maintenance	521,416	650,942
LHP Property Developers (Pvt) Ltd	63,027	2,416,719
Seagull Development (Pvt) Ltd	-	63,027
J.Guruge	-	8,557
R.H.S.Wijepala	11,891	11,891
K.H.T.C. Silva	216,477	216,477
Piyota Motors	-	2,357
Gampaha Development Company	39,224	39,224
Blue Ocean Apartment –Aluth Mawatha	77,195	77,195
Blue Ocean Apartment –Sea Street	-	607,025
Suncity Development	5,712	-
Civimech Constructions	120,905	-
Blue Ocean Apartment	462,671	-
Superior Constructions	343,268	-
A.A.M. Thahir	54,657	-
Gampaha District Thrift and Credit Company	406,161	-
Urban Development Authority	650,000	-
Gampaha Development Company	1,003,673	-
Clear point Residencies	6,173,856	-
Blue Ocean Apartment –Mount Lavinia	675,449	-
Freedom Park shopping complex	165,376	-
Money due to be received from the Treasury for essential and emergency repairs in the national housing schemes constructed by the government	8,075,341	-
	32,169,506	17,778,679

Schedule 03

Staff loans and advances	2013	2012
T.P.Siriyawathi	-	7,753
Special advance	56,050	-
Distress loan	6,224,121	3,861,524
Special distress loan	160,000	155,833
Festival advance	122,000	117,000
	<u>6,562,171</u>	<u>4,142,110</u>

Schedule 04

Bank and cash in hand	2013	2012
People's Bank-Account No- 204-1-001-0081817	3,956,203	280,933
People's Bank-Account No- 204-1-001-0081817	436,522	140,151
Bank of Ceylon Account No. - 0000351042	1,487,738	1,207,790
	<u>5,880,463</u>	<u>1,628,874</u>

Schedule 05

Accrued liabilities	2013	2012
Payable EPF funds	415,718	419,345
Stamp duties	7,350	6,300
Third party deductions	133,313	300
Payable EPF	56,689	57,184
Payable withholding tax	1,737	-
	<u>614,806</u>	<u>483,129</u>

Schedule 06

Security deposits	2013	2012
Contractors' security deposits	2,375,491	2,529,957
Employees' security deposits	87,858	83,587
	<u>2,463,349</u>	<u>2,613,544</u>

Schedule 07

Advances to be received from clients	2013	2012
Ceylon Electricity Board	104,453	104,453
Nagamu Purawara	1,144,729	11,447,729
Removal of unauthorized structures-NHDA	350,568	350,568
	<u>1,599,750</u>	<u>1,599,750</u>

Schedule 08

Sundry creditors	2013	2012
Ministry of Housing and Common Amenities	8,625,228	9,125,215
Goods and services taxes	15,733,971	15,733,970
Value Added Tax	3,066,240	3,194,996
Nation Building Tax	550,781	606,912
Sundry advances	3,339	3,435
Department of Fisheries	223,014	223,014
Sinking fund of the Edmonton government servant housing scheme	8,654,186	7,810,432

Maintenance fund of Serpentine Government Housing Scheme	230,226	599,899
P.M.K.Dinesh Asanka	7,771	7,770
B.M.G.R.K. Banagetenna	325,000	325,000
S.P.C.K. Fernando	350,000	350,000
H.R.Nandasena	1,049	-
Soyzapura Housing Scheme-“Swayan Saviya”	6,865	6,865
Indrajith De Silva	3,146	-
Lunawa Samudra Shakthi Management Corporation	253,350	93,825
Attorney General’s Department	1,268,400	1,024,800
Inland Revenue Department	-	78,985
Pan Arch –Kumudu S. Munasinghe	350,000	2,450,000
Expo Property Development	-	6,573
Fairies Yoan Marine	-	3,146
National Housing Development Authority	-	127,411
Supreme Marketing Services	-	10,750
Ranpokunagama Management Corporation	96,000	-
Kingross avenue Management Corporation	500,000	-
	<u>40,248,565</u>	<u>41,782,999</u>

Schedule 09

Service charge income	2013	2012
Project service charges	16,965,149	7,629,572
Decentralized/ provincial council project service charges	191,004	117,020
Other service charges	-	10,894
	<u>17,156,153</u>	<u>7,757,486</u>

Schedule 10

Issuing certificates for condominium property	2013	2012
Certificates issued for property of which construction has been completed	12,391,033	18,638,204
Certificates issued for property of which construction has commenced	13,632,400	2,332,445
Certificates issued for partial constructions	1,147,148	54,292
Fees for renewal of condominium certificates	80,000	260,000
Certificates of compliance issued for the layout	299,500	242,000
Fees for recommending the removal of condominium property	5,000	-
	<u>27,555,080</u>	<u>21,526,941</u>

Schedule 11

Repairs and maintenance income	2013	2012
Maintenance income of MP’s housing scheme, Madiwela	3,192,136	2,648,838
Maintenance income -Pump house, Negambo Hospital	1,857,081	1,882,394
Maintenance income- pump house, Gampaha Hospital	5,983,611	2,740,297
Maintenance income of Elvitigala housing scheme, Gampaha	803,321	776,323
	<u>11,836,149</u>	<u>8,047,852</u>

Schedule 12

Miscellaneous income	2013	2012
Kataragama circuit bungalow income	427,276	414,800
Other income	77,275	61,707
Insurance compensation	318,779	383,393
	823,330	859,900

Schedule 13

Registration fees	2013	2012
Contractor registration income	2,500	25,000
Income from the registration of private management corporations	60,500	100,500
Income from the renewal of the registration of private management corporations	561,250	718,750
Income from the registration of management corporations of government housing schemes	14,250	19,500
Income from renewal of registration of management corporations of government H.S	68,650	52,500
Income from renewal of registration fees of Tsunami housing schemes	400	1,500
Income from the registration of private management corporations	7,500	3,500
Income from renewal of the registration of private management corporations	35,300	43,250
Income from registration of management committees of government housing schemes	1,500	1,750
Income from renewal of registration of management committees of government housing schemes	3,750	1,500
Income from renewal of registration of management committees of government housing schemes	-	1200
Suppliers' registration income	17,500	110,000
	773,100	1,078,950

Schedule 14

Mihindusenpura awareness programme	2013	2012
Income	1,300,000	-
Less		
Expenditure	729,982	-
Income surplus	570,018	-

Schedule 15

New Year festival fund	2013	2012
Donations	1,152,000	-
Less		
New Year festival expenses	1,136,342	-
Income surplus	15,658	-

Schedule 16

Repairs and maintenance income	2013	2012
Repairs and maintenance income of Elvitigala H.S.,Gampaha	5,531	40,715
Maintenance expenditure -Pump house, Negambo Hospital	401,326	362,391
Maintenance expenditure of MP's housing scheme, Madiwela	432,538	387,116
Maintenance expenditure- pump house, Gampaha Hospital	3,904,622	70,482
	4,744,017	860,704

Schedule 17

Nagamu Puravara advances	2013	2012
Money received for Nagamu Puravara project	2,491,071	2,491,071
Less-work value	(1,346,342)	(1,346,342)
Balance as at 31.12.2012	1,144,729	1,144,729

Schedule 18

Project service fee	2013	2012
Preparing project reports on redeveloping condominium property unsuitable for living		
Essential and urgent repairs in Serpentine National Housing Scheme	18,715,511	7,338,353
Organizing awareness programs for residents of condominium property and individuals associated with the sector		
Other projects	-	291,219
Less		
Handing over the housing schemes to the people after restoration	(1,750,362)	-
	16,965,149	7,629,572

Schedule 19

Capital projects carried out with treasury provisions	2013	2012
Treasury provisions	141,005,341	55,500,000
Less-Project expenditure		
(1) Transferring ownership to residents of Tsunami property-Service charge of the Authority	5,000	
(2) Essential and urgent repairs in housing scheme constructed by the government -Service charge of the Authority	139,760,453	55,500,000
(3) Organizing awareness programs for residents of condominium property and individuals associated with the sector-condominium publications and seminars Project expenses	1,259,888	
	141,025,341	55,500,000

Condominium Management Authority

Financial statement as at 31/12/2013

Cash flow for operational activities

Net loss/profit before income tax and specialized items	(8,961,997)	16,005,451
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Adjustments

Profit from selling fixed assets	-	(7,047,495)
Treasury provisions- for salaried	(10,000,000)	(39,050,000)
Depreciation allocation	9,228,663	3,537,805
Investment income	(3,358,189)	(1,238,715)
Interest expenditure	920,610	-
Leasing Interest	1,259,211	-
Operational profit/(loss) before changes in working capital	(10,911,702)	(27,792,954)

Changes in working capital

Stock (increase)/decrease	(284,451)	(73,708)
Debtor (increase) /decrease	(16,815,159)	1,059,377
(Increase)/decrease in other receivable balances	(621,784)	(672,654)
(Increase)/ decrease in payments made in advance	18,962	(20,650)
Lease lend (Increase)/ decrease	-	12,350,893
(Increase) /decrease in payable balances	31,893,803	16,799,130
(Increase) /decrease in accrued expenditure	916,480	3,608
(Increase)/ decrease in creditors	(1,534,434)	1,229,707
(Increase) / decrease in provisions	1,719,571	(1,100,168)
Cash flow generated by operational activities	4,381,286	1,782,581
Payment of lease installment	4,055,640	2,365,790
Interest payment-lease	(1,259,211)	-
Income tax payment	(920,610)	-
Net cash flow upon operational activities	6,257,105	4,148,371
Receipt of treasury provisions-for salaries	10,000,000	39,050,000
Receipt of treasury provisions –capital projects	132,950,000	55,500,000
Payments from treasury provisions	(132,950,000)	(55,500,000)
	16,257,105	43,198,371

Investments	(7,760,794)	(33,845,320)
Lease lend	(2,796,428)	(20,684,600)
Purchasing fixed assets	(750,842)	7,072,495
Interest receipts	3,358,189	1,238,715
Dividend receipts	-	-
Net cash flow channeled for investment activities	8,307,230	(3,020,339)

Cash flow on financial activities

Long term loan receipts	-	-
Payments for financial leasing	(4,055,640)	(2,365,790)
Dividend payments	-	-
Money channeled for financial activities	(4,055,640)	(2,365,790)
Net cash flow for cash and cash equivalents	4,251,590	(5,386,129)
Starting balance- cash and cash equivalents	1,628,873	7,015,002
Closing balance- cash and cash equivalents	5,880,463	1,628,873

Closing balance- cash and cash equivalents

Description	Capital	Statutory Reserves	Reval-uation Reserves	Common Reserves	Accumulated fund	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Balance as at 01st January 2013	3,000	2,262	22,309	1,350	(44,710)	(15,789)
Added- Net profit for the year					(8,962)	(8,962)
Adjustments Previous Years						
Balance as at 31st December 2013	3,000	2,262	22,309	1,350	(53,672)	(24,751)



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கணக்காய்வாளர் தலைமை அறிப்பி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

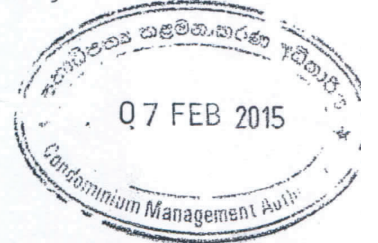


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 Your No. }

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 திகதி }
 Date }

සහාපති,
 සහාධිපත්‍ය කළමනාකරණ අධිකාරිය



සහාධිපත්‍ය කළමනාකරණ අධිකාරියේ 2013 දෙසැම්බර් 31 දිනෙන් අවසන් වර්ෂය සඳහා වූ මූල්‍ය ප්‍රකාශන පිළිබඳ 1971 අංක 38 දරන මුදල් පනතේ 14(2)(සී) වගන්තිය ප්‍රකාර විගණකාධිපති වාර්තාව

යටේකේත වාර්තාව මේ සමග එවා ඇත.

Chunmy

ඩබ්ලිව්.පී.සී. වික්‍රමරත්න
 විගණකාධිපති (වැඩබලන)

- පිටපත් -
1. ලේකම්, ඉදිකිරීම්, ඉංජිනේරු සේවා, නිවාස හා පොදු පහසුකම් අමාත්‍යාංශය
 2. ලේකම්, මුදල් හා ක්‍රමසම්පාදන අමාත්‍යාංශය

විගණකාධිපති වාර්තාව

2013

Report of the Auditor General on the Financial Statements of the Condominium Management Authority for the year ended 31 December 2013 in terms of Section 14 (2) (c) of the Finance Act No. 38 of 1971.

The audit of the consolidated financial statements of the Condominium Authority for the year ended 31 December 2013 comprising the consolidated balance sheet as at 31 December 2013 and the consolidated Income Statement, 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 which should be read together with Section 13(1) of the Finance Act No 38 of 1971 and Section 21 of the Common Amenities Board Act No 10 of 1973.

My observations which I consider should be published with the annual report of the Authority in terms of section 12 (2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (I) of the Finance Act was issued to the Chairman of the Authority on 10th October 2014.



1.2 Management's Responsibility for the Financial Statements

Management is responsible for preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka auditing Standards corresponding to international audit standards of supreme audit institutions. (ISSAI 1000-1810) Those standards require that we plan and perform the audit to obtain reasonable assurance 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 risk of the material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that 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 the financial statements. Sub section (3) and (4) of section 13 of the Finance Act No. 38 of 1971 give discretionary powers to the Auditor General in determining 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 Basis for the Qualified Audit Opinion

qualify my opinion on the basis of matters referred to in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

I am of the opinion that except for the effects on the financial statements for the of the matters referred to in paragraph 2.2 of this report, the Condominium Management Authority had maintained the financial statements for the year ended 31 December 2013 in accordance with Sri Lanka Accounting Standards and the financial statements give a true and fair view.

2.2 Comments on Financial Statements

2.2.1 Institution as a Going Concern

The following non-compliances were observed

The net assets of the Authority during the year under review and three immediately preceding years were of minus values to the tune of Rs. 24,750,830, 15,788,833, Rs. 31,794,284 and Rs 12,841,863 and though Rs 10 million had been received from the treasury for payment of salaries, the net assets had declined by 56.*% in comparison to the previous year. Similarly, since the ratio between current assets and current liabilities remained as 1:1.4, 1:1.5, 1:2.2 and 1:1.9, the going concern basis of the institution is in doubt despite receiving financial assistance from the Treasury.

Though a sum of Rs. 48 million was requested from the Treasury for salaries of employees, only Rs 10 million had been granted by the end of the year. Further, since the establishment of the Authority in 2003, the Treasury had not allocated provisions to set up a sinking fund for operational activities. Though such provisions should have been granted from the Consolidated Fund as per section 19 of the Common Amenities Board Law, it has not taken place. As the authority was compelled to pay only for operational activities from the income generated in light of this situation, the Authority had to circumvent the settlement of liabilities, This has had a direct impact on the going concern status of the Authority.

2.2.2 Sri Lanka State Accounting Standards

The following non-compliances were observed

(a) Sri Lanka public sector accounting standards No. 1- presentation of financial statements

(a) Though adequate disclosures should be made in respect of all components shown in the face of the financial statements, the Authority had failed to adequately disclose reserves transfers amounting to Rs. 23,658,75 and capital transfers amounting to Rs. 2,262,663.

(a) Revaluation reserve- 22,308,000.00
Revaluation of assets of the Authority
A revaluation of the assets of the Authority was carried out in the year 2008 and disclosures were made regarding the revaluation reserve in Note 7 to the accounts. From the year 2014, action has been taken to preset through notes as well. .

ii General reserve- 1,350,000.00
This is a balance carried forward as per section 25(c) of Act No. 24 of 2003 from the accounts of the Common Amenities Board which was the precursor of the Condominium Management Authority. From the year 2014, action has been taken to preset through notes as well. .

iii Capital transfers- 2,263,000.00
This value is included in the accounts of the Authority on the basis of No. ... above.

(ii) The Authority has not disclosed the following which should be disclosed in the details made public along with the financial statements.

- The location, the legal status and the zone of operation of the Authority
- The nature of the operations of the Authority and description of its key activities
- Reference to the constitution relevant for the control of operations of the Authority.

(ii) Measures will be taken to submit all such information in the final accounts of the year 2014.

(iii) Though comparative information should be presented in the financial statements, comparative figures had not been given in the statement on change of equity.

Action will be taken in the future to submit the correct change of equity statement incorporating the changes of equity during the past year.

<p>(b) Sri Lanka public sector accounting standards No.2- Cash flow statements Though short term investments of less than three months should be deemed as cash and cash equivalents in preparing the cash flow statement, seven-day deposits to the value of Rs. 40,000,000 and savings deposits to the value of Rs. 1,016,437 have not been deemed as cash and cash equivalents.</p>	<p>(b) Action will be taken in the coming years to present amended cash flow indicating short term investments of less than 03 months as cash flow on financial activities in the cash flow statement.</p>
2.2.3 Accounting deficiencies	
The following observations are made.	
<p>(a) During the year under review, provision for depreciation amounting to Rs 2,919,600 had been made for property, plant and machinery with zero net value.</p>	<p>(a) Overstated depreciation value has been corrected in the accounts of the year 2014.</p>
<p>(b) It has not been disclosed in financial reports that funds required for the payment of employee gratuity had been financed through investments made for that purpose. As at 31 December 2013, the value of such investments was Rs. 2, 433,161.</p>	<p>(b) Though steps have been taken to disclose the value of provisions allocated for gratuity in accounts through Note No. 5, the value of investments in that respect had not been disclosed. This has been corrected in 2014.</p>
<p>(c) As a result of including the non-accounted depreciation value of Rs. 476,458 sold in the year 2009 in the depreciation for the year under review, the value of the motor vehicles and the loss of the year indicated in the financial statements as the last date of the year had respectively been under-calculated and over-calculated.</p>	<p>(c) Though the total value should be depreciated within four years in depreciating the value for motor vehicles revalued in the year 2008, the amount has been depreciated less Rs 476,458. Action has been taken to adjust this value in accounts of 2014.</p>
<p>(d) Income tax amounting to Rs. 920,610 paid in respect of the profits last year has not been included in the financial expenditure of the year under review.</p>	<p>(d) As a result of provisions not being allocated for income tax in the accounts of 2012, the value of income tax paid in the year 2013 for the year 2012 was brought to accounts as a financial expenditure of the year under review.</p>
<p>(e) As a result of a sum of Rs. 499,987/- paid by the Authority to various institutions during the year under review has been erroneously debited payable account in the name of the Ministry of Housing and Common Amenities, the balance of the said account had been understated by Rs 499, 987/-.</p>	<p>(e) Measures have been taken to debit the said sum of Rs. 499,987/= to the right account.</p>
<p>(f) As a result of the provision for gratuity amounting to Rs. 22,181,496 which should have been indicated under non-current liabilities being accounted under current liabilities, the current liabilities and non-current liabilities have respectively been over-calculated and under-calculated as at the last day of the year under review.</p>	<p>(f) In line with the audit report, action was taken in the year 2014 to indicate the value of the provision for gratuity amounting to Rs. 22.18 million as non-current liabilities.</p>
<p>(g) As a result of the provision of Rs. 3,848,646 for doubtful debt being shown in current liabilities without being deducted from the debtor balance as at the last day of the year under review, the financial statements do not reflect a clear vision.</p>	<p>(h) As at 31 December 2013, except for Rs. 1,080,034 from the value of the provision for doubtful debt, the remaining value of Rs 2,840,620 was written off with the approval of the Secretary to the Ministry on the instructions of the Treasury. However, in preparing final accounts for the year 2014, action has been taken to deduct doubtful debt provision from the debtor value.</p>

<p>(h) Provisions for bad and doubtful debt had not been made for debtors in 1-5 years category amounting to Rs. 4,760,315 as at 31 December 2013.</p>	<p>(h) Though legal action should have been constituted to recover identified unrecovered balances as at 31 December 2013 as per a decision taken by the Board of Directors, there were no such balances and thus provisions were not made for bad and doubtful debt in accounts as at 31.12,2013. From year 2014, provisions have been correctly allocated.</p>
<p>(i) During the year under review, insurance compensation of Rs 318,779 had been shown under miscellaneous income without deducting from the relevant expenditures.</p>	<p>(i) As the value of the insurance compensation received by the Authority amounting to Rs. 318,779 is not disclosed in the overall expenditure accounts incurred during the year when deducting the vehicle repair expenditure, action has been taken to account it as a separate miscellaneous income. Measures will be taken in the future to show the insurance compensation from the relevant expenditure for the repair.</p>
<p>(j) Other expenses of Rs. 1,010,344 which were not financial expenses had been included in the financial expenses.</p>	<p>(j) Action will be taken in the future for the accurate presentation of expenses such as provision expenses, board of survey committee fees, income tax, semi luxury tax, web designing expenses, expenses for amending the Condominium Management Act under the relevant heads of expenditure</p>
<p>(k) Treasury provisions spent on salary payment and the cash flow generated through operations due to adjustments made in the cash flow statement for lease lend and the cash flow generated from investment activities had been under-calculated and over calculated respectively by Rs. 7,203,571.</p>	<p>(k) Measures will be taken for rectification in the future.</p>

2.2.4 Accounts Receivable and Payable

<p>Following facts were observed.</p>	
<p>(a) The Authority has not taken effective measures to recover a sum total of Rs. 4,046,611 to be recovered from 06 debtors brought forward for over 05 years.</p>	<p>(a) Action has been filed in the Colombo district court under case number MR/5359 to recover the sum of Rs. 4,046,611 brought forward for over 05 years. Legal division has been instructed through the General Manger to recover mediation fees amounting to Rs.398,803 for settlement of disputes connected with condominium properties. In addition, action has been taken to write off a sum of Rs. 2,840,620/- over 05 years from journals.</p>

<p>(b)The Authority has not taken measures to settle liabilities over 05 years amounting to Rs. 24,686,666 payable to various government institutions.</p>	<p>(b) Another notification will be made to the Ceylon Electricity Board regarding the amount to be paid and on the basis of its outcome action will be taken to write off from the books. Action has been taken in the year 2014 to write off Rs. 223,014/18 to be paid to the Ministry of Fisheries and Rs. 8,625,228/- to be paid to the Ministry.</p> <p>The Authority has made queries from the Department of Inland Revenue regarding the settlement of arrears in Goods and Service Tax amounting to Rs. 15,733,971/= which is recorded in the books of the Authority as a payable amount. However the report sent by the Department has not mentioned about Goods and Services Tax amounting to this value. Hence, action will be taken to write off this amount after getting the approval of the Board of Directors. (Annex 01)</p>
<p>(c) Action has not been taken even by the end of the year to settle balance of the VAT account amounting to Rs. 3,194,996 payable at the beginning of the year under review.</p>	<p>(c) Of this amount, Rs1,991,305.25 was written off and the remaining amount of Rs. 1,203,690.75 was paid to the Department of Inland Revenue.</p>
<p>2.2.6 Non-compliance with laws, rules and regulations and management decisions.</p>	
<p>The following observations are made.</p>	
<p><u>Reference to laws, rules, regulations and management decisions</u></p>	<p>Non compliance</p>
<p>(a) Subsection (e) of section (5) of the Common Amenities Board (Amendment) Act No 24 of 2003.</p>	<p>Though the Authority should manage and administer the activities of management corporations, the number of condominium certificates issued was only 705 though certificates have been issued from 2005 up to the year under review. Though it was targeted to register 721 management corporations during this period, only 354 management corporations had been established.</p> <p>(a) 519 out of the 721 management corporations were renewals of management corporations of the public and private sectors. The number of dormant management corporations reactivated was 161. Further, the number of new management corporations expected to be established was 40, but 77 were established. Moreover, the owners of condominium properties with less than 5 units are not interested in setting up management corporations as there are no common elements requiring short term maintenance. Absence of management corporations in such properties does not have an impact on the maintenance of the property.</p>
<p>(ii) Subsection (h) of section five</p>	<p>Though steps should be taken to transfer the maintenance of common amenities of the condominium property to local authorities, action has not been initiated even by the end of the year to transfer common amenities of Maligawatta and Jalthara housing schemes to local authorities.</p> <p>(ii) During repeated discussions held with the Colombo Municipal Council and the Homagama Pradeshiya Sabha, they explained that common amenities in multi storeyed housing schemes could not be maintained with the money earned by way of assessment taxes. Accordingly, this matter was taken up with the Ministry of Local Government and Provincial Councils. As an outcome of these negotiations, the Ministry of Local Government and Provincial Councils pursue action to secure funds for this purpose. In addition, measures are also being taken to encourage the National Housing Development Authority to transfer such properties to the local government authorities.</p>

<p>(b)Section 11 of Value Added Tax (Amendment) Act No.6 of 2005</p>	<p>Though the Value Added Tax should be remitted to the Inland Revenue Commissioner not later than the twentieth day of the coming month at the end of a month, a sum of Rs. 208,027 in respect of the months of January and February of the year under review had not been remitted to the Inland Revenue Commissioner</p>	<p>(b)VAT in respect of the first quarter r=from January to 31 March 2013 was paid on 02 April and thereafter the payments are being made on monthly basis.</p>
<p>(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka- F.R. No. 571</p>	<p>Measures had not been taken to pay back or credit to Revenue security deposits which have lapsed two years amounting to Rs. 100,528, held over money which have lapsed the period of recovery amounting to Rs. 116,597 and tender deposits of Rs 68,600.</p>	<p>(c) The relevant clients have not made requests in regard to security deposits, held over money and tender deposits which have lapsed 2 years. Therefore there has been a delay in making these payments. However action will be taken to inform the relevant customers in writing requesting them to reclaim the due amounts and to adjust that amount to the income of the Authority if no requests are made.</p>
<p>(d) Public Administration circular 41/90 dated 10 October 1990.</p>	<p>A report has not been obtained by checking the consumption of petrol in respect of 08 vehicles which should be obtained every 06 months.</p>	
<p>(e) Government Procurement Guidelines</p>		
<p>(i) Paragraph 2.8.4</p>	<p>Though at least one member of the Technical Evaluation Committee of the Department should be from the line ministry or a person sufficiently knowledgeable on procurement procedures. No such persons had been appointed to 64 Technical Evaluation Committees which carried out procurements amounting to Rs. 140 million.</p>	<p>(d) Paragraph 2.8.4 will be adhered to in the future.</p>

<p>(ii) Paragraph 8.12.2</p>	<p>Though the total contract amount of Rs. 5,378,154 had been paid to the relevant contractors for the renovation contract work, the Certification of Completion of Works had not been issued even by 31 March 2014.</p>	<p>(e) Payment certificates have been deemed as certification of completion of works. Accordingly, the relevant certification of completion of works has been entered in the files. Final bills have been obtained considering 31.08.2013 as the date of completion of works at the Dissanayake Watta Housing Scheme and 24.08.2013 as the date of completion of works at Dias Place Housing Scheme. In the future Certification of Completion of Works will be issued as per paragraph 8.12.2 of the procurement guidelines.</p>
<p>3 Financial and Operational Review</p>		
<p>3.1 Financial Outcome</p>		
<p>According to the financial statements, the deficit of the Authority for the year ended 31 December 2013 was Rs. 8,961,997 and conversely the net surplus last year was Rs. 16,005,452. Thus, in comparison to the previous year, a decline of Rs. 24,967,449 was observed in the financial outcome. The failure of the Authority to achieve 48% of the of expected income of Rs. 120 million and the reduction of treasury provisions for operational activities by 74 percent compared to the previous year on account of this overestimation were the key contributory factors for the extraordinary decline in the net outcome of the operational activities of the year.</p>	<p>The operational profit in the year 2012 was Rs 16 million and in the year 2013, the Authority incurred loss of Rs 8.96 million. This loss can mainly be attributable to increase in employee salaries, increase in the recurrent expenditure, increase in the prices for goods and services, reduction in the provisions allocated by the Treasury by Rs 29 million compared to the previous year and the decline of the certificate income which is the main source income of th Authority by 66.71 owing to circumstances beyond the control of the Authority. However a reversal of this trend was witnessed in 2014 and the Authority posted a profit of Rs 10.45 million.</p>	
<p>3.2 Analytical Financial Review</p>		
<p>(a) Due to the poor operational management of the Authority, the net loss of the Authority during the last year as well as in the year under review was Rs 23 million and Rs. 19 million respectively.</p>	<p>(a) This Authority is a regulatory entity and it is not practical to function only with the objective of making profits. Though measures have been taken through the Ministry to brief the Treasury and procure its assistance for the payment of salaries and operational activities, no provisions have been released thus far.</p> <p>Further, the failure to achieve the targeted certificate income which is the main source of income of the Authority due to unavoidable circumstances, increase in the employee salaries, increase in the prices of goods and services, upward trend in the recurrent expenditure have primarily contributed to this situation.. However a reversal of this trend was witnessed in 2014 and the Authority posted a profit of Rs 10.45 million.</p>	

<p>(b) Due to the increase in seven-day deposit interest income and the non-operational income, the service charge income and non-operational income had increased by 121 percent and 165 percent respectively.</p>	<p>(b) In the year 2012, the turnover of the projects implemented using treasury provisions was Rs. 55.5 million and in the year 2013, it has increased to Rs. 141 million. The service charge income increased correspondingly by 121%. Further, the seven day deposit interest income within the non-operational income too has increased and in comparison to 2012 this was an increase of Rs 2.0 million. This has resulted in the non-operational income being increased by 165%.</p>
<p>(c) The income from issuing condominium certificates which is the main source of income of the Authority has increased by 28% in comparison to the previous year.</p>	<p>(c) Though the income from the condominium certificates failed to exceed the estimated amount, "Vishnu Complex Marine City" project and "Clear Point Residencies Iconic" condominium property for which it was planned to issue condominium certificates in the year 2013 obtained provisional condominium certificates causing the increase in the condominium certificate income.</p>
<p>(d) Though the income of the year under review has increased by Rs 22 million, i.e. by 52%, due to the increase in direct expenses by 249% , non-operational expenses by 139 and maintenance and repair expenses and expenses incurred on 'Deyata Kirula' exhibition, the financial outcome of the year has suffered a loss of Rs. 9 million.</p>	<p>(d) Albeit the increase in income in the year 2013 compared to year 2012, the primary reason for the loss of Rs. 9 million was the reduction of Rs 74 million granted by the treasury in 2012 for operational expenses. However, as mentioned in this report, the increase of direct expenses by 249% was due to the increase of maintenance expenditure of the pump house in the Gampaha Hospital by Rs 3.9 million. But there has also been a corresponding increase in the maintenance income of the pump house of the Gampaha Hospital.</p>
<p>(e) Non generation of revenue through the activities of the authority and the reduction of the treasury provision from Rs 39 million to Rs. 10 million by 74% too have contributed to this unfavourable situation.</p>	<p>(e) As per the Action Plan, it was planned too issue 112 certificates in the year 2013 with a projected income of Rs 83.25 million. However the total certificate income of Rs 17 million from the private sector and Rs 20 million from the provisional certificate income expected in that year was received in the year 2014. In addition, though a sum of Rs. 7 million should have been received for the condominium properties constructed by the Urban Settlement Development Authority, the money was not received in the relevant year as expected causing a setback for the financial outcome.</p>
<p>(f) As the current ratio at the end of the year under review was 1:1.4, the working capital requirements of the Authority became problematic.</p>	<p>(f) The long standing balance of Rs. 9.32 million indicated in the current liabilities payable to the Ministry and Rs 18.13 million payable to the Inland Revenue Department which has been brought forward only in the books of the Authority have had a direct impact on the decline of the current account ratio.</p> <p>Hence, measures will be taken in the year 2014 to write off the above amounts formally from the books after getting the approval of the Board of Directors. As a result, current ratio has recorded an increase up to 1:18.1 in the year 2014.</p>

<p>(g) The decline of 825% in the total net assets in relation to the infused capital had resulted in an erosion of capital of the Authority.</p>	<p>(g) Though the decline in net assets in 2013 was 825%, in 2014 net assets have increased up to 417% .</p>
<p>4 Operational Review</p>	
<p>4.1 Performance</p>	
<p>The following observations are made.</p>	
<p>(a) During the year under review, the physical progress in the issuance of condominium certificates was 59% while the financial progress was 39%.</p>	<p>(a) As per the Action Plan, it was planned too issue 112 certificates in the year 2013 with a projected income of Rs. 83.25 million. However the total certificate income of Rs 17 million from the private sector and Rs. 20 million from the provisional certificate income expected in that year was received in the year 2014. In addition, though a sum of Rs. 7 million should have been received for the condominium properties constructed by the Urban Settlement Development Authority, the money was not received in the relevant year as expected causing a setback for the financial outcome</p>
<p>(b) During the year under review, the financial progress in the establishment of management corporations was 45%.</p>	<p>(b) Though the annual target was to establish 40 management corporations, only 32 could be established. This was 80% of the target. Though more concessionary tariff scheme is applied for the management corporations that the management corporations of the private sector, the registration fee of the management corporations of the public sector is not paid properly causing a downturn in the financial progress.</p>
<p>(c) Though it was targeted to renovate 12 multi-storeyed government housing schemes with a provision of Rs. 178.7 million, but only 2 projects out of them had been completed during the year..</p>	<p>(c) Up to December 2013, work of 09 projects was in progress. 04 of them had been commenced in 2012 but remained uncompleted. In the year 2013 05 projects were commenced. By the end of 2014, all these projects had been completed. 03 projects were been commenced in the year 2014 and all of them were completed during the year.</p>
<p>(d) Though provisions amounting to Rs 3.8 million had been allocated for the renovation of Old Moor Street Housing Scheme and Saunders Place Housing Scheme, only 02 projects had been completed during the year.</p>	<p>(d) The commencement of these projects had to be delayed due to obstacles encountered in removing unauthorized structures erected by the residents. Renovation activities of Old Moor Street housing scheme was completed in 2014. Saunders Place project has been suspended due to difficulties in dismantling unauthorized structures.</p>

<p>(e) During the year under review, it had been targeted to grant 34 deeds on a provision of Rs 50 million for the condominium properties constructed for the Tsunami affected people and even though the Progress Report of 2013 said the progress was 21%, not single deed had been granted.</p>	<p>(e) Rs 50 million was set aside from the Treasury provisions in 2013 for a project of granting transfer deeds to beneficiaries of condominium properties constructed for the Tsunami affected people. However, as the lands had to be transferred to enable the obtaining of certificates of compliance before granting the Tsunami property deeds and also due to the complexity of the process, the project failed to reach expected level in the year 2013. However, as preliminary activities of the projects such as the commencement of the preparation of the condominium plan, preparation of estimates for the renovation of housing schemes for which no financial cost was incurred had been undertaken, 21% physical progress had been indicated.</p>
<p>4.2 Management Inefficiencies</p>	
<p>The following observations have been made</p>	
<p>(a) Though the sum to be paid as Value Added Tax for the four quarters in 2013 was Rs. 5,774,427 as per the VAT control account, a sum of Rs. 7,199,727 had been paid which is in excess of Rs. 1,425,300 of the actual amount.</p>	<p>(a) Though the sum to be paid as Value Added Tax for the year 2013 was Rs. 5,774,427 as per the VAT control account , a sum of Rs 1,425,300 which could not be paid due to financial difficulties in 2012 and brought forward from too was settled in 2013.</p>
<p>(b) Though the gratuity obligation as at 31 December 2013 was Rs22,181,496, the value of the investment made in that connection was Rs. 2,,433,161. Accordingly, the management had not taken measures to invest the deficiency of Rs. 19,748,335 and as the Authority was not in possession of adequate funds to make such an investment, the liquidity and payment of gratuity had been problematic.</p>	<p>(b) Though the Authority should have invested Rs 22,181,496 for gratuity obligation as at 31 December 2013, the Authority had only invested Rs. 2,433,161. Thus an underinvestment had taken place, but having regard for the financial situation of the Authority, the Board had decided to make investments in installments. Accordingly, a sum of Rs. 3,524,227 has been invested as at 31/12/2014.</p>
<p>4.3 Deficiencies in Contract Management</p>	
<p>The following observations are made</p>	
<p>(a) During the year under review, Rs. 3,839,596 had been erroneously paid to the contractor for 06 items of work which had not been carried out according to the bill of quantities of 03 projects.</p>	<p>(a) A preliminary investigation has been launched to look into the relevant matter as per the audit inquiry into the housing complex, Dias Place, Colombo 15 and the second phase buildings of Dissanayake Watta housing scheme and responses for same have been forwarded to the Department of Auditor General and the Secretary to the Ministry. Further, it has been decided to draw the attention of the Audit and Management Committee to the decisions taken in respect of this report . Veluanaramaya Housing Scheme All work had been completed by December 2013 and payments have been made on measured value for the work done.</p>

<p>(b) A sum of Rs 4.1 million had been paid for 3 projects without duly certifying the bills and without duly certifying the work done and the relevant held-over money of Rs. 410,000 had not been deducted.</p>	<p>(b) This value is applicable to Fairline, Vithanage Mawatha and Veluwanaramaya housing schemes. Though the final bill paid in respect of the Vithanage Mawatha project has been inspected and certified before making a payment of Rs 4.1 million, only 69% had been paid taking cognizance of the financial situation of the Authority. Therefore held over money had not been paid. For the 02 housing schemes of Fairline and Veluwanarama, work advance amounting to Rs. 03 million had been paid. In making such payments, only 76% of the work value had been paid as advance on the basis of the recommendation made the project engineer subsequent to a site inspection. In the future, measures will be taken to deduct held-over money for all internal payments.</p>
<p>(c) The value of items computed above the Building Schedule Rates in bill of quantities of 04 engineering estimates for additional work in respect of renovations at Dissanayakewatta housing scheme was Rs. 534,150. Further, the rates submitted in the engineering estimates for 11 items of work in this contract did not reconcile with the rates of the Building Schedules Rates for the year 2011.</p>	<p>(c)The explanation made under 4.3(a) above in respect of Dias Place 7 & Dissanayake Watta A,B,C phases is applicable here as well. Further, it has been decided to draw the attention of the Audit and Management Committee to the decisions taken in respect of this report .</p>
<p>(d)As the tenderer had submitted documents indicating 10 percent for extra work in the bill of quantities submitted together with the applications when tenders were called by the Authority, the tender had been a prior notice about the total value of the contract.</p>	<p>(d)Though a certain value had been mentioned and submitted to the tenderers for contingencies in the bill of quantities submitted together with the application when tenders were called, it had not been specified whether that value was 10%.</p>
<p>(e) The procurement of contract in respect of 12 housing schemes which were renovated during the year under review spending Rs. 139.76 million had been awarded to contractors under 64 small procurements instead of executing under 12 contracts in order to circumvent the need for handling the work through higher procurement committee as per the value.</p>	<p>(e)These are very old residential housing schemes. Decaying of roofs, leakage of water from upper floor to the lower floor, damages to reinforce concretes, cracks caused by roots of wild bo trees are common in these housing schemes and the Treasury allocates provisions for the renovation of aforesaid conditions for a period of 12 months. These provisions are usually released after the first quarter. In view of this situation projects covering a number of buildings in large housing schemes have to be completed efficiently within a short period of time as per the Action Plan of the Authority. The best way to achieve the above objectives is to divide the project into smaller components and to award the contract to several contractors. It must also be specifically mentioned here that large scale contracts do not step in to carry out rehabilitation work in housing schemes where people remain residential.</p>
<p>(f) As at 01 January 2013, the outstanding amount to be paid to contractors engaged in renovation work was Rs. 21.90 million and at the end of the year under review, it had gone up to Rs 50.40 million. Though these renovations were carried out within the confines of the treasury provisions received, it could not be disregarded in the audit that the delay in payments had not directly affected the declining performance of the contracts.</p>	<p>(f) Most of the work undertaken in 2013 was completed in December of the year. Therefore, there wasn't sufficient time to make the payments that had to be made to the contractors. But all such payments have been settled by the first quarter of 2014.</p>

4.4 Staff Administration	
<p>For the year under review, the approved and actual staff respectively was 139 and 108 and the following observations are made in this regard.</p>	
<p>(a) Though the Secretary to the Ministry had been notified to extend the term of the retired General Manager of the Authority for a period of one year on contract basis with effect from 07th March 2014 and to train a suitable successor within a year for the post under his supervision as per the Cabinet decision No.14/0014/517/001 dated 07 March 2014, no suitable person had been identified even by 31 August 2014.</p>	<p>(a) Though an interview was conducted in December 2014, a suitable person could not be recruited and at present the Deputy General Manager covers the duties of the General Manager. The approval of the Ministry has been sought to make a formal recruitment to the post of General Manager.</p>
<p>(b) The post of Deputy General Manager (Regulatory) and 07 posts of Assistant General Managers had remained vacant for a long period of time and it could not be disregarded at the audit that it did not have a direct impact on the performance of the Authority.</p>	<p>(b) Though applications were called for these posts through notices in newspapers on several occasions, there were no applicants with required qualifications. Another notice was published on 17/10/2014. Further, measures have been taken to fill the vacancy for the post of Assistant General Manager taking into account the service need and the financial situation of the Authority. Similarly, though applications were called for 04 posts of Assistant General Manager (Operations. Maintenance) and Legal Officer, only one officer could be recruited due to the attitudes of the applicants on the salaries entitled to them and other benefits. Action will be taken in the future regarding the remaining 04 vacant posts and the post of Assistant General Manager (Human Resources). Action has been taken to cover the Assistant General Manager(Finance) on acting basis and recruitment was made to the post of internal auditor. However these vacancies did not have an impact on the performance of the Authority.</p>
<p>(c) Further, sufficient effort had not been made in the year under review to fill 17 secondary posts and 05 primary posts that had fallen vacant.</p>	<p>(c) Though measure were taken to recruit suitably qualified persons after relaxing some of the qualifications following discussions with the Management Services Department to fill 17 secondary vacant posts and 09 vacant Engineering Assistant posts, the required number of applications were not received. Even those who were recruited from the limited applications received tend to leave the organization for job with better prospects and benefits. This situation</p>

5 Accountability and Good Governance	
5.1 Corporate Plan	
<p>The Corporate Plan prepared for the period from 2012-2016 as per paragraph 5.1 of the Public Enterprises Circular PED/12 dated 02 June 2003.had not been updated for the yeae 2013.</p>	<p>The Corporate Plan had not been updated in the year 2013 as per the instructions of paragraph 2.1 of the PED/12 Public Enterprises Circular. However this has been dome form the year 2014.</p>
5.2 Action Plan The following observations are made.	
<p>(a)Appointment of administrators to the dormant management corporations and the One Stop Shop (efficient programme for the approval of plans) which was included in the Corporate Plan 2012-2016 approved at the Board meeting No. 86 dated 24 January 2013, had not been included in the Action Plan for 2013.</p>	<p>(a)There wasn't an urgent need for appointing administrators to the dormant management corporations in the year 2013. However, in light of the matters regarding the functioning of the Management Corporations, it was included in the Action Plan of 2014.</p> <p>(b)One Stop Shop</p> <p>Powers for the approval of building plans are vested in the Urban Development Authority and the relevant local government authorities. As the building plans so approved are submitted to the Condominium Management Authority only after such approval and as the approval of plans was identified as a function coming under the purview of the Urban Development Authority, it was removed from the Action Plan of the Authority.</p>
<p>(b)As the activities included in the Action Plan for the year 2013, had not indicated performance evaluation indices and targets to be achieved in respect of each activity, the performance could not be evaluated.</p>	<p>(b) Performance evaluation indices have been included wherever possible and when it is not practically possible to indicate such indices they have been left out. Eg: amending the Condominium Management Authority Act.</p>
5.3 Procurement Plan	
The following observations are made	
<p>(a)Though the procurement plan for the year under review had been approved at the meeting of the Board of Directors held on 24 January 2013, the approval of the Secretary to the Ministry had not been obtained for the plan.</p>	<p>(a) The procurement plan for the year under review was referred to the Ministry on 23.11.2012 for approval.</p>

<p>(b) As per guideline 4.2.1 of the Government Procurement Guidelines; - procurement activities envisaged for a period of 03 years - updating of procurement plan at intervals not exceeding 06 months - submitting a detailed procurement plan' had not been included in the procurement plan.</p>	<p>(b) Measures will be taken in the future to prepare a Procurement Plan for the next 03years as per Guideline 4.2.1 of the Government Procurement Guidelines manual and obtain the approval of the Board of Directors.</p>
<p>5.4 Composition of the Board of Directors</p>	
<p>As per Common Amenities Board (Amendment) Act No.24 of 2003, 06 ex-officio members appointed by the Minister and four members with a representative from the Housing Mortgage Lenders Association, a member from the Private Sector Property Developers Association, a representative from the Ceylon Chamber of Commerce and a person with expertise in the field of condominium property management had not been appointed to the Board of Management of the Authority fir the administration and management of the affairs of the Authority from 2012 till the end of the year under review.</p>	<p>As there is no Housing Mortgage Lenders Association, a member in that regard has not been appointed. Necessary measures have been taken by now to appoint representatives from the Private Sector Property Developers Association, the Ceylon Chamber of Commerce and a representative from Management Corporations. However, since the appointment of the new Minister, matter has been referred to the Ministry for new appointments.</p>
<p>5 5 Tabling of Annual Reports</p>	
<p>The Annual Report in respect of 2011 had not been tabled in Parliament even by the end of the year under review.</p>	<p>The Leader of the House has informed that the Annual Report for the year 2011 will be referred to the Consultative Committee on 07/04/2015.</p>
<p>5.6 Budget Documentary Control</p>	
<p>As per the financial statements presented by the Authority, differences of Rs. 57.32 million and Rs 18.52 million were observed in the budgeted figures when compared with the actual income and expenditure in the financial statements, therefore it was observed that the budget document had not been used as an effective financial controlling instrument.</p>	<p>Due to circumstances beyond the control o the Authority, it became difficult for achieve the expected income in the year 2013. (Eg: certificate income) As a result, the targets set out in the budget could not attained as expected. But in 2014, though the budgeted estimate was Rs. 115.9 million, the actual income generated was Rs. 121.6 million.</p>
<p>6 Systems and Controls</p>	
<p>Shortcomings in systems and controls observed during the audit were brought to the notice of the Chairman from time to time. The following areas need special attention.</p> <ul style="list-style-type: none"> (a) Accounting (b) Contract administration (c) Budgeting (d) Vehicle utilization (e) Assets management 	<p>Action will be taken to pay more attention to systems and controls indicated from (a) to (e) in the year 2014.</p>


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 වැඩබලන විගණකාධිපති



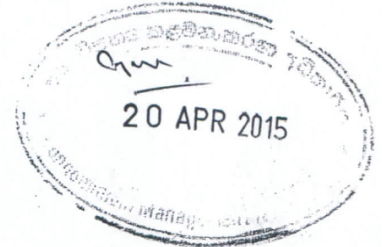
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கணக்காய்வாளர் தலைமை அ்திபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } ඊළුව/සී/සීඑම්පී/1/13/08
 எனது இல. }
 My No. }

ඔබේ අංකය }
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 Your No. }

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 திகதி }
 Date }




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 සභාධිපත්‍ය කළමනාකරණ අධිකාරිය

සභාධිපත්‍ය කළමනාකරණ අධිකාරියේ 2013 දෙසැම්බර් 31 දිනෙන් අවසන් වර්ෂය සඳහා වූ මූල්‍ය ප්‍රකාශන පිළිබඳව 1971 අංක 38 දරන මුදල් පනතේ 14(2)(සී) වගන්තිය ප්‍රකාර විගණකාධිපති වාර්තාව

මගේ සමාංක හා 2015 ජනවාරි 26 දිනැති ලිපියට යොමුවේ.

02. ඉහත සඳහන් ලිපිය සමඟ එවන ලද මාගේ වාර්තාවේ ඉංග්‍රීසි අනුවාදය මේ සමඟ එවා ඇත.


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 විගණකාධිපති (වැඩබලන)

- පිටපත් -
1. ලේකම්, නිවාස හා සමෘද්ධි අමාත්‍යාංශය
 2. ලේකම්, මුදල් අමාත්‍යාංශය



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

EH/D/CMA/1/13/08

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

26 January 2015

Chairman
Condominium Management Authority

Report of the Auditor General on the Financial Statements of the Condominium Management Authority for the year ended 31 December 2013 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the Condominium Management Authority for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes 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 21 of the Common Amenities Board Act, No. 10 of 1973 as amended by the Common Amenities Board Act, No. 24 of 2003. 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 furnished to the Chairman of the Authority on 10 October 2014.

1:2 Management's Responsibility for Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector 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 on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards, consistent with International 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 judgement, including the assessment of the risks of material misstatements 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 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 effect of the matters described in paragraph 2.2 of this report the financial statements give a true and fair view of the financial position of the Condominium Management Authority as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2:2 Comments on Financial Statements

2:2:1 Going Concern of the Institution

The net assets of the Authority had shown negative values amounting to Rs.24,750,830, Rs.15,788,833, Rs.31,794,284 and Rs.12,841,863 respectively in the year under review and the 03 preceding years. Even though a sum of Rs.10 million had been received in the year under review for the payment of employees salaries, the net assets as compared with the preceding year had decreased by 56.8 per cent. Similarly, the ratio between the current assets and the current liabilities remained at 1:1.4, 1:1.5, 1:2.1 and 1:1.9. As such the going concern of institution remained questionable despite the receipt of financial assistance from the Treasury.

2:2:2 Sri Lanka Public Sector Accounting Standards

The following non-compliances were observed.

(a) Sri Lanka Public Sector Accounting Standard No. 01

Presentation of Financial Statements

(i) Even though adequate disclosure should be made in the financial statements relating to all components shown in the face of the financial statements, the Authority had not made adequate disclosures in connection with the resources amounting to Rs.23,658,765 and capital transfers amounting to Rs.2,262,663.



4

(ii) The following matters that should be disclosed in the information published with the financial statements had not been disclosed by the Authority.

- The domicile and legal form of the entity and the jurisdiction within which it operates.
- The description of an Authority's operations and the principal activities.
- Reference to the relevant legislation governing the authority's operations.

(iii) Even though comparative information should be disclosed in the financial statements, the comparative figures had not been disclosed in the statement of changes in equity.

(b) Sri Lanka Public Sector Accounting Standard No. 02
Cash Flow Statements

Even though short term investments less than three months should be treated as cash and cash equivalents in the preparation of the cash flow statement, seven day deposits amounting to Rs.40,000,000 and savings deposits amounting to Rs.1,016,437 had not been treated as cash and cash equivalents.

2:2:3 Accounting Deficiencies

The following observations are made.

- (a) Provision for depreciation amounting to Rs.2,919,600 had been made in the year under review for property, plant and equipment with zero value.
- (b) The funds required for the payment of employees gratuity had not been disclosed in the financial statements through investments made in that connection. The value of that investment as at the end of the year under review amounted to Rs.2,433,161.



- (c) The depreciation not brought to account relating to a motor vehicle sold in the year 2009 amounting to Rs.476,458 had been included in the depreciation for the year under review. As such the value of the motor vehicles included in the financial statements and the deficit for the year had been understated and overstated respectively.
- (d) The income tax amounting to Rs.920,610 paid for the surplus of the preceding year 2009 had been included in the finance expenditure of the year under review.
- (e) A sum of Rs.499,987 paid by the Authority in the year under review to other institutions had been erroneously debited to the Accounts Payable under the name of Ministry of Housing and Common Amenities. As such the balance of that account had been understated by a sum of Rs.499,987.
- (f) The provision for gratuity amounting to Rs.22,181,496 which should be shown under the non-current liabilities had been shown under the current liabilities. As such the current liabilities and the non-current liabilities as at the end of the year under review had been overstated and understated by that amount respectively.
- (g) The provision for doubtful debts as at the end of the year under review amounting to Rs.3,848,646 had been shown under the current liabilities instead of being deducted from the debtors balance. As such a clear view had not been depicted in the financial statements.
- (h) Provision for bad debts and doubtful debts had not been made for debtors amounting to Rs.4,760,315 old between 01 year to 05 years as at 31 December 2013.
- (i) Insurance indemnity amounting to Rs.318,779 received during the year under review had been shown under sundry income instead of being deducted from the expenditure relating thereto.
- (j) Other expenditure amounting to Rs.1,010,344 which is not finance expenditure had been included in the finance expenditure.
- (k) Due to the adjustments made in the cash flow statement for the Treasury provision spent on salaries and the leases, the cash flow generated from operating activities and the cash flow generated from investment activities had been understated and overstated by a sum of Rs.7,203,571 respectively.



2:3 Accounts Receivable and Payable

The following observations are made.

- (a) The Authority had not taken effective courses of action for the recovery of the debts older than 05 years totalling Rs.4,046,611 receivable from 06 debtors.
- (b) The Authority had not taken steps for the settlement of liabilities amounting to Rs.24,686,666 older than 05 years payable to various Government institutions.
- (c) Steps had not been taken even by the end of the year under review for the settlement of the balance of the Value Added Tax Payable Account as at the beginning of the year under review amounting to Rs.3,194,996.

2:3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-compliance -----
(a) Common Amenities Board (Amendment) Act, No. 24 of 2003. (i) Section 5(e)	Even though the functions and the control of the Condominium Properties Management Corporations should be done by the Authority, and though the issue of Condominium Certificates had been done from the year 2005 up to the year under review, the number of Condominium Certificates issued had been only 705. Even though targets had been set for the registration of 721 Management Corporations during that period only 354 Management Corporations had been established.



(ii) Section 5(g)

Even though action should be taken to transfer the maintenance of common amenities of condominium properties to the Local Authorities, action had not been taken even up to the end of the year under review for the transfer of the common amenities of the Maligawatta and Jaltara Housing Schemes.

(b) Value Added Tax
(Amendment) Act, No. 6
of 2005.

Section 11

Even though the Value Added Tax for a month should be remitted to the Commissioner General of Inland Revenue before the twentieth day of the month following, the value Added Tax amounting to Rs.208,027 relating to January and February of the year under review had not been remitted to the Commissioner General of Inland Revenue.

(c) Financial Regulations of
the Democratic Socialist
Republic of Sri Lanka

Financial Regulation 571

The Authority had not taken action either to credit to the State Revenue or for the refund of security deposits older than 02 years amounting to Rs.100,528, retention money amounting to Rs.116,597 of which the periods for recovery of losses had expired and bid deposits amounting to Rs.68,600.

(d) Public Administration
Circular No. 41/90 of 10
October 1990.

The fuel consumption of 08 motor vehicles had not been tested once in 06 months reports thereon obtained.



(e) Government Procurement Manual

(i) Section 2.8.4

Even though at least one member of the Departmental Technical Evaluation Committee should be from the line Ministry or external to the Procurement Entity who is conversant with procurement, such members had not been appointed to the 64 Technical Evaluation Committees which dealt with procurements of the Authority valued at Rs.140 million during the year under review.

(ii) Section 8.12.2

Even though the total sums of the agreements entered into for repair contracts amounting to Rs.5,378,154 had been paid to the contractors, the Certificates of Completion of Works had not been issued even by 31 March 2014.

3. Financial Operating Review

3:1 Financial Results

According to the financial statements, the deficit of the Authority for the year ended 31 December 2013 amounted to Rs.8,961,997 as against the net surplus of Rs.16,005,452 for the preceding year. Accordingly, as compared with the preceding year, a deterioration of Rs.24,967,449 in the financial results was observed. The failure of the Authority to achieve 48 per cent of the estimated income of Rs.120 million for the year under review and the reduction of the Treasury provisions by 74 per cent as compared with the preceding year based on the excessive estimate had been the main reasons for the abnormal deterioration of the net result of the operations for the year.



3:2 Analytical Financial Review

The following observations are made in this connection.

- (a) Due to the weak operating performance position of the Authority the net loss of the Authority excluding the receipts from the Treasury during the preceding year as well as in the year under review amounted to Rs.23 million and Rs.19 million respectively.
- (b) The service charges income and the non-operating income as compared with the preceding year had increased by 121 per cent and 165 per cent due to the increase of the interest income on seven day deposits and the non-operating income.
- (c) The income from the issue of Condominium Certificates, which is the main source of income of the Authority, as compared with the preceding year had increased by 28 per cent.
- (d) Even though the income for the year under review, as compared with the preceding year had increased by Rs.22 million or 52 per cent, the financial result for the year amounted to a loss of Rs. 9 million due to the increase of direct expenditure by 249 per cent, the non-operating income by 139 per cent and the increase of maintenance and repair expenditure and the expenditure on the Deyata Kirula Exhibition.
- (e) Similarly, the lack of income earned from the activities of the Authority and the decrease of the Treasury provisions from Rs. 39 million to Rs. 10 million by 74 per cent had an impact on this position.
- (f) The working capital requirement of the Authority had been a problem due to the current ratio being 1:1.4 as at the end of the year under review.
- (g) The deterioration of the total net assets by 825 per cent as compared with the capital employed had been the reason for the capital erosion of the Authority.



4. Operating Review

4:1 Performance

The following observations are made.

- (a) The physical progress of the issue of Condominium Certificates during the year under review had been 59 per cent and the financial progress had been 39 per cent.
- (b) The financial progress of the establishment of Management Corporations during the year under review had been 45 per cent. As the renewal of the registration of 45 Management Corporation established in the Housing Schemes of the State Sector had also been included in the performance as the establishment of Management Corporations, the physical progress indicated the high value of 193 per cent.
- (c) Even though targets had been set for the reconstruction of 12 Government Flats Housing Schemes with provision amounting to Rs.178.7 million, the reconstruction of only 02 projects out of that had been completed.'
- (d) Even though provision amounting to Rs.3.8 million had been allocated for the reconstruction of the Old Moor Street Housing Scheme and the Saunders Place Housing Scheme no expenditure whatsoever had been incurred thereon during the year.
- (e) Even though targets had been set for the year under review for the issue of deeds under provision of Rs. 50 million under the condominium housing constructed for the people affected by the tsunami disaster, according to the Progress Report for the year 2013, the progress of the issue of deeds had been indicated as 21 per cent. Nevertheless not even a single deed had been issued.



4:2 Management Inefficiencies

The following observations are made.

- (a) According to the Value Added Tax control Account, the Value Added Tax payable for the 4 quarters of the year 2013 amounted to Rs.5,774,427 but a sum of Rs.7,199,727 had been paid in the year. As such the overpayment amounted to Rs.1,425,300.
- (b) Even though the gratuity liability as at 31 December 2013 amounted to Rs.22,181,496, the investment made amounted to Rs.2,433,161. As such the management had not taken action to invest the shortfall amounting to Rs.19,748,335. The liquidity and the capacity for the payment of gratuities had become a problems as the Authority did not have money adequately for the investment of that amount.

4:3 Deficiencies in Contract Administration

The following observations are made.

- (a) An erroneous payment of Rs.3,839,596 had been made to the contractor during the year under review for 06 items of work in the bills of quantities of 03 Projects not executed.
- (b) A sum of Rs.4.1 million had been paid in connection with three projects without proper certification of bills and without proper certification of work done. The retention money amounting to Rs.410,000 also had not been deducted.
- (c) The value of items of work of the bills of quantities of 04 Engineering Estimates relating to the additional works of the reconstruction of the Dissanayake Watta Housing Scheme computed in excess of the Buildings Scheduled Rates for the year 2011, amounted to Rs.534,150. The rates of 11 items of work under this contract given in the Engineering Estimate did not agree with the rates in the Buildings Scheduled Rates for the year 2011.



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- (d) In calling for bids, the Authority had issued the bid amounts by including 10 per cent for additional work in the bill of quantities to be submitted with the application. As such the bidders had been pre-informed of the total value of the contract.
- (e) In order to deviate from the requirement of carrying out the contract procurements of repairs carried out to 12 Housing Schemes at a cost of Rs.139.76 million through a higher Procurement Committee based on the values, those had been awarded to contractors under 60 smaller procurements.
- (f) The payables to the contractors for repair works of the Authority as at 01 January 2013 amounted to Rs.21.90 million and that amount had increased to Rs.50.40 million as at the end of the year under review. Even though these reconstruction works are carried out according to the amount of Treasury provisions received, it is not possible to rule out in audit that the delay in payments would not result in lowering the performance of the contracts.

4:4 Staff Administration

The approved and the actual staff for the year under review had been 139 and 108 respectively and the following observations are made in that connection.

- (a) In accordance with the decision of the Cabinet of Ministers No. 14/0014/517/001 dated 07 March 2014, the Secretary to the Ministry had informed the Authority to re-employ the retired General Manager of the Authority on contract basis for one year with effect from 29 December 2013 and to train a suitable successor to him under his supervision within one year. Nevertheless, a suitable successor had not been identified even by 31 August 2014.
- (b) It is not possible to rule out in audit that the post of the Deputy General Manager (Regulation) and 08 posts of Assistant General Manager of the Authority remaining vacant over long periods had not directly imported the performance of the Authority.
- (c) Adequate efforts had not been taken during the year under review to fill the vacancies in 17 posts in the secondary level and 05 posts in the primary level.



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5. Accountability and Good Governance

5:1 Corporate Plan

The Corporate Plan for the years 2012 to 2016 prepared in terms of Section 5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003 had not been updated for the year 2013.

5:2 Action Plan

The following observations are made.

- (a) The appointment of administrators to the dormant Management Corporations and the One Stop Shop (Efficient process of plan approval) included in the Corporate Plan for the years 2012 to 2016 approved by the Board of Directors at the meeting No. 86 dated 24 January 2013 for implementation in the year under review had not been included in the Action Plan for the year 2013.
- (b) The extent of achievements of the activities included in the Action Plan for the year 2013 and the performance indications had not been included and as such the performance could not be evaluated.

5:3 Procurement Plan

The following observations are made.

- (a) Even though the Procurement Plan for the year under review had been approved at the meeting of the Board of Directors held on 24 January 2013, the approval of the Secretary to the Ministry had not been obtained for the plan.
- (b) The Procurement Plan did not include the following items in terms of the Guideline 4.2.1 of the Government Procurement Guidelines.
 - The procurement activities envisaged for 03 years.



- Updating of the Master Procurement Plan once in 06 months and
- Preparation of a detailed Procurement Plan

5:4 Composition of the Board of Directors

Out of the 6 ex-officio members appointed to the Board of Directors appointed by the Minister in terms of provisions in the Common Amenities Board Act, No. 10 of 1973 as amended by the Common Amenities Board (Amendment) Act, No. 24 of 2003 for the management and control of the affairs of the Authority, the 4 members representing the Association of lenders granting Housing Mortgage Loans, a member of the Association of Private Sector Developers, a member of the Ceylon Chamber of Commerce and a person with experience in the condominium properties management had not been appointed to the Board of Management of the Authority from the year 2010 up to the end of the year under review.

5:5 Tabling of Annual Reports

The Authority had not tabled the Annual Report for the year 2011 in Parliament even by the end of the year under review.

5:6 Budgetary Control

Reconciliation of the actual income and expenditure according to the financial statements presented by the Authority with the budgeted amounts revealed variances amounting to Rs.57.32 million and Rs. 18.52 million respectively, thus indicating that the budget had not been made use of as an effective instrument of financial control.



6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the attention of the Chairman of the Authority from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Contract Administration
- (c) Budgetary Control
- (d) Motor Vehicles Utilization
- (e) Assets Management

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