

2014



ANNUAL REPORT

CONDOMINIUM MANAGEMENT AUTHORITY



CONDOMINIUM MANAGEMENT AUTHORITY

1st Floor ,National Housing Department Buiding

Sir Chittampalam A Gardiner Mawatha

Colombo 02

T.P : 2 447429/2 447432 Fax : 2 423606

Email : cmastaff@sltnet.lk

Director Board

Mr. Kapila Gamage, Attorney at law

Chairman

Condominium Management Authority

Mr. U.G. Upawansa

General Manager/ Secretary to the Board

Condominium Management Authority

Mrs. Nalini Amaratunga

Director

National Budget Department

General Treasury

Mr. Nihal Fernando

Director General

Urban Development Authority

Mr. Harshan De Silva –Architect

Director General

Urban Development Authority

Mr. R.W.B. Balasuriya –Engineer

General Manager

National Water Supplies and Drainage Board

Brigadier Mahnda Mudalige RWP, RSP

General Manager

National Housing Development Authority

Mr. Damitha Kumarasinghe

Director General

Sri Lanka Public Utilities Commission

Mrs. Bhadrani Jayawardane

Municipal Commissioner

Colombo Municipal Council

Mr. K.B.R. Dhammika Namal Muthugala

Municipal Commissioner

Dehiwala –Mount Lavinia Municipal Council

Mrs. Shantha P.Liyanage

Municipal Commissioner

Sri Jayawardanapura Kotte Municipal Council

Mr. B.M. Daminda Kumara

Municipal Commissioner

Moratuwa Urban Council

Mrs. H.N.S. Angammana

Municipal Commissioner

Moratuwa Urban Council

Mr. Rohan Thudawa

Chairman, Thudawe Brothers

(Representative of the Ceylon Chamber of Commerce)

Mr. B. Premalal

Chairman- National Housing and Property Developers Association

(Representative of the private sector property developers association)

Mr. Rienzie Perera

No F/G/10 Veluwanarama Flats Housing Scheme, Colombo 06

(Member of a Management Corporation of condominium properties)

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

1st Floor ,
National Housing Department Buildg.
Sir chittampalam A Gardiner Mawatha
Colombo 02

Telephone / Fax

2447429 / 2447432
Fax : 2423606

E-mail

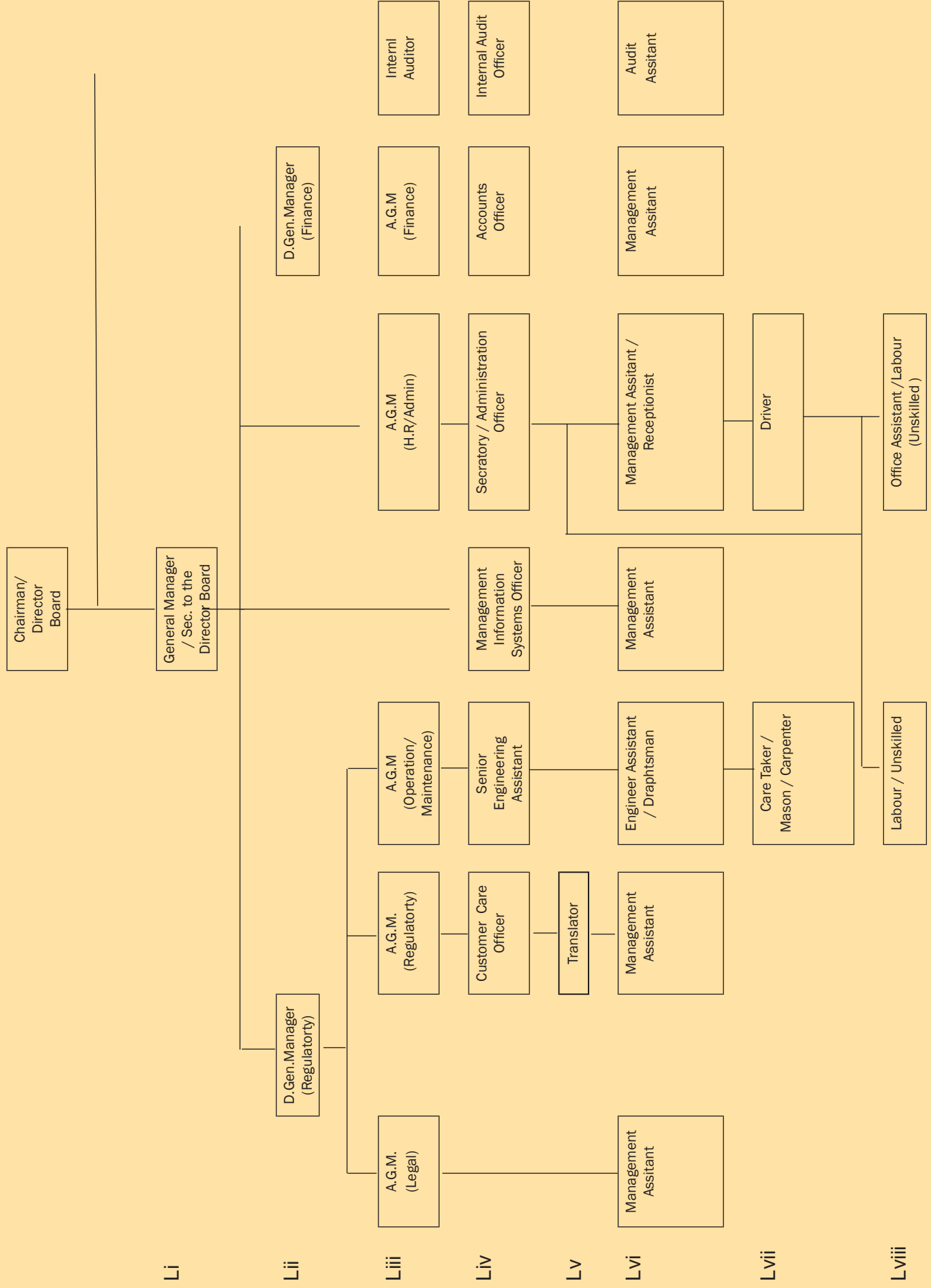
cmastaff@sltnet.lk , it@condominium.lk

Web

www.condominium.lk

Corporate Plan

Condominium Management Authority



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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



Condominium Management Authority

Report of the Administrative - 2014

In the year 2014, an income of Rs. 107.6 million was generated through the operational activities of the Authority and the overall income was Rs. 121.6 million. In comparison to operational income in the year 2013 which amounted to Rs. 59.8 million, the operational income has posted a growth of 80%. The overall expenditure in the year 2014 was Rs. 82.15 million and it jumped to Rs. 111.9 million during the year 2014. The net profit in the year 2014 was Rs 10.4 million.

This increase in the income can be attributable to the following factors.

- The decision to levy 1/3rd of the certificate income in granting clearance letters consequent to the substantial increase in the construction of new condominium properties.
- Increase in the construction of condominium properties by both the state and private sectors.

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 98 condominium properties proposed to be constructed in the year 2014. 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 815 such certificates. Although 75 certificates were targeted in the year 2014, the Authority received applications for 81 certificates.

Details of certificates issued by the Authority during the period from 2012 to 2014 are tabulated below.

		Annual Targets	Progress
2012	Financial (Rs Mn)	60.9	21.025
	Physical	116	58
2013	Financial (Rs Mn)	82.6	27.17
	Physical	112	66
2014	Financial (Rs Mn)	29.425	94.16
	Physical	75	110

Of the applications forwarded in the year 2014 seeking to obtain condominium certificates, certificates were not issued in respect of 59 of them owing to the non-issue of certificate of compliance, not 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 2014. 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 829 condominium properties.

The progress achieved in establishing Management Corporations by the Authority from 2011 up to 31.12.2014 is summarized in the following table.

Registration of Management Corporations and Committees						
	Registration		Registration renewal / Deactive M.Cs transform to active		Financial (Rs.Thousands)	
	Targets	Progress	Progress	Progress	Progress	Progress
2012	250	219	-	129	1020	944
2013	40	77	681	370	1080	753
2014	50	45	140	387	1210	895

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.

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 2014, the Authority has taken measures to resolve 75 complaints so received.

No of disputes resolved	
2012	87
2013	130
2014	75

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 has to be carried out on a regular basis.

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

- Distributing 45,000 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 hous-

ing 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 to allocate funds from the budgets 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	Beneficiary families	Treasury funds	Treasury funds
Facilitating the establishment of Management Corporations in government housing schemes and renovation of government housing schemes	2011	352	25.0	25.0
	2012	671	109.2	108.67
	2013	862	125.0	121.77
	2014	451	120.0	61.12

Following multi-storeyed housing schemes were renovated in the year 2014

- Sir James Pieris Mawatha Housing Scheme
- Ketawalamulla Housing Scheme
- Mallikarama Housing Scheme
- Jayawadanagama Housing Scheme
- Idalwatta Housing Scheme=
- Danister de Silva Mawatha Housing Scheme

- Jayagathpura Housing Scheme
- Goodwill Watta Housing Scheme

Anderson Housing Scheme, Colombo-05	616	01	01	01
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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 Unit	No of under-ground 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

- 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. 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 their work.
- In line with a proposal made by the Authority to the Sri Lanka Public Utilities Commission 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 Cor-

poration 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.

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

In the year 2014, 07 Board meetings were held and decisions were taken as regards a host of important board papers associated with the sector. 07 meetings of Audit and Management Committee were held and 02 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 and to amend the relevant salary group as 3:1 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.

Staff Training

Fourteen employees of the Authority were made to participate in local training programmes.

Efficiency Bar Examination

The efficiency bar examination was conducted in the year 2014 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 2015.

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 2014 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 who has been source of inspiration, constantly guiding us to ensure sustainability of the Authority and the Deputy Minister. 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.

C.A.Wijeyeweere

Chairman

Condominium Management Authority**Report of the Audit and Management Committee for the year 2014**

The 2014 Audit Committee comprised of the following officers

Mrs. Nalini Amaratunga Chairman of the Committee Audit and Management Committee (Treasury Representative) Director National Budget Department General Treasury
Mr. K.B.V. Dhammika Namal Muthugala Member Municipal Commissioner Dehiwala Mount Lavinia Municipal Council
Brigadier Mahinda Mudalige Member General Manager National Housing Development Authority
Mr. E.K.K.S. Edirisinghe Member Audit Superintendent Representative of the Deputy Auditor General Auditor General's Department
Mrs. Shantha P. Liyanage Alternative member Municipal Commissioner Sri Jayawardanapura Kotte Municipal Council

The following officers participated as invited officers of the Authority

Mr. Kapila Gamage, Attorney at law, Chairman
Mr. G.U. Upawansa General Manager/Secretary to the Board
Mr. K.H.A. Upali, Deputy General Manager (Finance)
Mr. Mahesh Gunathilake (From June 2014) Internal Auditor

The Audit and Management Committee held 09 meetings during the year 2014 two of which were special Audit and Management Committee meetings.

During the year under review, the plans necessary for the implementation of the following policy

decisions for the advancement of the condominium sector as a regulatory authority were made at the above meetings.

- Since it was advised in accordance with the decision of the Cabinet subcommittee that the powers vested in the Authority should be minimized in amending the Acts after obtaining the approval of the cabinet of ministers for the amendments introduced to the Condominium Management Authority Act No. 10 of 1973 with a view to updating it to suit the present day requirements, measures were taken to seek the approval of the Cabinet again to implement the proposed amendments.
- Action is being pursued as per the provisions of the National Housing Development Authority Act to acquire the lands belonging to the Tsunami properties in order to grant transfer deeds to the people affected by the 2004 Tsunami tragedy and resettled in condominium properties and other housing schemes.
- Drawing the attention of the Cabinet of Ministers on the need to make redevelopment plans as per Section 5 k of the Condominium Management Authority Act for Prince of Wales Mawatha housing scheme, Colombo 14 which is more than 80 years old and the Wekanda housing scheme, Colombo 02 which is more than 40 years old as they are in a state of decrepit.
- It was decided in December 2014 to charge 1/3rd of the fee relevant to the final certificate in issuing preliminary clearance letters.
- The progress of the renovation activities of the following housing schemes,
 - Mallikarama housing scheme, Colombo-09
 - Jayawadanagama housing scheme, Battaramulla
 - Idalwatta housing scheme, Moratuwa
 - Sir James Pieeris Mawatha housing scheme, Colombo-15
 - Ketawalamulla housing scheme,

- Colombo-09
- Danister De Silva housing scheme, Colombo-09
- Jagathpura housing scheme, Moratuwa
- Goodwill watta housing scheme, Moratuwa

for which funds were allocated from the 2014 budget were constantly reviewed and the staff of the Authority were encouraged to complete the work.

- Audit reports in respect of the year 2010 to be submitted to the Committee on Public Enterprises was reviewed and offered solutions.
- 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
- Giving instructions to achieve the expected targets while constantly reviewing the Action Plan and the annual budget for updating the Corporate Plan of the Authority.
- Discussions were held with the Legal Draftsman's Department on amending the Apartment Ownership (Special Provisions) Act No.04 of 1999 to enable 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 and assisted the Authority to prepare the final draft.
- 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.

K.H.A. Upali

General Manager

(Acting)/ Secretary to the Board

Condominium Management Authority

Financial Statements

Financial
statement
as at
31st December
2014
(Balance Sheet)



**Condominium Management Authority
Financial Statement as at 31 December 2014**

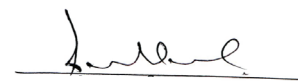
	Note	2014	2014	Budget 2014
Assets				
Non Current Assets				
Fixed Assets				
Kataragama circuit bungalow land		1,520,000	1,520,000	1,520,000
Kataragama circuit bungalow building		4,824,000	5,092,000	4,550,000
Vehicles		7,601,835	10,144,513	1,248,000
Office furniture and accessories		474,204	23,679	255,000
Machinery, equipment		756,698	434,440	1,880,000
Tools		1,938,775	1,085,763	280,000
		17,155,512	18,300,395	9,733,000
Investments –Long Term				
Shares at HDFC Bank		3,000,000	3,000,000	3,000,000
Current assets				
Stocks account	Note 02	1,421,964	828,664	1,000,000
Trade debtors, employee loans and receivable balance	Note 03	37,231,056	35,140,368	40,250,000
Other receivable balances	Note 04	1,969,911	1,421,939	1,400,000
Payments made in advance	Note 05	96,110	99,706	115,000
Short term investments	Note 06	14,120,667	11,087,347	100,300,000
Cash and financial items	Note 07	100,954,247	46,896,900	5,000,000
Total assets		155,793,955	95,474,924	148,065,000
		175,909,467	116,775,319	160,798,000
Liabilities				
Current Liabilities				
Bank of Ceylon-lease	Note 08	2,796,429	2,796,429	2,796,000
Payable	Note 09	26,911,429	63,114,742	77,019,000
Accrued expenses		2,276,742	2,595,415	2,000,000
Creditors/advances	Note 10	18,001,580	41,848,315	14,000,000
Provisions	Note 11	82,127,006	2,231,716	30,500,000
Total current liabilities		132,113,185	112,586,617	126,315,000
Non Current Liabilities				
Lease loan	Note 08	3,961,607	6,758,036	1,210,000
Gratuity provision		27,329,966	22,181,496	-
Total Liabilities		163,404,759	141,526,149	127,525,000
Net assets/ equity		12,504,708	(24,750,830)	33,273,000
Net assets represented by				
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
Total		3,000,000	3,000,000	3,000,000
Accumulated funds		(53,672,258)	(44,710,261)	(23,980,000)
Adjustments for previous year		26,806,384	-	28,331,000
Surplus/(deficit) in the year		10,449,154	(8,961,997)	-
Revaluation reserves		22,308,765	22,308,765	22,309,000
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		12,504,708	(24,750,830)	33,273,000



Kapila Gamag, Attorney at law
Chairman



G.U. Upawansa
General Manager



K.H.A. Upali
Deputy General Manager (Finance)

Condominium Management Authority
Financial Performance Statement from 01 January to 31 December 2014

		2014	2013	2014 Rs.
Income				
Operational income	Notes 12	106,096,892	57,370,712	90,270,000
Other operational income	Notes 13	1,496,325	2,436,226	1,610,000
Non-operational expenses	Notes 14	3,998,330	3,377,358	4,040,000
Total operational income		111,591,547	63,184,296	95,920,000
Receipt of treasury provisions for payment of salaries		10,000,000	10,000,000	20,000,000
Total Turnover		121,591,547	73,184,296	115,920,000
Operational expenses				
Salaries and emoluments	Notes 15	82,185,267	48,732,807	62,770,000
Travel expenses	Notes 16	764,574	1,611,288	800,000
Supplies and consumer commodities	Notes 17	5,975,461	4,841,161	6,100,000
Maintenance expenditure	Notes 18	6,087,965	4,639,920	5,400,000
Statutory expenses	Notes 19	4,034,113	3,555,579	3,990,000
Direct expenses	Notes 20	1,699,760	5,560,266	1,910,000
Depreciation		3,045,684	9,228,662	5,020,000
Project expenditure	Notes 21	39,561	14,313	-
Other operational income	Notes 22	165,945	-	850,000
Total operational expenditure		103,998,330	78,183,996	86,840,000
Operational Activities – Surplus/(Deficit)		17,593,217	(4,999,700)	29,080,000
Financial expenditure	Notes 23	6,355,037	2,635,526	1,787,000
Non operational expenditure	Notes 24	789,025	1,326,771	1,245,000
Total non operational expenditure		7,144,062	3,962,297	3,032,000
Surplus/ (Deficit) over operational activities		10,449,154	(8,961,997)	26,048,000
Surplus/(deficit) of the sales of capital assets		-		-
Net surplus/(deficit) before tax deductions		10,449,154	(8,961,997)	26,048,000
Net surplus/(deficit)				9,100,000
Surplus./ (deficit) carried forward from last year		10,449,154	16,005,542	16,948,000
Surplus./ (deficit) carried forward from last year		(53,672,258)	(44,710,261)	23,980,000
		(43,223,104)	(53,672,258)	40,928,000
Adjustments relevant to the last year				
Debit total		(499,987)	-	-
Credit total		27,306,371	-	-
		16,416,720	(53,672,258)	40,928,000

01 Management's responsibility towards financial statements

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.

02 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 not been made towards inflationary factors that may affect the financial policies and the accounting reports have been prepared on accrual basis.

03 Location of the Authority

The Condominium Management Authority is located at the National Housing Department building at Sir Chittampalam A. Gardiner Mawatha, Colombo 02 and it executes regulatory functions associated with condominium properties in respect of the entire island.

04 Legal Status of the Authority

By virtue of powers vested in through the Common Amenities Board (Amendment) Act No. 24 of 2003, the establishment of management corporations for the maintenance, administration and control of common amenities and elements of condominium properties and regulating such management corporations and guaranteeing that the common amenities of such properties have been provided in such manner so as to fulfill the needs of stakeholders are the responsibilities of the Board.

05 Legislation relevant for governing the operations of the Board

- Common Amenities Board Law No. 10 of 1973
- Common Amenities Board (Amendment) Act No. 46 of 1982
- Common Amenities Board (Amendment) Act No. 24 of 2003
- Apartment Ownership Act No.11 of 1973
- Apartment Ownership (Amendment) Act No.45 of 1982
- Apartment Ownership (Special Provisions) Act No. 04 of 1999
- Apartment Ownership (Amendment) Act No.39 of 2003

06 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 | - 04% on cost |

07 Gratuity

Allocations have been made in the accounts for the gratuity payment of all employees serving in the Authority based on their period of service. The value of such allocation relevant to the year ended 31st December 2013 was Rs. 22,181,496.00 but the value of the investments was only Rs.3,524,226.00.

08 Stocks

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

09 Income

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

10 Allocations for bad and doubtful debt

Allocations for bad and doubtful debt have been made in the accounts on the basis of age analysis of debtors as at the end of the year.

Years 0-2	10%
Years 2-3	20%
Years 3-4	30%
Years 4-5	50%
Over 5 years	100%

11 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.

12 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 and according to the accounts a sum of Rs. 9,801,130.00 remains to be paid for the said lease lend.

13 EPF and ETF in arrears

As per the terms of the Authority, the cost of living allowance has not been made applicable in paying the contributions for the Employees Provident Fund and the Employees Trust Fund.

Therefore measures have been taken to allocate Rs. 18,705,202.92 in the accounts to pay these amounts.

14 Capital projects

Under the capital projects, a sum of Rs. 106,014,695.05 was allocated for the emergency repairs in the national housing schemes constructed by the government and a sum of Rs. 1,576,649.50 for organizing and conducting awareness programmes for residents of condominium properties and stakeholders involved in the field and for publishing "Condominium" publication and conducting seminars.

Accordingly, action has been taken to allocate a sum of Rs. 61,088,017.55 received for the renovation of the national housing schemes for the remaining work.

15 Reserves

The following reserves too are represented in the net assets/equity of the Authority.

Recalculation reserves	- Rs.22,308, 765.00
General reserves	- Rs. 1,350,000.00
Total reserves	- Rs. 23,658,765.00

Property, plant and equipment	Cost as at 01/01/2014	Acquisitions during the year	Disposals during the year	Cost as at 31/12/2014	Note 1 2013
Kataragama circuit bungalow land	1,520,000	-	-	1,520,000	1520,000
Kataragama circuit bungalow building	6,700,000	-	-	6,700,000	6,700,000
office furniture and accessories	2,031,987	290,530	-	2,322,517	2,031,987
Motor vehicles	29,400,714	-	-	29,400,714	29,400,714
Machinery and equipment	3,144,071	1,010,875	-	4,154,946	3,144,071
Tools and equipment	1,072,951	559,396	-	1,632,347	1,072,951
	43,869,723	1,860,801	-	45,730,524	43,869,723

Less depreciation provision	Cumulative depreciation allocation as at 01.01.2014	Depreciation allocation for the year	Depreciation for disposal	Allocation for cumulative depreciation as at 31.12.2014	2013
Kataragama circuit bungalow building	1,608,000	268,000	-	1,876,000	1,608,000
Office furniture and accessories	2,008,308	159,995	-	1,848,313	2,008,308
Motor vehicles	19,256,201	2,542,679	-	21,798,880	19,256,201
Machinery and equipment	2,058,309	157,862	-	2,216,171	2,058,309
Tools and equipment	638,511	287,139	-	875,649	638,511
	25,569,328	3,045,684	-	28,615,012	25,569,328
Value written off as at 31.12.2013				17,115,512	18,300,395

Note 02

Stock accounts	2014	2013
Stocks of operational division	135,296	135,296
Stocks of head office	143,231	78,573
Office supplies stock	1,143,436	614,795
	1,421,964	828,664

Note 03

Trade debtors, employee loans and other receivable balances	2014	2013	
Various deposits receivable	Schedule 01	265,834	257,337
Creditors	Schedule 02	15,421,274	28,320,860
Staff loan and advances	Schedule 03	5,467,180	6,562,171
Mobilization advances SD&CC		16,076,768	-
		37,231,056	35,140,368

Note 04

Other receivables	2014	2013
Withholding tax	639,911	364,406
One day deposit interest	1,330,000	1,057,534
	1,969,911	1,421,940

Note 05

Payments made in advance	2014	2013
Fuel allowance	54,750	59,130
Vehicle registration fees	41,360	40,576
	<u>96,110</u>	<u>99,706</u>

Note 06

Short term investments	2014	2013
Investment from the sinking fund of Edmonton government housing scheme	10,061,700	8,654,186
Gratuity allocation investment	3,524,227	2,433,161
Kinross management committee fund investments	534,740	-
	<u>14,120,667</u>	<u>11,087,347</u>

Note 07

Cash and financial items	2014	2013
Bank and cash in hand	Schedule 04	
	100,954,247	46,896,900
	<u>100,954,247</u>	<u>46,896,900</u>

Note 08

Bank of Ceylon- Lease lend	2014	2013
Total lease lend amount	9,801,130	13,856,770
Less		
Total lease interest	3,043,094	4,302,306
	<u>6,758,036</u>	<u>9,554,464</u>
Current liabilities	2,796,429	2,796,429
Non-current liabilities	3,961,607	6,758,035
Total liabilities	<u>6,758,036</u>	<u>9,554,464</u>

Note 09

Payable	2014	2013
Office rent	1,377,331	1,032,998
Payable to contractors	12,391,231	50,396,657
Accrued liabilities	Schedule 05	
	731,611	614,806
Payment for supplies	1,554,498	926,580
Cash withheld	9,091,403	6,223,652
Refundable tender fees	156,900	1,456,700
Safe deposits	Schedule 06	
	1,608,455	2,463,349
	<u>26,911,429</u>	<u>63,114,742</u>

Note 10

Creditors and advances		2014	2013
Advances from creditors	Schedule 07	1,599,750	1,599,750
Miscellaneous creditors	Schedule 08	16,401,830	40,248,565
		<u>18,001,580</u>	<u>41,848,315</u>

Note 11

Provisions		2014	2013
Provision for audit fees		2,132,685	2,176,730
Provision for gratuity		146,114	-
Provision for employee compensation		54,986	54,986
Allocations for emergency repairs in HSs	Schedule 19	61,088,018	-
Provisions for EPF		18,705,203	-
		<u>82,127,006</u>	<u>2,231,716</u>

Note 12

Operational income		2014	2013
Service charge income	Schedule 09	1,591,872	17,156,153
Income from issuing certificates for condominium property	Schedule 10	94,655,894	27,555,080
Income from repairs and maintenance	Schedule 11	9,204,678	11,836,149
Miscellaneous income	Schedule 12	644,447	823,330
		<u>106,096,892</u>	<u>57,370,712</u>

Note 13

Other operations income		2014	2013
Income from tender applications		-	62,000
Registration fees	Schedule 13	1,035,750	773,100
Application fees		97,250	125,250
Mediation charges		355,000	872,000
Condominium publication income		823,329	9,850
Administrative expenses		-	24,008
Awareness programme for residents of Mihindusenpura residents	Schedule 14	-	570,018
		<u>1,496,325</u>	<u>2,436,226</u>

Note 14

Non-operational income		2014	2013
Fines and other recoveries		2,364	3,510
Interest for employee loans		216,050	187,114
Interest for savings A		123,832	121,762
Interest for seven-day deposits		3,581,084	3,049,314
New Year ceremony fund		-	15,658
Dividends		75,000	-
		<u>3,998,330</u>	<u>3,377,358</u>

		Note 15
Employee emoluments and allowances	2014	2013
Chairman's allowance	720,000	720,000
Chairman's housing rental	360,000	360,000
Salaries and wages	37,604,775	34,009,020
Employees' Trust Fund	4,583,432	2,748,382
Employees Trust Fund	1,149,069	728,486
Overtime and holiday payments	8,545,303	7,852,824
Bonus	1,504,507	-
Incentives	-	250,875
Gratuity	8,100,109	1,500,000
Board allowances	618,000	366,000
Health risks and inconveniences	-	3,700
Employee welfare	50,000	-
Employee training	244,870	193,520
Arrear E.P.F. & E.T.F	18,705,203	-
	82,185,267	

		Note 16
Travel expenses	2014	2013
Foreign travel expenses	-	846,328
Transport expenses within the country	705,774	711,060
Site allowances	58,500	53,900
	764,574	1,611,288

		Note 17
Supplies and Consumer Commodities	2014	2013
Printing and stationary	1,400,551	875,375
Tea expenses	943,232	698,439
Fuel for vehicles	2,410,014	2,077,885
Fuel allowances	1,032,015	1,036,830
Office supplies	189,650	152,632
	5,975,461	4,841,161

		Note 18
Maintenance	2014	2013
Vehicle repairs and maintenance	4,029,753	3,222,245
Computers repairs and maintenance	67,950	131,000
Maintenance of Kataragama circuit bungalow	476,108	323,863
Maintenance of furniture accessories, machinery and equipment	316,733	392,581
Office building maintenance	1,046,842	435,871
Office maintenance	150,579	134,360
	6,087,965	4639,920

	Note 19	
Statutory expenses	2014	2013
Electricity	533,218	492,459
Telephones	989,883	880,800
Insurance	492,113	483,196
Water bills	128,247	153,439
Vehicle permit charges	63,996	73,367
Postal and telegram charges	146,334	146,587
Lawyers fees	62,556	342,843
Advertisement fees	745,723	433,620
Transit money insurance charges	28,148	28,148
Publicity expenses	179,920	45,000
Newspapers	118,895	114,920
Office rent	307,440	307,440
Translation fees	130,589	53,760
Appeal Committee expenses	107,050	-
	4,034,113	3,555,579

	Note 20	
Direct expenses	2014	2013
Expenditure for issuing certificates	304,525	257,140
Expenditure for repairs and maintenance	Schedule 16 924,185	4,744,016
Mediation charges	471,050	559,110
	1,699,760	5,560,266

	Note 21	
Expenses of Project carried out through institutional earning	2014	2013
Establishing management corporations in Tsunami housing schemes	39,561	14,313
	39,561	14,313

	Note 22	
Other operations expenditure	2014	2013
Removal of unauthorized structures	45,145	-
Property Developers' conference expenditure	120,800	-
	165,945	-

Note 23

Financial expenditure	2014	2013
Audit fees	330,000	330,000
Debit taxesv	-	12,272
Bank charges	-	250
Procurement expenditure	3,000	8,000
Nation Building Tax	11393	-
Stamp fees	975	23,448
Board of survey committee fees	20,000	20,000
Lease interest	1,259,211	1,259,211
Income tax	-	920,610
Semi luxury Tax	20,030	25,000
Designing website	-	36,734
Allocation for doubtful debt	4,710,428	-
	<u>6,355,037</u>	<u>2,635,525</u>

Note 24

Non-operational expenditure	2014	2013
Entertainment allowance for the visitors of the Chairman	48,735	37,603
Sundry expenses	82,502	41,917
Deyata Kirula exhibition	547,278	925,651
World Habitat Day Celebration	110,511	321,600
	<u>789,025</u>	<u>1,326,771</u>

Sundry deposits	Schedule 1	
	Schedule 1	2013
Employee safe deposit investments	96,355	87,858
Fuel deposits	100,000	100,000
Telecom deposit		
Charges for electricity supply		
Deposit for Lanka Oxygen cylinders	69,479	69,479
Deposit for the use of postal seal		
	265,834	257,337

Debtors	Schedule 2	
	Schedule 2	2013
Parliament Secretariat-Madiwela	358,972	903,271
Udumulla Purana Vihara	-	1,722,027
Gampaha Hospital pump house maintenance	4,471,539	1,995,230
Lanka Kate(Pvt)Ltd	807,188	807,188
Wildlife Conservation Department	-	881,465
Car Park -Maligawatta	-	189,129
Maintenance of Housing Schemes, Gampaha-NHDA	262,330	152,953
Fatignam Realty Investment	2,439,872	2,439,871
Mediation charges	2,133,648	1,850,728
Decentralized and provincial council funds	18,930	1,732,461
Electricity bills of govt. employee housing scheme, Jalthara	430,388	428,884
Negambo hospital, pump house maintenance	1,974,791	521,416
Seagull Development (Pvt) Ltd	63,027	63,027
R.H.S.Wijepala	11,891	11,891
K.H.T.C. Silva	216,477	216,477
Gampaha Development Company	39,224	39,224
Blue Ocean Apartment –Aluth Mawatha	-	77,195
Suncity Development	-	5,712
Civimech Constructions	120,905	120,905
Blue Ocean Apartment	-	462,671
Superior Constructions	-	343,268
A.A.M. Thahir	54,657	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	6,173,856
Blue Ocean Apartment –Mount Lavinia	675,449	675,449
Freedom Park shopping complex	165,376	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
Prime Homes	720,509	-
Welfare society	700-	-
	21,139,727	32,169,506
Less		
Provision for bad and doubtful debt	(5,718,453)	(3,848,646)
	15,421,274	28,320,860

Schedule 3

Staff loans and advances

Special advance	-	56,050
Distress loan	5,251,727	6,224,121
Special distress loan	45,750	160,000
Festival advance	97,500	122,000
Purchases advances	59,013	-
Less-Bank loans	13,190	-
	5,467,180	6562172

Schedule 4

Bank and cash in hand

People's Bank-Account No- 204-1-001-0081817	12,339,427	3,956,203
People's Bank-Account No- 204-1-001-0081817	574,492	436,522
Bank of Ceylon Account No. - 0000351042	1,982,480	1,487,738
Seven day deposits	85,000,000	40,000,000
Serving Account Deposit	1,057,848	1,016,437
	100,954,247	46,896,900

Schedule 5

Accrued liabilities

Payable EPF funds	635,942	415,718
Stamp duties	8,950	7,350
Third party deductions	-	133,313
Payable EPF	86,700	56,689
Payable withholding tax	-	1,736
	731,611	614,806

Schedule

Schedule 6

Security deposits

Contractors' security deposits	1,512,100	2,375,491
Employees' security deposits	96,355	87,858
	1,608,455	2,463,349

Schedule 7

Advances to be received from clients

Ceylon Electricity Board	104,453	104,453
Nagamu Purawara	Schedule 17	11,447,729
Removal of unauthorized structures-NHDA	350,568	350,568
	1,599,750	1,599,750

Schedule 8

Sundry creditors

Ministry of Construction, Housing, and Common Amenities	-	8,625,228
Goods and services taxes	-	15,733,971
Goods and services taxes	4,077,600	3,066,240
Value Added Tax	1,109,347	550,781

Financial Statement

Sundry advances	3,369	3,339
Department of Fisheries	-	223014
Sinking fund of the Edmonton government servant housing scheme	10,061,700	8,654,186
Maintenance fund of Serpentine Government Housing Scheme	-	230,226
P.M.K.Dinesh Asanka	7,771	7,771
B.M.G.R.K. Banagetenna	-	325,000
S.P.C.K. Fernando	-	350,000
H.R.Nandasena	1,049	1,049
Soyzapura Housing Scheme-“Swayan Saviya”	6,865	6,865
Indrajith De Silva	3,146	3,145
Lunawa Samudra Shakthi Management Corporation	387,808	253,350
Attorney General’s Department	-	1,268,400
Pan Arch –Kumudu S. Munasinghe	-	350,000
Ranpokunagama Management Corporation	-	96,000
Kinross avenue Management Corporation	534,740	500,000
Welfare Society-CMA	199,000	-
L.Reach	786	-
Sundarampillai	786	-
Nagendran	786	-
M.M.P.H. Mohideen	786	-
Daya Wellage	3,146	-
<u>S.P.Gunasekara</u>	3,146	-
	<u>16,401,830</u>	<u>40,248,565</u>

Schedule 9

Service charge income

Project service charges	Schedule 18	1,591,872	16,965,149
Decentralized/ provincial council project service charges		-	191004
		<u>1,591,872</u>	<u>17,156,153</u>

Schedule 10

Issuing certificates for condominium property

Certificates issued for property of which construction has been completed-up to 5 units	2,371,871	-
Certificates issued for property of which construction has commenced-up to 5 units	43,477,054	12,391,032
Certificates issued for partial constructions –up to 5 units	68,416	-
Fees for renewal of condominium certificates –more than 5 units	48,236,293	13,632,400
Certificates issued for semi constructions	36,472	1,147,148
Fees for renewal of condominium certificates	83,000	80,000
Certificates of compliance issued for the layout	408,788	299,500
Fees for recommending the removal of condominium property	4,000	5,000
	<u>94,655,894</u>	<u>27,555,080</u>

Schedule 11

Repairs and maintenance income

Maintenance income of MP's housing scheme, Madiwela	3,481,593	3,192,136
Maintenance income -Pump house, Negambo Hospital	2,104,226	1,857,081
Maintenance income- pump house, Gampaha Hospital	2,754,337	5,983,611
Maintenance income of Elvitigala housing scheme, Gampaha	864,522	803,321
	<u>9,204,678</u>	<u>11,836,149</u>

Schedule 12

Miscellaneous income

Kataragama circuit bungalow income	357,480	427,276
Other income	286,967	77,275
Insurance compensation	-	318,779
	<u>644,447</u>	<u>823,330</u>

Schedule 13

Registration fees

Contractor registration income	5,000	2,500
Income from the registration of private management corporations	79,000	60,500
Income from the renewal of the registration of private management corporations	703,250	561,250
Income from the registration of management corporations of government housing schemes	1,250	14,250
Income from renewal of registration of management corporations of government H.S	68,000	68,650
Income from renewal of registration of management corporations of government H.S	-	400
Income from renewal of registration fees of Tsunami housing schemes	10,000	7,500
Income from the registration of private management corporations	31,250	35,300
Income from registration of management committees of government housing schemes	750	1,500
Income from renewal of registration of management committees of government housing schemes	2,000	3,750
Income from registration of management committees of Tsunami housing schemes	250	-
Suppliers' registration income	135,000	17,500
	<u>1,035,750</u>	<u>773,100</u>

Schedule 14

Mihindusenpura awareness programme

Income	-	1,300,000
Less	-	
Expenditure	-	729,982
Income surplus	-	<u>570,018</u>

Schedule 15

New Year festival fund

Donations	-	1,152,000
Less		
New Year festival expenses	-	1,136,342
Income surplus	-	<u>15,658</u>

Schedule 16

Repairs and maintenance income

Repairs and maintenance income of Elvitigala H.S.,Gampaha	30,948	5,531
Maintenance expenditure -Pump house, Negambo Hospital	86,627	401,326
Maintenance expenditure of MP's housing scheme, Madiwela	429,894	432,538
Maintenance expenditure- pump house, Gampaha Hospital	376,716	3,904,622
	<u>924,185</u>	<u>4,744,017</u>

Schedule 17

Nagamu Puravara advances

Money received for Nagamu Puravara project	2,491,071	2,491,071
Less-work value	(1,346,342)	(1,346,342)
Balance as at 31.12.2014	<u>1,144,729</u>	<u>1,144,729</u>

Schedule 18

Project service fee

Essential and urgent repairs in housing schemes constructed by the government	5,677,296	18,715,511
Organizing awareness programs for residents of condominium property and individuals associated with the sector	136,810	-
Condominium publication	121,020	-
Less		
Handing over the housing schemes to the people after restoration	(4,343,254)	(1,750,362)
	<u>1,591,872</u>	<u>16,965,149</u>

Schedule 19

Capital projects carried out with treasury provisions

Treasury provisions	106,014,659	141,025,341
<u>Less-Project expenditure</u>		
(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	43,115,447	139,760,453
(3) Organizing awareness programs for residents of condominium property and individuals associated with the sector	961,056	1,259,888
Condominium publications	850,139	-
	<u>44,926,642</u>	<u>141,025,341</u>
	<u>61,088,018</u>	<u>-</u>

Condominium Management Authority
Cash flow statement as at 31/12/2014

Cash flow for operational activities	2014	2013
Net loss/profit before income tax and specialized items	10,449,154	(8,961,997)
Adjustments		
Treasury provisions- for salaries	(10,000,000)	(10,000,000)
Depreciation allocation	3,045,684	9,228,663
Provision for doubtful debt	4,710,428	-
Provision for bonus	146,114	-
Provision for ETF	18,705,203	-
Provision for audit fees	330,000	-
Provision for gratuity	8,100,112	-
Investment income-Non operational income	(3,998,330)	(3,358,189)
Payment of income tax	-	920,610
Lease interest	1,259,211	1,259,211
	32,747,576	(10,911,702)
Changes in working capital		
Stock (increase)/decrease	(593,300)	(284,451)
Debtor (increase) /decrease	(3,960,495)	(16815159)
(Increase)/decrease in other receivable balances	(547,972)	(621784)
(Increase)/ decrease in payments made in advance	3,596	18962
(Increase) /decrease in payable balances	(36,203,313)	31893803
(Increase) /decrease in accrued expenditure	(318,673)	916480
(Increase)/ decrease in creditors	(23,846,735)	1534434
(Increase) / decrease in provisions	-	1719571
Cash flow generated by operational activities	(32,719,316)	4381286
Payment of lease installment	-	4055640
Interest payment-lease	(1,259,211)	(1259211)
Gratuity provision -payments	(2,951,639)	-
Doubtful debt	(2,840,620)	-
Income tax payment	-	920610
Audit fees	(374,045)	-
	(40,144,831)	6257105
Net cash flow upon investment activities		
Investments	-	(7760794)
Lease lend	-	(2796428)
Purchasing fixed assets	(1,860,802)	(750842)
Interest receipts	3,923,330	3358189
Dividend receipts	75,000	-
	(38,007,283)	(1692770)
Cash flow on financial activities		
Receipt of treasury provisions-for salaries	10,000,000	10,000,000
Receipt of treasury provisions –capital projects	106,014,659	132,950,000
Payments from treasury provisions	(44,926,622)	(132,950,000)
Long term loan receipts	26,806,383	-
Payments for financial leasing facilities	(2,796,428)	(4,055,640)
Dividend payments	-	-
Cash channeled for financial activities	95,097,971	5,944,360
Net cash flow for cash and cash equivalents	57,090,667	4,251,590
Starting balance- cash and cash equivalents	57,984,247	1,628,873
Closing balance- cash and cash equivalents	115,074,914	5,880,463

Condominium Management Authority

Statement on the change of net assets/ equity as at 31.12.2014

	Administration entity application for proprietor						Share rights	profits/ losses
	Capital participated	Statutory reserves	Revalued reserved	General reserves	Cumulative profits/ losses	Sum Total		
Balance carried forward as at 31 December 2014	3,000	2,262	22,309	1,350	(53,672)	(24,751)	-	(24,751)
Change in net assets/equity for the year 2014	-	-	-	-	-	-	-	-
Losses on revaluation of property	-	-	-	-	-	-	-	-
Profits on revaluation of investments	-	-	-	-	-	-	-	-
Exchange conversion changes on foreign operations	-	-	-	-	-	-	-	-
Net revenue growth identified in net assets/equity	-	-	-	-	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-	10,449	-	-	10,445
Previous year adjustments	-	-	-	-	26,806	-	-	26,806
Balance as at 31 December 2014	3,000	2,262	22309	1,350	(16,417)	12,504	-	12,504

Report of the Auditor General

2014

Report of the Auditor General on the Financial Statements of the Condominium Management Authority for the year ended 31 December 2014 in terms of Section 14 (2) (c) of the Finance Act No. 38 of 1971.

The audit of the statement of the financial position of the Condominium Authority for the year ended 31 December 2014 comprising the consolidated balance sheet as at 31 December 2014 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 are set out in this report. A detailed report in terms of Section 13 (7) (I) of the Finance Act will be issued to the Chairman of the Authority in due course.



1.2 Management's Responsibility regarding the Financial Statements

The preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and deciding internal controls enabling the preparation of financial statements that are free from material misstatements is the responsibility of the management.

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

I 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 2014 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 Accounting Policies**

The following shortcomings were observed in the policy of allocating provisions for bad debt and doubtful debt.

Audit Report

Answer of the Authority

<p>(a) The basis for allocating bad debt for debtors of the category 04-05 years in the age analysis has not been disclosed.</p>	<p>(a) Thghh Though the basis for making allocations for bad debt of the age category of 4-5 years in the age analysis is 50% and though incorrect figures have been inserted in presenting the financial reports, the calculations have been made correctly and action has also been taken to allocate provisions for bad debt in the final accounts. The relevant accurate figures are as follows.</p> <table border="1" data-bbox="858 450 1474 714"> <tr> <td>Years 0-2</td> <td>10%</td> <td>886,253.60</td> </tr> <tr> <td>Years 2-3</td> <td>20%</td> <td>92,723.80</td> </tr> <tr> <td>Years 3-4</td> <td>30%</td> <td>109,121.70</td> </tr> <tr> <td>Years 4-5</td> <td>50%</td> <td>392,064.00</td> </tr> <tr> <td>Over 5 years</td> <td>100%</td> <td>4,238,290.00</td> </tr> <tr> <td colspan="2"></td> <td>5,718,453.10</td> </tr> </table>	Years 0-2	10%	886,253.60	Years 2-3	20%	92,723.80	Years 3-4	30%	109,121.70	Years 4-5	50%	392,064.00	Over 5 years	100%	4,238,290.00			5,718,453.10
Years 0-2	10%	886,253.60																	
Years 2-3	20%	92,723.80																	
Years 3-4	30%	109,121.70																	
Years 4-5	50%	392,064.00																	
Over 5 years	100%	4,238,290.00																	
		5,718,453.10																	
<p>(b) Though 50% was allocated for bad debt for debtors over 5 years in the age analysis, it was observed that it was not prudent to allocate 0.1%, 0.5% and 1.0% respectively for the debtors in the age category of 1-2 years, 2-3 years and 3-4 years.</p>	<p>(b) The figures shown in the audit report too should be amended as per the answer for (a) above.</p>																		
<p>(c) Though there wasn't a single debtor exceeding 10 years in the institution as at 31 December in the year under review, it has been indicated that an allocation of 100% is made in this regard as per the accounting policy.</p>	<p>(c) This is due to an oversight in presenting the notes, but measures have been taken to allocate provisions amounting to 100% for debtors over 05 years in computing the provisions relevant to the accounts. Since the debtors over 05 years amount to Rs. 4,238,230/=, provisions have been made accordingly.</p>																		

2.2.3 Accounting deficiencies

<p>The following deficiencies were observed</p>	
<p>(a) Owing to the over computation of the gratuity by Rs. 2,591,460 for the year under review, the expenditure and allocation have been overstated by that amount.</p>	<p>(a) During the year 2014, six employees retired from the service and the value of the gratuity paid to them was Rs. 2,951,639/-. In paying this gratuity, the payments were adjusted through provision accounts and in computing the provisions for the relevant year, the value of the gratuity paid to the employees retired during the year has been taken into account. Accordingly there has been overvaluation or undervaluation in the financial statements.</p>
<p>(b) Though the unspent balance of Rs. 61,088,018/= from the provision allocated from the Treasury for urgent and essential repairs of housing schemes should have been shown in the statement of financial position as at 31 December of the year under review, that value has been shown under "provisions".</p>	<p>(b) Action will be taken to correct this in the coming year as per the instructions of the audit report.</p>
<p>(c) Though the Authority has made an operational profit of Rs. 10,449,154 during the year under review, no details regarding the calculation of income tax have been disclosed through financial statements.</p>	<p>(c) As the Authority has been incurring losses over the past several years, it became entitled to tax concessions. Further, since the profit was only Rs. 337,000/- after the deduction of Treasury provisions of to Rs 10 million for the payment of salaries, tax computation has not been carried out. However, measures will be taken in the future for the disclosures of tax computations in the financial statements.</p>

Audit Report	Answer of the Authority
(d) No disclosures have been made regarding the balance of Rs 2,500,000 in the bonus shares account at the end of the year under review.	(d) Measures will be taken in the coming years to make disclosures that should be made in financial statements relating to bonus shares.
(e) Other expenses amounting to Rs. 54,423 had been included in the financial expenditure.	(e) Measures will be taken in the coming year to correctly show financial expenses in accounts reports.
(f) The following deficiencies were observed in preparing the cash flow statement of the year under review.	
1. As a result of recording adjustments made for previous years amounting to Rs. 26,806,383/- as long-term loan adjustments under the cash flows generated through financial activities, the cash flow generated from financial activities indicated in the cash flow statement has been overstated by that amount.	i. Since the relevant adjustments have been shown in the accounts as adjustments for previous years in order to write off creditor values from books, action has been taken to indicate that value in the cash flow statement under the cash flow on financial activities. However, measures will be taken to correct this in the coming year as per the instructions of the audit report.
11. As the debtor value written off from books during the year under review has been done in the provisions accounts and as a result of showing the value of bad debt amounting to Rs. 2,840,620/- debited to the that provisions account as cash outflow under the operational activities in the cash flow statement, the net cash flow generated during the year under review from operational activities has been understated by that amount.	Debtor value of Rs. 2,840,620 written off from books has not been shown under the operational activities in the amended cash flow statement and has been shown as cash outflow under the non-operational activities.
111. Though Rs. 10 million received from the Treasury during the year under review for operational activities and expenses made from it have been taken into consideration in computing the operational profit, it has been indicated as a cash inflow over financial statements in the cash flow statement.	Measures will be taken in the coming year to correctly indicate in the cash flow statement.
iv Though the increase in the trade debtor. Employee loan and receivable balances in the year under review was Rs. 2,096,495/-, as a result of showing it as Rs 3,960,495 under the changes in working capital in the cash flow statement, the net cash flow generated from operational activities has been understated by Rs 1,863, 807/-.	In calculating the increase in the trade debtor. Employee loan and receivable balances, the sum of Rs. 1,863,807 which is the value of cash outflow in respect of provisions for bad and doubtful debt shown under schedule 2 of accounts reports has been used in the above calculations. Accordingly there has been no understatement.
The net cash flow from operational activities and the net cash flow from investment activities have not been shown separately in the cash flow statement.	Measures will be taken to rectify this in the coming year.
(g) Gratuity of Rs. 157,989/- payable to an officer who retired at the end of the year under review has been taken away from the gratuity allocation account and brought into accounts as an accrued expenditure.	(g) Allocations have been made at the end of each year for the payment of gratuity of employees. If an employee retires during the year, the value of the gratuity in respect of him is settled from the allocation account. Accordingly, gratuity payments have not been accounted under accrued expenditure. However measures will be taken in the year 2015 to correct this
(h) The profit of the year under review had been overstated by Rs. 2,935,540 owing to the offsetting of a provision for depreciation over-calculated due to a miscalculation of fixed assets last year from the provision of depreciation for the year under review.	(h) Lapses occurred in calculating depreciation in the year 2013 have been corrected in the year 2013.

Audit Report	Answer of the Authority
(i) Provisions for bad and doubtful debt have been overstated by Rs. 3,552,990 for the year under review due to miscalculations.	(i) Matters applicable to answer 2.2.1 (b) are applicable to this as well, i.e. this was due to the shortcomings in the notes of the financial statements relevant to bad and doubtful debt. However, since the values indicated under financial statements are accurate, there has not been over-calculation of bad and doubtful debt.
(j) Though only line items of property, plant and equipment should have been indicated in the face of the statement on financial position and the relevant items should have been presented as a detailed note in financial statements, the Authority had presented fixed assets as 06 additional line items and adequate disclosures had not been made in respect of reserves amounting to Rs. 23,658,765 and capital exchanges amounting to Rs. 2,262,663.	(j) As shown in the audit report, action will be taken in the coming year to indicate property, plant and equipment only as a line item in the face of the statement on financial position.
(k) Adjustments of Rs. 37,255,538 made to the cumulative fund shown in the equity change statement have been again given in details in the face of the statement on financial position.	(k) As per the instructions of the audit report, action will be taken for correction in the year 2015.
(l) Though comparative information of the previous year should be presented in respect of all numerical information reported in financial statements, the Authority had not included the changes in equity for the year 31 December 2013 in the changes in equity statement presented as at 31 December 2014.	Action for correction will be taken in the year 2015
(m) Though inaccuracies of previous years should be corrected during the year under review by restating retrospectively and disclosed adequately in financial statements, this had not been followed in respect of tax money totalling up to Rs. 18,132,818 of previous years and Employees Trust Fund in arrears amounting to Rs. 18,705,203 which had been indicated as salaries and allowances in the year under review and had been adjusted to the profit of the year under review.	-----
(n) As a result of a balance of Rs. 9,125,215 out of the grant made available by the Treasury to the Authority in 1999 to pay compensation to officers who went on voluntary retirement being taken into the revenue in the year under review without the approval of the Treasury, the profit of the Authority for the year had been overstated by that amount.	The balance of Rs. 9,125,215 out of the money allocated to pay compensation to employees who went on voluntary retirement was forwarded to the ministry on a decision taken by the Board of Directors and was written off from books after securing the approval of the Treasury..
2.3 Accounts Receivable and Payable	
Following facts were observed.	
(a) The Authority has not taken measures to recover balances amounting to Rs. 4,301,290 to be recovered from 04 debtors brought forward for over 05 years.	The Authority has taken measures to recover the balances of over 05 years of the following debtors and the details are as follows
	Gampaha hospital- Rs. 561,740/- . Reminders have been sent on 25.07.2014, 15.08.2014, 17.12.2014 and 14.10.2015 to recover this amount and it has been agreed to settle this amount within the next few months.
	Lanka Net (Pvt) Ltd- Rs. 807,187/- A case has been filed under 53429/MR to recover the above amount and a ruling on the matter is yet to be delivered.

Audit Report	Answer of the Authority
	Platinum Reality Investment – Rs. 2,439,872/- This is the balance of the fee to be recovered for issuing certificate for a condominium property and the relevant institution will make the payment after completing the construction and obtaining the certificate of compliance.
	Arbitration fees- Rs. 492,491/- The matter has been referred to the legal division to initiate action to recover the amount.
(b) Though the Authority should have received Rs. 2,133,646 as arbitration fees from the year 2006, action has not been taken to recover this amount.	The matter has been referred to the legal division to initiate action to recover the amount.
(c) Even up to June 2015, no measures had been taken to recover a sum of Rs. 621,435/- due from Gampaha Hospital from 2009.	Reminders have been sent on 25.07.2014, 15.08.2014, 17.12.2014 and 14.10.2015 to recover this amount and it has been agreed to settle this amount within the next few months.
(d) No measures had been taken even by the end of June 2015 to pay Rs.9,604,028/- out of the total withholding tax of Rs. 12,391,260/- payable to contractors for the contracts carried out in the years 2012 and 2013,	Of this amount of Rs.9, 604,028/- retained as withholding tax, Rs. 3,136,957/- has already been settled.
(e) The Authority has not taken any action in respect of safe deposits of Rs. 1,502,212 exceeding two years, retention money amounting to Rs. 5,946,862 and tender deposits of Rs. 81,400.	(e) Safe deposit tax and retention money of Rs. 3,561,663 have been paid by now.
2.4 Non-compliance with laws, rules and regulations and management decisions.	
The following instances of non-compliances were observed.	
Reference to laws, rules, regulations and management decisions	
(a) Subsection (e) of section (5) of the Common Amenities Board (Amendment) Act No 24 of 2003.	Though the Authority should manage and administer the activities of management corporations of condominium properties, according to the information furnished by the Authority, the number of condominium certificates issued was only 813 though certificates have been issued from 2005 up to 31December of the year under review. Similarly, though it was targeted to register 1080 management corporations and committees during this period, only 829 management corporations had been established by the end of the year under review. 396 out of the 813 certificates issued until the end of the year under review were for condominium properties with less than 05 units. Since such properties have been constructed to be distributed among the members of the same family, it is practically not possible to establish management corporations in them. Accordingly, though it was targeted to establish 1080 committees/ corporations since the year 2005, only 829 corporations could be established.

Audit Report		Answer of the Authority
(ii) Subsection (h) of section five	<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. The Chairman of the Authority expressed as follows regarding this.</p> <p>'Though common elements such as public roads and parks should be transferred to local government authorities as per section (g) of the Act, the local government authorities have refused to acquire them as they do not have sufficient funds to repair and maintain common elements in housing schemes like Maligawatta and Jaltara.</p>	<p>(ii) Subsection (h) of section five</p> <p>The Authority is currently pursuing action to seek funds from the Treasury for the repairing of common elements such as public roads and parks rejected by local government authorities and steps have also been taken to make another request to the relevant local government bodies through the National Housing Development Authority which is the developer of the above properties.</p>
<p>Establishments Code of the Democratic Socialist Republic of Sri Lanka</p> <p>(i) Chapter VIII Section 6.1</p>	<p>Though the general overtime ratio for officers receiving monthly salaries is one eighth of the daily salary, the Authority had made overtime payments using various ratios. Accordingly, the payment exceeding the stipulated amount was Rs. 2,332,888.</p>	<p>Establishments Code Chapter VIII Section 6.1</p> <p>Payments are made for the posts of management assistants, office assistants, caretakers, office labourers as per section 7(2) of the Shops and Office Employees Act and overtime for the posts of house administrator, driver, skilled labourer, unskilled labourer is paid as per the provisions of the Wages Board Ordinance. Accordingly, the approved ratios have not been exceeded in paying overtime to workers.</p>
(a) Section 9.2 of Paragraph VIII	<p>Though both the holiday allowance (1/30) and overtime allowance cannot be paid for the same period of duty, the Authority had paid both allowances for the same period of duty in violation of this for grades such as KKS, accounting officers, caretakers, management assistants and office labourers and the holiday allowance thus paid in addition to the overtime allowance was Rs. 869,711/-</p>	<p>As per office regulations volume CMA/4/1/3/7/11 dated 29.10.2010 and 29.08.2006, it has been stipulated that in lieu leave or day's salary can be paid in addition to overtime allowance. Such payments have only been paid for officers belonging to the grades of management assistant, KKS, caretaker and office labourer.</p>
(b) Chapter XII Section 15.10.1	<p>As a result of approving no-pay leave to a driver of the Authority without recovering the loan balance of Rs. 74,262, though no-pay leave should not be approved to an officer applying for no-pay leave for overseas employment until the settlements all the loans he/she had obtained, that loan had remained unrecovered from October in the year under review.</p>	(g) Chapter XII Section 15.10.1

Audit Report	Answer of the Authority
3 Financial Review	
3.1 Financial Review	
<p>According to the financial statements submitted, the financial outcome of the Authority for the year ended 31 December 2014 was a surplus of Rs. 10,449,154 and conversely the deficit of last year was Rs. 8,961,997. Thus, in comparison to last year, a growth of Rs 19,411,151 was observed in the financial outcome. The main reason attributable to this growth is the increase of income from issuing certificate to condominium properties by Rs. 67,105,814 in comparison to last year.</p>	<p>The increase in the certificate income resulted in the Authority being profitable in the year 2014. Accordingly, until amendments to the Act are passed and provisional condominium certificate is made compulsory, during the last quarter of the year 2014, the authority levied 1/3 of the certificate fee to be levied from the relevant condominium property when clearance letters were issued by the Authority prior to the approval of the plans for condominium properties and this directly contributed to the growth in the income.</p>
3.2 Analytical financial review	
The following observations are made.	
<p>(a) Though the income during the year under review has registered an increase of Rs. 48 million or 77% in comparison to the previous year, the financial outcome after settling the expenditure was a profit of Rs. 449,155/-. (before adjustments were made to the receipt of Treasury) As expenditure too has grown exponentially corresponding to the increase in the revenue, the financial outcome was of lower value. The increase of employees' salaries and allowances by 70 percent and the increase of financial expenditure by 140 percent had directly contributed to the sharp spike in expenditure.</p>	<p>(a) Compared with previous year, the financial outcome in the current year has recorded a plus value. However allocation of provisions for arrears in unpaid E.P.F & E.T.F in respect of cost of living and the increase in employees' salaries and allowances were the major contributing factors to the lower financial value.</p>
<p>(b) In comparison to previous year, the service charge income has declined by 91 percent and other operational expenditure has increased by 18 percent. The increase in the interest income for seven day deposits was the reason for the increase in non-operational income.</p>	<p>(b) Arrangements were made to effect the repairs planned to be carried out using treasury provisions of 2014 through State Development and Construction Corporation. However, the service charge has taken a lower value since the said task could not be completed within the expected period. Similarly, the reason for the increase of operational income by 18% was the increase in the seven day deposits in comparison to the previous year.</p>
<p>(c) Though a favourable balance of Rs. 12,504,708 is reflected in net assets at the end of the year under review, during the past three years it had taken minus values respectively as Rs. 24,750,830/- , Rs. 15,788,833/- and Rs. 31,794,284/-. The receipt of Rs 10 million from the Treasury for the payment of employees' salaries and the previous year adjustment of Rs. 28.80 million were attributable to the increase in net assets.</p>	<p>(c) Matters outlined in audit paragraph primarily contributed to this increase in net assets.</p>
4 Operational Review	
4.1 Performance	
The performance of the Authority in the year under review is as follows.	

Audit Report

Answer of the Authority

Subject	Target		Progress			
	Physical	Financial	Physical		Financial	
	No	Rs.Million	No	Percentage	Rs.Million	Percentage
Issuing condominium certificates	75	29.42	110	146	98.57	335
Establishing management corporations	50	0.25	45	90	0.09	36
Government flats	09	122	08	88	7.43	06
Tsunami Deeds	34	100	-	-	-	-

(a) During the year under review, the physical progress and the financial progress in the issuance of condominium certificates respectively were 146% while was 335%.	(a) The decision to levy 1/3 rd of the certificate income at the time of issuing clearance letters during the last quarter of 2014 has directly contributed to the increase in certificate income and its physical value.
(b) During the year under review, the financial progress in the establishment of management corporations was 36% of the expected target.	(b) Though the physical progress in establishing management corporations was 90%, the financial progress was only 64%. The major contributory factor for the reduced financial progress was the difficulty in obtaining registration fees when management corporations are established in the government constructed properties.
(c) Though the Authority had targeted to renovate 09 multi storied government housing schemes using a provision of Rs. 122 million, the work has commenced in only 08 and the work of the Elapitiwala housing scheme with an estimated value of Rs. 13.48 million had not been commenced.	(c) Though the restoration activities were handed over the State Development and Construction Corporation, it could not complete the task within the year. As a result, the restoration activities of the Elapitiwala housing scheme could not be commenced during the relevant year.
(d) Though the Authority has planned to persuade management corporations to insure 420 condominium properties, during the year under review only 22 of them had been insured.	(d) Insurance coverage has been obtained for 109 properties for which the Authority issued certificates in the year 2014 and the Authority has also taken measures as of now to have 293 private condominium properties insured.
(e) During the year under review, it had been targeted to grant 34 deeds on a provision of Rs 100 million for the condominium properties constructed for the Tsunami affected people but the Authority has not been able to grant even a single deed during the year under review. <i>The Chairman of the Authority has informed the audit that even though it was planned to grant deeds to residents of Tsunami housing schemes in the year 2014, the granting of the deed had to be delayed as the Ministry of Lands was not able to finalize to enact regulations enabling the transfer of the relevant properties.</i>	(e) It has been proposed to the National Housing Development Authority and the Ministry of Housing and Construction to transfer these properties to the National Housing Development Authority under the terms of section 7(1) of the NHDA Act in order to expedite the activities pertaining to the granting of deeds to these Tsunami affected people until regulations are enacted to the Land Act.
(f) Though the Authority was expecting to secure 40 contracts implemented under the Provincial Councils and decentralized budgets during the year under review, the Authority failed to secure even a single contract.	(f) During the year under review, the relevant local government authorities had not awarded any of the contracts implemented under the provincial councils and decentralized budgets to this Authority. However action is being pursued to secure such contracts in the year 2016

Audit Report	Answer of the Authority
4.2 Management Inefficiencies	
The following observations have been made	
(a) Though the gratuity obligation as at 31 December 2014 was Rs. 27,329,966, the value of the investment made in that connection was Rs. 3,524,227. Accordingly, the management had not taken measures to invest the deficiency of Rs. 23,805,739.	(a) Out of the gratuity value of Rs 27,329,996, a sum of Rs.8,637,547 has been invested as of now. Measures will be taken within the next few years to invest the remaining amount.
(b) Even by 30 th May 2015, the Authority had not taken steps to recover a sum of Rs. 3,836,596 erroneously paid during the renovation of buildings of housing schemes to the contractor for items of work which had not been carried out according to the bill of quantities.	The former chairman has conducted an inquiry regarding the irregularities that had taken place in the housing scheme at Dias Place, Colombo 15 and Dissanayakewatta A,B,C buildings and the relevant report has been submitted to the Government Audit Division. The report has not confirmed that a financial irregularity had taken place and it has only mentioned of dereliction of duty and accordingly the responsible officers have been penalized. However, at the 102 nd Board meeting held on 24.08.2015, it has been decided to call another report through an officer in the pool of the disciplinary inquiry officers of the Ministry of Public Administration.
(c) Owing to the computation of employees' provident funds from 06 January 2006 to 31 December 2013 in violation of the provisions of the Employees' Provident Fund Act by the Authority, it had to incur an additional expenditure of Rs 5,077,920 at the end of the year under review and the penalty in respect of this was Rs 6,245,108. Accordingly, the total financial loss to the Authority as at 31 December 2014 was Rs 11,332,029.	(c) This situation is prevalent in the majority of public sector institutions and provisions have been allocated in the year 2014 to make payments as per the notice to be given by the Labour Department. Computations in respect of this amount to be paid has been done and handed over to the Labour Department and instructions have been received not to make payments until a written communication is made by that Department regarding the computation. Accordingly, action will be taken to make the relevant no sooner the appropriate instructions are received.
(d) Though it has been planned to amend the Common Amenities Board Act No.10 of 1973 and Apartment Ownership Act No.11 of 1973 during the year under review, not even the approval of the Legal Draftsman's Department had been obtained even by 30 th May 2015 for the relevant amendments.	Measures have been taken to submit a cabinet paper to review the proposals of the Cabinet subcommittee appointed in respect of the relevant amendments to the Acts.
(e) There is no mention about liquidated damages in the agreement between the Authority and the State Construction and Development Corporation, if the later failed to complete the task within the stipulated time.	(a) The period of contract was extended till 30.11.2015 taking into account practical problems that made it difficult to complete the renovations after the period of contract of the project. Further, as the renovation activities are carried out by a state sector institution, there was no need to impose penalties.
4.3 Operational inefficiencies	
Though the Authority is responsible for maintaining active management corporations as per the Common Amenities Board (Amendment) Act No. 24 of 2003, out of the 628 management corporations established by the Authority by the end of the year under review, 378 i.e. 60% remained inactive.	Management corporations becoming inactive is not a management inefficiency but a situation that has come into being as a result of issues associated with the attitudes, personal opinions and correlation of the residents of government condominium properties. Further, this has directly affected the state properties constructed by the National Housing Development Authority but has had no impact on private condominium properties.

Audit Report	Answer of the Authority
4.3 Non-economic transactions	
<p>Though the Authority had earned Rs.5,935,126 by renovating multi-storied housing schemes of the government, Rs. 4,343,255 out of that amount had been spent on ceremonies held to vest such properties with the people. It was 73 percent of the revenue earned.</p>	<p>The total value of this project is Rs. 70 million. The service charge earned from the relevant project is Rs. 8.9 million. Further, there are 1081 housing units in these housing schemes with approximately 5000 residents. This amount has been spent on the ceremonies conducted to hand over renovated schemes to their residents and to make plaques. In the year 2015, no such expenditure has been incurred.</p>
4.4 Staff Administration	
<p>For the year under review, the approved and actual staff respectively was 139 and 110 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 29th December 2013 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 by 28 December 2014 when his service ended and as a result that position remained vacant even by 31 May 2015 and the Secretary of the Ministry had appointed an officer on acting basis.</p>	<p>(a) After calling for applications to recruit an officer to this post, interviews were conducted on 11.12.2014. As a result of an irregularity at the interview, the selected candidate could not be recruited and applications could not be called again. Until an officer is recruited on permanent basis, the secretary has appointed the General Manager as the acting General Manager with effect from 28.01.2015.</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>Duties pertaining to the post of Deputy General Manager (Regulatory) and the posts of Assistant General Managers are currently executed by senior officials on acting basis. Hence, this situation die not have impact on the performance of the Authority. However measures will be taken to fill these vacancies as soon as possible.</p>
<p>(c) Further, no effort had been made in the year under review to fill 18 secondary posts and 04 primary posts that had fallen vacant.</p>	<p>Filling of secondary posts were temporarily suspended taking into account the financial situation of the Authority, but measures will be taken to fill those vacancies in the year 2015.</p>
<p>(d) 04 officers have been deployed on acting basis for a period of 01 to 03 years in violation of Paragraph 9.3.1 of Public Administration Circular PED/12 dated 02 June 2003.</p>	<p>These acting basis appointments have been made until permanent recruitments are made for these posts.</p>
5 Accountability and Good Governance	
5.1 Action Plan	
<p>The following observations are made.</p> <p>(a) The following strategies incorporated in the Corporate Plan 2014-2018 to be implemented during the year under review and approved at the meeting No. 91 of the Board of Directors held on 26 December 2013 had not been included in the Action Plan of the year under review and none of these tasks had been carried out during the year under review.</p> <p>-establishing a sinking fund for operational activities</p>	<p>Though a project report was presented in the years 2014 and 2015 seeking treasury funds to establish a sinking fund for operational activities, the Treasury did not release funds. However, action has been taken to saubmit the above project again in the year 2016.</p>

Audit Report	Answer of the Authority
-Purchasing a land to construct a permanent building for the Authority	Though treasury provisions were expected in the year 2013 to purchase a land to construct a permanent building for the Authority, the Treasury had not allocated funds for the proposal. Therefore it was not included in the Action Plan for 2014.
-protecting the rights of stakeholders (those who expect to purchase condominium properties)	The Authority has filed several cases by now to protect the rights of such persons and their rights can be protected by obtaining the certificate of compliance after the completion of the legal proceedings
(b) The following tasks included in the Action Plan to be completed within the year under review had not been completed even by the end of the year.	
-regularizing unregistered government/private property	Several cases have been filed to regularize such properties and action is also being pursued to amend Apartment Ownership Act No. 09 of 1999.
-appointing administrators to dormant management corporations	The appointment of administrators for dormant management corporations should be done in accordance with the provisions of the Act and such management corporations have not been identified in the year 2014.
-Establishing a condominium management service unit.	Though a project report was submitted in 2014 for securing treasury provisions to establish a condominium management unit, no provisions were allocated by the Treasury. This report has once again been submitted to the Treasury in the year 2016.
-Transferring ownership of properties constructed for Tsunami victims to their residents.	Since there are no provisions in the Land Act to transfer the ownership of properties constructed for tsunami victims, the Department of Land is currently engaged in making regulations for this purpose. But this process is yet to be completed and as such activities pertaining to the transfer of tsunami properties had to be delayed. Further, a proposal has been made to the Ministry to acquire the relevant properties to the National Housing Development Authority under section 7(1) of the NHDA Act with a view to expediting the activities connected with the granting of deeds to the residents of relevant properties.
-handing over parks, playgrounds and roads in condominium properties to local government authorities.	Though the Authority pursued action continuously to hand over the parks, playgrounds and roads of condominium properties to the local government bodies, they refused to accept such common elements saying that they did not have funds to maintain them. Having reconsidered this situation, it has been decided to make another request through the National Housing Development Authority which is the proprietor of the above properties.
(c) Targets to be achieved of the activities relevant to the strategies incorporated in the Action Plan for the year under review and indicators for the evaluation of performance had not been prepared.	This Authority is a regulatory Authority and only when indicators can be prepared for the evaluation of performance, action has been taken to present such indicators.
5.2 Budget Documentary Control	
Since significant differences were observed in the budgeted figures when compared with the actual income and expenditure as per the financial statements presented by the Authority, it was observed that the budget document had not been used as an effective financial controlling instrument.	The budget has been used as a controlling tool of the Authority .

Audit Report	Answer of the Authority
5.3 Tabling of Annual Reports	
The Annual Report in respect of years 2012 and 2013 had not been tabled in Parliament even by the end of the year under review.	Annual Report for 2012 has been referred to the Ministry to be tabled in Parliament. Annual Report for 2013 has been forwarded to the Ministry
6 Systems and Controls	
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. (a) Accounting (b) Assets management (c) Condominium property management (d) Advance control (e) Accounts payable and receivable (f) Budgeting (g) Contract administration	Action will be taken to pay more attention to the relevant systems and controls and action will be taken to rectify the existing shortcomings by obtaining reports from the Internal Audit Division as well.


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கணக்காய்வாளர் தலைமை அறிப்பி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



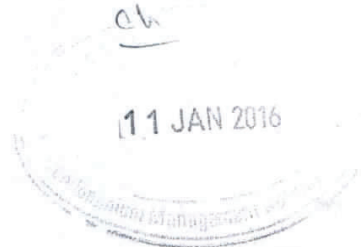
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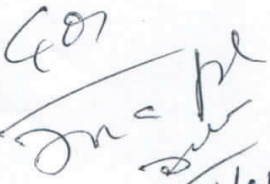
සභාධිපත්‍ය කළමනාකරණ අධිකාරියේ 2014 දෙසැම්බර් 31 දිනෙන් අවසන් වර්ෂය සඳහා වූ මූල්‍ය ප්‍රකාශන පිළිබඳව 1971 අංක 38 දරන මුදල් පනතේ 14(2)(සී) වගන්තිය ප්‍රකාර විගණකාධිපති වාර්තාව

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


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- පිටපත් : 1. ලේකම් - නිවාස හා ඉදිකිරීම් අමාත්‍යාංශය
 2. ලේකම් - මුදල් අමාත්‍යාංශය



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கணக்காய்வாளர் தலைமை அறிப்பி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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உமது இல. }
Your No. }

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திகதி } 07 September 2015
Date }

The Chairman,

Condominium Management Authority.

Report of the Auditor General on the Financial Statements of Condominium Management Authority for the year ended 31 December 2014 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 2014 comprising the statement of financial position as at 31 December 2014 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 information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13 (1) of the Finance Act, No. 38 of 1971 and Section 21 of the Common Amenities Board Law, No. 10 of 1973. 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 will be issued to the Chairman of the Authority in due course.

1.2 Management's Responsibility for the 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.



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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 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 2014 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 Accounting Policies

The following deficiencies were observed with respect to the policy on the provision for bad debts and doubtful debts.

- (a) The basis for the provision for bad debts for the debtors in the age analysis ranging from 04-05 years, had not been disclosed in the financial statements.
- (b) Even though the provision for bad debts of 50 per cent had been made for the debtors older than 05 years in the age analysis, providing 0.1 per cent, 0.5 per cent, and 1.0 per cent for bad debts with regard to debtors in the age ranged 1-2 years, 2-3 years, and 3-4 years respectively, had been observed to be non-prudent.
- (c) None of the debtors older than 10 years as at 31 December of the year under review could not be seen in the Authority. However, it was stated in the accounting policy that 100 per cent for bad debts would be provided in that regard.

2.2.3 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Due to over- computation of gratuity by a sum of Rs. 2,951,460 for the year under review, the expenditure and the provision for the year had been over-stated by that amount.
- (b) A sum of Rs. 61,088,018 saved from the money received from the Treasury for urgent and essential repairs of the housing schemes during the year under review, had been shown under "provisions" in the statement of financial position as at 31 December of the year under review instead of being shown as Treasury imprests.
- (c) Even though the Authority had earned an operating profit of Rs. 10,449,154 during the year under review, the financial statements had not disclose any information relating to the computation of taxes.



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- (d) The financial statements had not disclose any information relating to the balance of Rs.2,500,000 in the Bonus Share Account by the end of the year under review.
- (e) Other expenses amounting to Rs. 54,423 had also been included in the financial expenses.
- (f) The following accounting deficiencies were observed in the preparation of cash flow statement for the year under review.
- (i) As adjustments valued at Rs. 26,806,383 made for the preceding years had been stated as long term loan adjustments under the cash flows generated from the financing activities, the cash flow generated from the financing activities that had been shown in the cash flow statement, had been over -computed by that amount.
 - (ii) As provisions relating to the debtor balances written off from the books during the year under review, had been made in the accounts, and the bad debt valued at Rs. 2,840,620 that had been debited to the account, had been shown as a cash outflow under the operating activities in the cash flow statement, the net cash flow generated from the operating activities during the year under review, had been under- computed by that amount.
 - (iii) The sum of Rs. 10 million received from the Treasury for operating activities, and the expenses incurred there from had been considered in the computation of operating profit. However, it had been shown in the cash flow statement as a cash inflow from the financing activities.
 - (iv) Although the increase in the trade debtors, employee loans and receivable balances was Rs. 2,096,688 during the year under review, the said value had been shown as a sum of Rs. 3,960,495 under the changes in working capital in the cash flow statement. Hence, the net cash flow generated from the operating activities, had been under-computed by a sum of Rs. 1,863,807.
 - (v) The net cash flow generated from the operating activities, and the net cash flow generated from the investment activities , had not been separately shown in the cash flow statement.



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- (g) The gratuity amounting to Rs. 157,989 payable to an officer who retired by the end of the year under review, had not been accounted as an accrued expense by removing it from the Gratuity provision for Account.
- (h) As over provision for depreciation , made due to an erroneous computation on the fixed assets for the previous year, had been set off against the provisions for depreciation to be made for the year under review, the profit of the year under review had been over-stated by a sum of Rs. 2,935,540.
- (i) Provisions for bad and doubtful debts for the year under review had been overstated by a sum of Rs. 3,552,990 due to computational errors.
- (j) Only the linear item of Property, Plant, and Equipment should be stated on the face of the statement of financial position whilst relevant items should be shown in the financial statements as a detailed note. Nevertheless, the Authority had presented fixed assets as 06 additional linear items, and transfers of reserves valued at Rs. 23,658,765 and capital transfers valued at Rs. 2,262,663 had not been adequately disclosed.
- (k) Adjustments of Rs. 37,255,538 stated in the statement of changes in equity as being made to the Accumulated Fund , had again been shown on the face of the statement of financial position in detail.
- (l) The statistical information reported in the financial statements should be presented in a along with the comparative figures of the preceding year. However, the Authority had not included the corresponding changes in equity for the year ended 31 December 2013 along with the statement of changes in equity presented as at 31 December 2014.
- (m) The rectification of errors relating to the preceding years should be adequately re – stated in the financial statements retrospectively. However, action had not been taken in such a manner with regard to taxes totaling Rs. 18,132,818 with regard to the preceding years , and outstanding employee trust funds amounting to Rs. 18,705,203 that had been shown as salaries and allowances for the year under review. Instead, those sums had been adjusted to the profit of the year under review.



- (n) A sum of Rs. 9,125,215 which had been saved from the money granted to the Authority by the Treasury in 1999 for paying compensations to the employees who retired voluntarily, had been included in the income of the year under review without Treasury approval, and hence, the profit of the year had been over-stated by the same amount.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) The total of the balances receivable from 04 debtors brought forward over a period of more than 05 years, amounted to Rs. 4,301,290 and action had not been taken to recover those balances.
- (b) A sum of Rs. 2,133, 646 remained recoverable to the Authority as arbitration fees since the year 2006, but action had not been taken to recover the said money.
- (c) A sum of Rs. 621,435 that remained recoverable since 2009 from the Gampaha hospital , had not been recovered even up to 30 June 2015.
- (d) Action had not been taken even by the end of June , 2015 to pay a sum of Rs. 9,604,028 from the withholding tax aggregating Rs. 12,391,260 and payable to contractors for the contracts completed in the years 2012 and 2013.
- (e) No action whatsoever had been taken by the Authority relating to security deposits of more than 2 years amounting to Rs. 1,502,212, retention money amounting to Rs.5,946,862, and tender deposits amounting to Rs. 81,400.



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2.4 Non-compliances with Laws, Rules, Regulations and Management Decisions.

The following non-compliances were observed.

<u>Reference to Laws, Rules, Regulations and Management Decisions</u>	<u>Non-compliance</u>
(a) Common Amenities Board (amendment) Act No. 24 of 2003	
(i) Section (e) of Paragraph 05	<p>After the Condominium Management Corporation was established, the Authority should have managed and administered its activities. However, according to the information furnished by the Authority, issuance of condominium certificates from 2005 up to the year under review had been commenced though, the total number of certificates issued as at 31 December of the year under review was 813. Furthermore, the number of Management Corporations , and committees expected to be registered during that duration was 1,080. Nevertheless, the number of Management Corporations , and committees established by the end of the year under review , was 829 only.</p>
(ii) Section (g) of Paragraph 05	<p>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 by the Authority. The Chairman of the Authority had made the following explanation in that connection.</p> <p><i>Action should be taken to transfer the maintenance of the common facilities of condominiums such as, common roads, and parks, to the Local Authorities in terms of Section (g) of the Act. However, the transfer of maintenance of common facilities relating to housing schemes in Maligawatta, and Jaltara had been turned down , as the Local Authorities did not have adequate funds.</i></p>



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(b) Establishments Code
 of the Democratic
 Socialist Republic of
 Sri Lanka

- (i) Section 6.1 of Chapter VIII For officers drawing monthly salaries, the overtime should be equal to one eighth of a day's salary. However, the Authority had paid overtime based on various rates. Accordingly, the payment made in excess of the approved amount , was Rs. 2,332,888.
- (ii) Section 9.2 of Chapter VIII Although holiday pay (1/30) , and overtime should not be paid contemporaneously for the same working hours, the Authority had paid both allowances contemporaneously to the Grades such as, Office Assistants, Accounting Officers, Trustees, Management Assistants, and Laborers for the same working hours. Thus , the holiday pay , paid in addition to overtime , amounted to Rs. 869,711.
- (iii) Section 15.10.1 of Chapter XII No-pay leave should not be approved for an officer requesting for no-pay leave to proceed abroad for a job until he settles his outstanding loan balances in full. However, no-pay leave had been approved for a driver of the Authority without recovering his loan balance amounting to Rs. 74,262 in the year under review. Hence, the loan balance remained unrecovered since October of the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the surplus of the Authority for the year ended 31 December 2014 amounted to Rs.10,449,154 as against the deficit of Rs.8,961,997 for the preceding year. Accordingly, as compared with the preceding year, an improvement of Rs.19,411,151 in the financial results for the year under review was observed. The improvement had been caused by the increase in the income from the issue of certificates for the condominium properties by a sum of Rs. 67,105,814 in the year under review as compared with the preceding year.



3.2 Analytical Financial Review

The following observations are made.

- (a) Although the income for the year under review had increased by a sum of Rs. 48 million equivalent to 77 per cent as compared with the preceding year, the financial result was a profit amounting to Rs. 449,155 after settling the expenditures (before adjusting the grants from the Treasury) The financial result had been low, as expenses too had increased in relation to income. Increase in the expenses had been mainly caused by the increases in salaries and allowances of employees by 70 per cent, and financial expenses by 140 per cent.
- (b) The service charges income had decreased by 91 per cent , whereas the other operating income had increased by 18 per cent as compared with the preceding year. The increase in the non-operating income had been caused by the increase of the interest income on seven day call deposits.
- (c) Although a favorable balance of Rs. 12,504,708 was indicated in the net assets of the Authority by the end of the year under review, it had become minus values of Rs. 24,750,830, Rs. 15,788,833 , and Rs. 31,794,284 respectively for 03 preceding years. The growth in the net assets had mainly been caused due to a sum of Rs. 10 million received from the Treasury in the year under review as well to pay employee salaries , and adjustments for the preceding years amounting to Rs. 28.80 million.

4. Operating Review

4.1 Performance

The performance of the Authority for the year under review is given below.

<u>Subject</u>	<u>Target</u>		<u>Physical</u>		<u>Progress</u>	
	<u>Physical</u>	<u>Financial</u>	<u>Physical</u>	<u>Financial</u>	<u>Physical</u>	<u>Financial</u>
	Number	Rs. Million	Number	Percentage	Rs. Million	Percentage
Issue of Condominium Certificates	75	29.42	110	146	98.57	335



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Establishment of Management Corporations	50	0.25	45	90	0.09	36	
Reconstruction of Government flats	09	122	08	88	7.43	06	
Granting Tsunami deeds of transfer	34	100	-	-	-	-	

- (a) The physical and financial progress of issuing Condominium Certificates during the year under review had been as high as 146 per cent, and 335 per cent respectively.
- (b) The financial progress of establishing the Management Corporations during the year under review was 36 per cent from the expected target.
- (c) Although it was targeted by the Authority to carry out reconstruction on 09 Government housing schemes with the grants amounting to Rs. 122 million, reconstructions had been commenced with regard to 08 projects during the year, whereas reconstructions of Elpitiwala housing scheme with an estimated value of Rs. 13.48 million, had not been commenced.
- (d) Although the Authority had planned to persuade the Management Corporation to insure 420 condominiums, only 22 of them had been insured during the year.
- (e) Although it was targeted to issue certificates of registration under provisions amounting to Rs. 100 million for 34 schemes of condominiums constructed for the people affected by Tsunami, the Authority had fail to issue even a single certificate during the year under review.

The audit had been informed by the Chairman of the Authority that despite it was planned even in the year 2014 to grant deeds to the people affected by Tsunami, granting of certificates relating to the said property had to be delayed as the Ministry of Lands was unable to conclude the imposition of regulations upon the Land Act.



- (f) Although it was expected by the Authority during the year under review to obtain 40 contracts implemented under Provincial Councils and decentralized funds , the Authority could not obtain even a single contract.

4.2 Management Inefficiencies

The following observations are made.

- (a) Although the gratuity commitments amounted to Rs. 27,329,966 as at 31 December 2014, the value of investment made in that connection was Rs. 3,524,227. Accordingly, the management had not taken any step to make an investment relating to savings amounting to Rs. 23,805,739.
- (b) The Authority had not taken steps even by 30 May 2015 to recover a sum of Rs.3,839,596 paid erroneously in the year 2013 for items of work done contrary to the bills of quantity in repairing the building complex of hosing schemes.
- (c) As the Authority had computed the employees' provident funds from 06 January 2006 to 31 December 2013 in a manner contrary to the provisions in the Employees' Provident Fund Act, the additional cost incurred in that connection by the end of the year under review amounted to Rs. 5,077,920 with a fine of Rs. 6,245,108. Accordingly, the Authority had incurred an overall financial loss of Rs. 11,332,029 as at 31 December 2014.
- (d) Despite it was planned during the year under review to make necessary amendments to the Common Amenities Board Act, No. 10 of 1973 , and the Apartment Ownership Act, No. 11 of 1973, even the approval of the Attorney General's Department in that connection had not been obtained by 30 May 2015.
- (e) Conditions on liquidated damages with regard to the delays in completion of contracts of construction awarded to the State Development and Construction Corporation by the Authority, had not been included in the agreement.



4.3 Operating Inefficiencies

The Authority should maintain the Management Corporations of the condominium properties in an operating condition in terms of Common Amenities Board (amended) Act, No. 24 of 2003. However, of the 628 Management Corporations established by the Authority, 378, representing 60 per cent remained inoperative by the end of the year under review due to inefficiencies in the supervision.

4.4 Un-economic Transactions

Although the Authority had earned an income of Rs. 5,935,126 through the repairing of Government flats during the year under review, Rs. 4,343,255 of that, had been spent on the festivals organized for perplexing the said housing schemes, representing 73 per cent of the income earned.

4.5 Personnel Administration

Approved and actual cadre for the year under review were 139, and 110 respectively. The following observations are made in this connection.

- (a) The Secretary to the Ministry had been informed according to the Cabinet decision No. 14/0014/517/001, dated 07 March 2014 that the Authority should re-employ a retired General Manager for a period of one year on contract basis with effect from 29 December 2013, and once the period of service elapsed, a suitable successor should be trained under his supervision. However, the post remained vacant even by 31 May 2015 due to failure in identifying a suitable successor when his service had ended on 28 December 2014. An officer had been appointed to the post in acting capacity by the Secretary to the Ministry.
- (b) The fact that the post of Deputy General Manager (Regulatory), and 07 posts of Assistant General Manager of the Authority remaining vacant over a long period of time, did not have a direct impact on the performance of the Authority, could not be ruled out in audit.
- (c) Not any attempt had been made during the year under review to fill 18 secondary posts, and 04 primary posts that remained vacant during the year under review.



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- (d) Contrary to Section 9.3.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, four officers had been appointed in acting capacity for a period of 01-03 years.

5. Accountability and Good Governance

5.1 Action Plan

The following observations are made.

- (a) The following strategies to be implemented during the year under review and included in the Corporate Plan for 2014-2018 approved at the board of management meeting No. 91 held on 26 December 2013, had not been included in the Action Plan for the year under review, and none of those strategies had been implemented during the year under review.

- Establishment of a Sinking Fund for operational activities.
- Purchase a land for the construction of a permanent office building for the Authority.
- Protection of stakeholders' rights (those who expect to purchase condominiums)

- (b) The following activities to be implemented during the year, and included in the Action Plan for the year under review, had not been implemented even by the end of the year.

- Regularization of unregistered Public/ private properties.
- Appointment of administrators to the dormant Management Corporations
- Establishment of a Condominium Management Services Unit
- Transfer of ownership to the dwellers of Tsunami properties.
- Handover the maintenance of parks, sports grounds , and access roads of the condominiums to the Local Authorities.



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- (c) Indicators for evaluating the performance , and activities to be implemented with regard to the strategies included in the Action Plan for the year under review, had not been prepared.

5.2 Budgetary Control

According to the financial statements presented by the Authority, significant variances were observed between the budgeted figures and the actuals thus indicating that the budget had not been made use of as an effective instrument of management control.

5.3 Tabling of Annual Reports

The Authority had not tabled the Annual Reports for the years 2012 and 2013 in Parliament even by the end of the year under review.

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) Assets Management
- (c) Management of Condominiums
- (d) Control of Advances
- (e) Accounts Receivable and Payable
- (f) Budgeting
- (g) Contract Administration

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Acting Auditor General