

National Housing Development Authority - 2014

The audit of consolidated financial statements of the National Housing Development Authority and its Subsidiary 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 29.1 of the Housing Development Authority Act, No. 17 of 1979. 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.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of the 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 misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraphs 2.2 and 2.3 of this report.

2. Financial Statements

2.1 Qualified Opinion – Authority

In my opinion, except for the effects of the matters described in paragraph 2.3 of this report, the financial statements give a true and fair view of the financial position of the National Housing Development 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.

Qualified Opinion - Group

In my opinion, except for the effects of the matters described in paragraphs 2.2 and 2.3 of this report, the consolidated financial statements give a true and fair view of the financial position of the National Housing Development Authority and its Subsidiary 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 – Group

The following observations are made.

- (a) Even though the National Housing Development Authority owned 49 per cent of the total share capital of the Sri Lanka Housing Development Finance Corporation Bank, the financial statements of the Bank had not been consolidated with the accounts of the Authority as the Authority cannot exert adequate influence in the affairs of the Bank.
- (b) The consolidated financial statements had been prepared based on unaudited financial statements for the year ended 31 December 2014 of the Ocean View Development Ltd., which is the Subsidiary of the National Housing Development Authority and the net assets of the Subsidiary was 30 per cent of the net assets of the Authority.

2.3 Comments on Financial Statements - Authority

2.3.1 Sri Lanka Public Sector Accounting Standards

The following observations are made.

Sri Lanka Public Sector Accounting Standard 01

- (a) Seven items which should be presented as a note under the line item, other income on the face of the statement of financial performance in the presentation of financial statements, had been shown as line items under other income and depreciation of fixed assets of Rs. 45.85 million and Sevana grants expenditure of Rs. 186.89 million which should be shown under establishment and administration expenditure had been shown as additional line items.
- (b) Even though adequate disclosures relating to components specially shown on the face of financial statements should be made by the notes in the financial statements, the

Authority had not made adequate disclosures in respect of foreign grants and minority interest amounting to Rs. 131.68 million and Rs. 973.61 million respectively in the financial statements.

2.3.2 Accounting Policies

According to the Accounting Policy No.3.2 of the Authority, the stock should be valued at cost or net realizable value whichever is lower. Nevertheless, the housing stock of Rs. 48.69 million as at 31 December of the year under review had been computed on cost by the Authority without computing at net realizable value.

2.3.3 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) The blocks of lands with an extent of 943 hectares still remaining in the housing schemes and lands obtained or transferred for housing schemes, had not been valued and brought to accounts.
- (b) Even though the cost of completed houses valued at Rs. 106.19 million of the Housing Projects relating to Estate 117 and Estate 797(iv) in respect of the pre-sold housing programme had been transferred to the housing stock in the year under review, the value of lands thereon had not been brought to accounts.
- (c) Moreover, the total value of lands of the Estate 797 Housing Project had been absorbed into the housing cost of its phases (i), (ii) and (iii). As such, it had resulted in under computation of the housing unit cost of phase (iv) of 797 and increase in the housing unit cost of phases (i), (ii) and (iii) of 797.
- (d) The value relating to 29 blocks of lands where permanent office buildings of the Authority had been constructed, had not been assessed and brought to account.
- (e) Provisions had not been made for a sum of Rs. 88.18 million for the value of rates payable.
- (f) According to Accounting Policies, audit computation confirmed that the provision for doubtful debts made for sundry debtors balances more than of 05 years had been over computed by Rs. 33.41 million.
- (g) The value of houses of the Lease Housing and Urban Housing Schemes for which deeds had been granted, had been indicated by the similar value under lands and buildings from the year 2006 even up to the year under review without taking action to eliminate from accounts.
- (h) A sum of Rs. 10.84 million received for construction of houses from the National Livestock Development Board had been brought to account under other Aids without

making necessary adjustments in accounts despite the elapse of over 05 years after completion of the relevant purpose.

- (i) Even though the loan balance of Rs. 14,362.44 million of the Housing Loan Programme should be shown under non – current assets as a separate line item, it had been shown under development assets.

2.3.4 Unreconciled Control Accounts

An unreconciled balance of Rs. 2,035,160 was observed in the current accounts maintained by the Authority on behalf of District Offices.

2.4 Accounts Receivable and Payable

The following observations are made.

- (a) Out of the total debtors balance as at the end of the year under review before deducting the provision for bad debts amounting to Rs.3,946.6 million, the balances receivable brought forward over a period of 05 years totalled Rs.2,202.72 million and represented 56 per cent of total debtors. The progress of recovery of those outstanding debts had been at a very weak level.
- (b) Out of the advances paid to contractors, stores advances, travelling advances and sundry advances as at the end of the year under review, the Authority had not taken action to settle the sum of Rs.12.65 million brought forward for over a period of 02 years.
- (c) Surplus money amounting to Rs. 47.46 million owned by the Authority had been credited to the Consolidated Fund in the year 2010 with the intention of getting it back for housing loans and future construction works of houses under the Millenium Housing Programmes on the Cabinet Decision No. PED/GEN/2004 of 13 July 2005. Even though the Authority had requested again that amount from the Treasury in the year under review, confirmation had not been given by the Treasury in that connection. However, the Authority had shown this amount in the financial statements continuously as a value receivable from the Consolidated Fund.
- (d) A debtor balance of Rs. 2,825.58 million and a loan balance of Rs. 14,362.44 million of the housing loan programme remained recoverable as at end of the year under review.
- (e) Even though a sum of Rs. 58.12 million receivable since the year 2001 from the Maligawatte CGR Project is indicated in the financial statements as a note to accounts to be set off against the compensation of lands payable, it had not been so set off even by the end of the year under review.
- (f) Outstanding loan instalments of Rs. 717.35 million payable for loans obtained from 07 other institutions for projects and outstanding loan interests of Rs. 560.92 million had not been settled for a long period.

- (g) A loan amounting to Rs. 250 million had been obtained on an annual interest of 15 per cent in the year 1991 from the President's Fund. The instalments and interest relating to that had not been paid properly and the loan balance paid up to the end of the year under review amounted to Rs. 55 million. As such, a loan balance of Rs. 195 million and a loan interest balance of Rs. 286.66 million had been payable as at 31 December of the year under review.
- (h) The creditors balance as at the end of the year under review amounted to Rs. 1,786.20 million out of which the balance exceeding 05 years amounted to Rs. 1,197.09 million.
- (i) Even though a cost of Rs. 61.54 million had been incurred for commission debt collections, the progress of recovery of loans was at a low level and the recovery of loan was 4 per cent during the year under review as compared with the preceding year.
- (j) The Authority had entered into agreements for obtaining loans from state banks for the implementation of Upahara Loan Programme and making payments by monthly instalments with the interest to the bank on the due date. Even though the loan instalment of Rs. 270.66 million of the year under review had been paid to the banks, the Authority had to spend the money available for its normal activities as well to pay the loans, as the loans remained unrecovered.

Even though provisions had been made to recover the Upahara loan instalments from the salary of the borrower or the guarantors according to the agreement, action had not been taken so in respect of the aforesaid outstanding balance as at the end of the year under review.

- (k) Even though the period of recovery of loans granted under the Ten Million and Fifteen Million Housing Loan Programmes had lapsed by the year 2010, loan balances amounting to Rs. 8,841,444 and Rs. 7,086,662 for these two programmes respectively in the district of Monaragala alone had remained unrecovered as at the end of the year under review.
- (l) Action had not been taken to recover a sum of Rs. 1,882,604 receivable to the Authority for the land with an extent of 726.35 perches granted from the Ethnawala Estate by the Authority in the year 1998 to a private social institution for the construction of a Housing Project consisting of 60 houses.
- (m) Out of the loan granted from the years 1989 - 1994 for obtaining solar power systems for 526 families in the Kurunegala district, the balance further recoverable as at 31 December 2014 amounted to Rs. 4,097,171 and the recovery during the year was only Rs. 7,790.

2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliance

(a) Section 09 of the National Housing Development Authority Act, No.17 of 1979

Even though it is mentioned that a person cannot purchase more than one housing property from the Authority, 02 houses had been provided to the same person by 02 housing schemes.

(b) Finance Act, No.38 of 1971
Section 11(b)

The concurrence of the Minister of Finance and Planning should be obtained for investment of money. Nevertheless, it had not been so done in respect of investments of Rs. 729.90 million made by the Authority.

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

Financial Regulation 371

Even though money obtained for advances should be settled immediately after the completion of the relevant purpose, a period ranging from 07 days to 03 months had lapsed in the settlement of advances of Rs. 6,960,561 obtained in 18 instances.

(d) Guideline No.07 of the Guidelines of the Authority on Request and Settlement of Advances

Even though an officer should not be paid another advance until the advance obtained earlier is settled, contrary to that, 03 officers who had not settled the previous advances had been paid granted advances totalling Rs.3,387,461 again in 09 instances.

(e) Paragraph 114 of Public Enterprises Circular No. 02/2013 of 11 September 2013

Pay As You Earn Tax amounting to Rs. 182,376 which should be recovered from the salaries of relevant officers had been paid by the Authority.

(f) Public Administration Circular No. 25/2014 of 12 December 2014

(i) Paragraph 04

Even though employees with a service period of 180 days as at 24 October of the year under review should be made permanent in the posts for which they were recruited, 81 employees had been placed in top posts and made permanent.

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| (ii) Paragraph 05 | Information on persons who were offered appointments after new recruitments had not been reported to the Director General of Management Services for updating the staff of the Authority. |
| (f) Internal Circular of Property Management No. 02 of 2011 | Despite the first lessee had not transferred the, House No. 01 of the Moratuwa Mathi 10 Housing Scheme had been transferred to one heir without the consent of all heirs. |

3. Financial Review

3.1 Financial Results

According to the financial statements, the operating deficit of the Authority for the year ended 31 December of the year under review had been Rs. 633,165,412 as compared with the corresponding deficit of Rs. 232,602,241 for the preceding year, thus indicating an increase of Rs. 400,563,171 or 172 per cent in the deficit for the year under review as compared with the preceding year. The increase in expenditure by Rs. 1,315,456,699 as compared with the increase in income by Rs. 914,893,528 had attributed to the increase in deficit.

3.2 Analytical Financial Review

The current ratio and the quick asset ratio of the Authority for the year under review had been 1:1.01 and 1:0.99 respectively. As such, it was observed that the Authority had a deficiency in the working capital required for operating activities.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) The physical progress of Janasevana Viru Gammana Upahara Housing Loans and Sasunen Sevana Housing Programmes had been 2 per cent and 59 per cent respectively whereas the financial progress had been 11 per cent and 56 per cent respectively.
- (b) Even though it had been planned to construct 1,384 housing units valued at Rs. 10,851.8 million of 09 housing schemes under the Millennium Lanka Housing Project (Public and Private Contributory Houses), the number of housing schemes that commenced constructions as at the end of the year under review had been 02 and the progress of constructions had been at a level as low as 2 per cent.
- (c) Even though it had been planned to construct 60 housing units by spending Rs. 75 million under the Millennium Lanka Housing Programme (Direct Constructions and Resettlements) in the year under review, works had not been completed even in a single house. Four hundred and thirty housing units had been planned to construct out of Rs. 100

million under the estate housing programme. but, the works of only 02 houses had been completed.

- (d) The physical and financial progress of the “Nagamu Purawara” Housing Repairs Programme had been 27 per cent and 22 per cent respectively.

4.2 Management Inefficiencies

The following observations are made.

- (a) As action had not been taken to pay the compensation relevant to private lands vested during the period from 1979 to 2014, an additional compensation payable as at 31 December of the year under review amounted to Rs. 327.83 million.
- (b) Even though the Authority had taken over the tenure of lands under Section 38(a) of the Land Acquisition Act, a long period had been taken to acquire the tenure of certain lands due to the problems that had arisen. As such, the compensation payable as at 31 December of the year under review amounted to Rs. 15,994,602 and the outstanding interest payable thereon amounted to Rs. 39,904,354. Following observations are further made in that connection.

- (i) The tenure of 62 lands with an extent of 184.83 hectares, for which compensation had to be paid and unpaid by the end of the year under review had been taken and a period ranging from 01 to 37 years had lapsed for vesting of those lands.

The failure of the Acquisition Officer in expediting that procedure had resulted in this delay and matters such as pending cases in respect of certain lands, lodging complaints with the Review Board by owners in instances where compensations were inadequate and taking a long time to transfer through certificates by Section 44 until the decision was taken, had affected this delay. Even though legal ownership of lands taken on tenure cannot be ruled out in such a situation, after the commencement of development activities of houses, blocks of land that could be further used for the existing common and housing objective, often remain in every project. The recipients of houses and other parties carry out unauthorized constructions with such blocks being vacant for a long period. Legal action cannot be taken in such a situation. The Chairman has informed the audit that action would be taken to regularize these occupants later on.

- (ii) The Authority had acquired lands valued at Rs. 73.76 million in the year under review and the provisions of Rs. 60 million granted by the Treasury had not been adequate. As such, the payment of compensation had been delayed. A sum of Rs. 24.79 million out of this provision had been spent for the payment of interest.
- (iii) According to the Land Survey Report of the year 2010, lands with an extent of 645.66 hectares had been identified and it had been identified that out of it, 208.75 hectares of lands had been encroached by the end of the year under review. Moreover, a survey relating to lands in 05 districts of the Northern

Province as well had not been carried out even by the end of the year under review.

- (c) Difficulties in obtaining the Certificates of Conformity relating to 1,986 houses of 26 Housing Schemes had arisen by the end of the year under review due to failure in obtaining the approval for the housing plans from the respective Local Authorities. As such, it had not been possible to establish Management Corporations by transferring those houses. Therefore the maintenance and repairs of those houses had been further assigned to the Authority itself and the Authority had to incur an expense of Rs. 12.28 million and Rs. 770.96 million respectively thereon.
- (d) Even though a construction cost of Rs. 20 million had been incurred on the Mahaiyawa Housing Project consisting of 32 houses constructed by the Authority on a land belonging to the Kandy Municipal Council, action had not been taken for the recovery of the money from the relevant institute.
- (e) Even though a sum of Rs. 8,686,000 had been paid to the Urban Development Authority on 20 March 2012 for purchasing the Galkaduwa Estate in Ratnapura on the valuation obtained on 19 April 2000, the Urban Development Authority had informed on 13 April 2013 to pay a sum of Rs. 145,530,000 as the new valuation of the land on the delay of 12 years to pay the valuation, relating to that land. As such, if the land is vested with the Authority, the overpayment for that would amount to Rs. 136,844,000.
- (f) Reserved houses costing Rs. 52,333,985, remaining houses and shops exist for over a period of 04 years in the housing stock and action had not been taken to recover the balance money receivable for reserved houses and sell the houses and shops remaining in the stock speedily and convert them into money.
- (g) Even though the Authority had spent a sum of Rs. 5,459,920 for printing of diaries and calendars for the year 2015, only diaries and calendars valued at Rs. 2,877,920 had been received by the Authority. Action had not been taken to recover the remaining sum of Rs. 2,582,000 from the relevant supplier and it was observed that diaries and calendars valued at Rs. 354,440 had remained in the stores without being made use of even by 30 June 2015.
- (h) Action had been taken without calling for competitive bids in terms of paragraph 2.7.5 of the Procurement Guidelines in the printing of the aforesaid calendars. As such, a loss of Rs. 1.18 million had to be sustained by the Authority for printing 11,258 calendars, due to paying Rs. 190 for a calendar with a printing cost of approximately Rs. 85.
- (i) The Authority had failed to recover the housing loans amounting to Rs. 5,965,000 granted under the Thrift and Credit Co-operative Societies (TCCS) Loan Scheme by the Jaffna District Office as 1,468 housing loan files had been misplaced. Nevertheless, no action as well had been taken in this connection by the Authority.

- (j) Even though two motor vehicles costing Rs. 1,765,000 belonging to the Authority had been misplaced, action had not been taken to conduct a proper inquiry and recover the loss.
- (k) Out of the 08 houses constructed in Phase IV at Estate 117, Elwitigala Mawatha, 04 houses had been handed over to the Ministry of Foreign Affairs in the year 2011 and a sum of Rs. 4.97 million was further due thereof. Two houses out of the 04 remaining houses had been reserved for two persons by obtaining sums of Rs. 50,000 and Rs. 1,000,000 respectively since the year 2008 without a housing disposal methodology and an agreement. Action had not been taken to recover the remaining amount even by the end of the year under review.
- (l) Even though the prices of houses should be determined on pre sales basis at a fair price for which purchases could be made by state employees and people of middle class in accordance with Cabinet Decision No. 13/0463/517/010 of 14 June 2013, the Authority had valued those housing units at a high price for which low income earners or average income earners were unable to make purchases.
- (m) Action had not been taken to pay or settle the outstanding tax amounting to Rs.15.69 million and the fine of Rs. 7.38 million thereon payable to the Department of Inland Revenue and to settle the deferred tax liability of Rs.21.52 million as well at the end of the year.
- (n) Action had not been taken to set off payable taxes against the overpaid Value Added Tax of Rs. 14.38 million relating to the years 2003, 2004 and 2005.

4.3 Operating Inefficiencies

The following observations are made.

- (a) Three houses belonging to the Authority in the Homagama, Jalthara and Diyawanna Gardens Housing Schemes had been released for occupation by the end of the year under review to three persons deviating from the housing disposal methodology without entering into an agreement or even obtaining an advance.
- (b) Even though the District Office Kandy had spent Rs.2.67 million to construct 16 houses for the Galaha Housing Scheme from the year 1998 to the year 2001, the construction works of those houses had not been completed even by the end of the year under review.

4.4 Transactions of Contentious Nature

The following observations are made.

- (a) Despite having a separate Engineering Division comprising 68 Engineers of the Authority and opportunity to fulfill the relevant construction works under that Division by sub-contractors, the repairs of the condominium properties valued at Rs.770.96 million had been handed over to the State Engineering Corporation in the year under review.

- (b) Even though permission had been granted by the Cabinet Decision No. 403/14/0619/517/021-1 of 08 August of the year under review to commence a housing project comprising 42 housing units jointly with the local investors in the Pallekele Estate belonging to the Housing Development Authority, the approved number of houses to be constructed had been reduced up to 39 units without giving reasons in entering into agreements with a private partner. Moreover, it had been entered into agreements so as to receive the 10 per cent to the Authority out of the pre-determined profit in the planning stage of the Project instead of entering into agreements with the party so as to receive a certain percentage from the actual profit of the Project to the Authority.

4.5 Uneconomic Transactions

The following observations are made.

- (a) Even though a period of 18 years had elapsed after the investment of Rs.120 million in the Subsidiary Company by the Authority, the Authority had not received any returns whatsoever therefrom in the other years except the years 2011 and 2013.
- (b) A sum of Rs.10.15 million had been spent in the year under review for obtaining motor vehicles on hire basis despite having 18 motor vehicles in running condition owned by the Authority that can be used after repairing.

4.6 Identified Losses

The following observations are made.

- (a) Several floors of the National Housing Development Authority Building had been leased out to the Housing Development Finance Corporation Bank. The rates as per the lease rent assessed according to the valuation done on 02 March 2007 had been reduced by the valuation done on 01 January 2008 without adducing any reasons and as such the cumulative loss of lease rent deprived of up to the end of the year under review amounted to Rs.32,458,000.
- (b) It had been decided that the valuation of the immediate year should be obtained in disposing properties to the unauthorized persons in terms of the Cabinet Decision No.140/98 of 17 December 1998. However, contrary to it, the loss sustained by the Authority amounted to Rs.10.3 million due to the basis of the valuation of the year 1998 had been applied in disposing the house No. D/V/2/2/L of the Manning Town Housing Scheme.

This house had been granted as an official quarter of the Presidential Secretariat and it had been informed on 21 December 2006 by the Presidential Secretariat that it was necessary to obtain that house for a film director on concessionary basis. Accordingly, the Secretary to the President had informed by a letter on 24 February 2014 that the above house should be given on sales basis under a concessionary rate to the said person who occupied therein for a long period of time. After the Board of Directors had been submitted thereon, the approval had been granted to pay 25 per

cent as a down payment out of the valuation of Rs.3,700,000 of the year 1996 and the remaining, by 120 equal installments with an interest of 12 per cent. The Chairman had informed the audit that this house had been disposed by entering into a sales agreement.

- (c) Despite having the methodologies approved by the Cabinet of Ministers for the regularization of unauthorized persons, three unauthorized persons of the Gampaha, Wewalduwa Housing Scheme had been regularized contrary to it and thus indicating a loss of Rs.3,772,499.

4.7 Deficiencies in Contract Administration

The following observations are made.

- (a) Despite having the progress of constructions at a level of 2 per cent of the Kirulapana-Mihindupura Housing Scheme planned to construct 560 housing units at an estimated cost of Rs.6,300 million during the period 2014 – 2015 under the Public and Private Contributory Houses Programme , construction works thereof had been stopped halfway in view of the delay of renewing the performance bond by the contractor.
- (b) Even though the Authority had entered into an agreement in the year 2008 to construct houses by a Joint Project in collaboration with the private sector on the land with an extent of 01 acres 26.5 perches located at Darley Road, Colombo, that project had not been commenced even by the end of the year under review.

4.8 Resources of the Authority given to other Government Institutions

The salaries paid to 23 officers / employees who were released to the Line Ministry contrary to the provisions in Paragraph 9.4 of the Public Enterprises Circular No. PED/12 of 02 June 2003 amounted to Rs.6.12 million as at the end of the year under review. In addition to that 06 motor vehicles had been provided to the Ministry.

4.9 Human Resources Management

The following observations are made.

- (a) Even though the proposed cadre of the Authority had been stated as 2,490 in the Human Resources Plan of the Authority, the cadre approved by the Department of Management Services as at 12 October 2010 had been 1,375. However, the actual cadre as at 31 December of the year under review had been 2,158, thus exceeding the approved cadre by 783, by the Department of Management Services.
- (b) Twenty one Senior Executive and Management posts in the medium level of the approved cadre had been vacant from the year 2010 to the end of the year under review.
- (c) Contrary to the Public Administration Circular No. 15/90 of 09 March 1990 and the Public Enterprises Circular No. PED/12 of 02 June 2003, the Authority had recruited 804 Assistant Managers, Management Assistants, Drivers and KKS.

- (d) Contrary to the provisions in Section 9.3.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, 35 officers had been deployed in acting capacity and to covering up duties over periods ranging from 01 month to 08 years.

5. Accountability and Good Governance

5.1 Action Plan

Even though the construction of 42,222 housing units had been planned according to the annual Action Plan, only the constructions of 15,590 housing units had been completed by the end of the year under review. It represented approximately 37 per cent of the units planned to be constructed.

5.2 Internal Audit

Certain District Offices had not been audited over several years due to specific un-identification as to how many District Offices had been audited within the Annual Internal Audit Plan.

5.3 Budgetary Control

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

5.4 Unresolved Audit Paragraphs

Only the Valuation of the Valuer of the Authority had been obtained for the sale of the Liberty Plaza Circuit Bungalow owned by the Authority to the OVDC institution. Even though the valuation subsequently obtained from the Government Valuer relating to this property amounted to Rs.11,520,000, the sales value was Rs.9,000,000. This matter was discussed at the meeting of the Committee on Public Enterprises held on 23 November 2012 and the Committee directed that disciplinary action should be taken against the officers responsible for the irregular transaction. Nevertheless, action had not been so taken even up to 30 June 2015.

6. Systems and Controls

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

- (a) Contract Administration
- (b) Advances Control
- (c) Human Resources Management
- (d) Receivable and Payable Balances
- (e) Financial Management