

1. Financial Statements

1.1 Disclaimer Opinion

The audit of the consolidated financial statements of the National Housing Development Authority and its subsidiary for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and the Provisions of the Finance Act No.38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

My opinion is disclaimer on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAUS). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my disclaimer opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Authority’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Authority is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Authority.

1.4 Auditor’s Responsibilities for the Audit of the Financial Statements

My responsibility is to conduct an audit of the Authority’s financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor’s report. However, because of the matters described in the basis for disclaimer of opinion section, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.5 Financial Statements

1.5.1 Non – Compliance with the Sri Lanka Public Sector Accounting Standards (SLPSAS)

| Non Compliance with reference to the particular standard | Management Comment | Recommendation |
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| (a) The value of the land extent of 170.56 belong to the Hantana Holiday Resort which had been acquired as a non-exchange transaction in the years 1987 and 1988 had been shown in the financial statements as at end of the year under review as Rs.2,520. However, action had not been taken to estimate the fair value of that land in order to show the fair value in the financial statements as per paragraph 27 and 47 of SLPSAS – 07. | The value of the land had been accounted based in a nominal Value at the time of acquisition of the land. It had been informed to the related section to make the valuation. After being received the valuation report, adjustments in the accounts will be made. | Action should be taken to revalue the assets and to show the fair value of the assets in the financial statements according to the SLPSAS. |
| (b) As well, according to paragraph 65 of the standard, the residual value and useful life of an asset, should be reviewed end of the date of annual reporting period and if there are differences compared to the prior estimates, such differences should be accounted as per the SLPSAS-03. However, the adjustments had not been made for 136 motor vehicles, total cost of Rs.251.72 million, that had been purchased since the year 1985. Out of that 98 motor vehicles are still in used. | The annual stock verifications are conducted at the annual Board of Survey at end of the year. If there are recommendations of the Board of survey, required adjustments are made. Due to not identifying of such recommendations for the prior estimations, the adjustments in the accounts had not been made. | Action should be taken to comply with the SLPSAS with regard to the fully depreciated fixed assets. |

- (c) In terms of paragraph 15 of the SLPSAS-09, the stock should be shown in the financial statements at lower of the cost or net realizable value. However, without being estimated the net realizable value of 8 shops at the Park Road, the value of these shops had been shown in the financial statement at their cost of Rs.6.1 million. Further, the particulars relating to estimates of the net realizable value of 35 houses and shops as Rs.62.65 had not been furnished for audit.
- The Condominium plans for 08 shops at the park road had been prepared and referred to the Valuation Department to obtain the valuation reports. After receiving of those reports, corrected values could be accounted and until then the shops had been shown at their costs.
- Accounts should be kept According to the SLPSAS. As well, particulars relating to calculation of net realizable value should be furnished to audit.

1.5.2 Accounting Deficiencies

| ----- Audit Observation ----- | ----- Management Comment ----- | ----- Recommendation ----- |
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| (a) When making the corrections for accounting errors, posting of under and over values to the accounts relating to disposing of motor vehicles in the years 2014 and 2016 had not been retrospectively adjusted. As a result, the profit of the year under review had been overstated by Rs.1.41 million. | Under and over stating of disposed value of motor vehicles in the year 2014 and 2016 had been corrected as at 31 December 2019. Compared to other transactions, that error was not material. Thus, the corrected value had been adjusted to the current profit. | Such corrections should be retrospectively adjusted. |
| (b) Even though the land value of the Authority had been identified as Rs.55.3 million, value of 112 land plots belonging to the offices and rented out buildings and the lands extent of 437.7 hectares belonging to the housing projects had not been valued and brought to the accounts. | It had been informed to the relevant section to submit the valuation reports. Accordingly, after receiving of the valuation reports, action will be taken to account. | Action should be taken to account the assets of the Authority based on their revalued amount. |

1.5.3 Consolidation

| Audit Observation | Management Comment | Recommendation |
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| <p>(a) Out of the total capital of the National Housing Development Finance Development Bank, 49.73 per cent is owned by the Authority. However, the Authority had not taken action to prepare the accounts considering that as an Associate Company. As well, the financial statements of the Ocean View Development Company for the year ended 31 December 2019, the subsidiary company of the Authority, had not been furnished to audit up to May 2020. Hence, based on the unaudited financial statements, the consolidated financial statements had been prepared.</p> | <p>As a financial institution, the bank directly supervise by the Central Bank of Sri Lanka and it had been incorporated by an Act. Hence, the investment accounted for as a long term investment. To consolidate the Company considering as an Associate company, it had been referred to the Institute of Chartered Accountants of Sri Lanka. The audited financial statements of the Ocean View Development Company as at 31 December 2019 are submitted herewith.</p> | <p>Since the Authority is owned 44.73 per cent of the total capital of the National Housing Development Financing Corporation Bank, the consolidated financial statements should be prepared considering that as an Associate Company. The balances in the financial statements of the subsidiary Company should be used for preparation of the consolidated financial statements.</p> |
| <p>(b) Even though the Authority had invested a sum of Rs.120 million in the subsidiary Company, any dividend had not been received by the Authority after the year 2013. The subsidiary Company had earned a total profit of Rs.615 million for the period from 2015 to 2019.</p> | <p>The requests had been made for payment of dividends in every year. Further, the actions required to be taken with regard to obtain the receivable dividends from the OVDC have been discussed at the Board meetings and as per the decision made at the Board meetings a letter has been sent to the Ministry on 17 July 2020 to obtain the directions future actions will be taken after receiving of directions.</p> | <p>The Authority should be effectively interfered for the management and dividend policy of the subsidiary company.</p> |

1.5.4 Evidence not made available for audit

| Item | Amount (Rs.million) | Evidence not made available | Management Comment | Recommendation |
|---|------------------------|-----------------------------|---|---|
| (a) Foreign aids | 131.68 | Detailed schedules | Action will be taken to make the adjustments when preparing the financial statements for the year 2020. | The confirmations relating to the balances shown in the financial statements and detailed schedules should be furnished to audit. |
| (b) Local grants | 637.33 | - do - | Action will be taken to submit the details after being prepared them. | - do - |
| (c) Other grants | 27.19 | - do - | - do - | - do - |
| (d) Investments | 978.53 | Detailed information | - do - | - do - |
| (e) Grants received from other institutions | 572.24 | Detailed reports | - do - | - do - |
| (f) Other receivable balances | 41.5 | - do - | - do - | - do - |
| (g) Rent and tax receivable | 177.24 | - do - | - do - | - do - |
| (h) Buildings | 35.18 | Particulars of buildings | - do - | - do - |

1.6 Accounts Receivable and Payable

1.6.1 Receivable amounts

| Audit Observation | Management Comment | Recommendation |
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| (a) According to the financial statements, the total debtor balances (before provision for bad debts) as at end of the year under review amounted to Rs.5,762.62 | Two Divisions i.e loan Division and non - performing loan Division had been established in the District offices. Actions have been | Recovering process of receivable balances should be accelerated. |

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| <p>million. Out of those debtor balances, an aggregate amount of Rs.2,881.9 million had been brought forwarded for over 5 years without being recovered and it was represented 50 per cent of the total debts.</p> | <p>taken by the non – performing loan division, under the supervision of legal officers, to recover the loans systematic and effective manner.</p> | <p>Actions should be taken to recover the receivable balances as early as possible. `</p> |
| <p>(b) The receivables to the Sevana Media unit for publishing of advertisements as at 31 December 2019 amounted to Rs.67.83 million and out of that, a sum of Rs.12.32 million to be receivable for over 5 years. Further, the receivable amount to the Sevana Media unit for publishing of advertisements of the Authority amounted to Rs.44.61 million also was included in the above balance out of that amount too, a sum of Rs.42.61 million had only been incurred for the media activities of year 2019.</p> | <p>Out of the above amount, sums of Rs.441,388,080 and Rs.17,023,858 had been received in the year 2020 from the Authority and other institutions respectively. The payables to the media institutions amounting to Rs.3,464,134.80 had been paid in the year 2020.</p> | <p>Actions should be taken to recover the receivable balances as early as possible. `</p> |
| <p>(c) Ten legal cases had been instituted by external parties against the Authority claiming Rs.3,618.09 million relating to transferring of lands and houses, construction of houses, payment of gratuity and employer and employee complicit ect. The compensation amount was not determined for 5 legal cases. 901 legal cases had been instituted by the Authority against the external parties and a sum of Rs.105.93 million to be receivable to the Authority from those legal cases.</p> | <p>Comment had not been given.</p> | <p>Action should be taken to finalized the legal cases of the Authority without being delayed.</p> |
| <p>(d) The total receivable loans and advances from the employees of the Authority as at end of the year under review amounted to Rs.153.3 million. Out of that amount, a sum of Rs.5.9 million</p> | <p>Action will be taken to make the corrections after being informed to the Divisions/ District offices.</p> | <p>Action should be taken to recover the receivables formal manner.</p> |

was existed as unrecovered for over 5 years. However, details of the loan payable employees had not been furnished to audit.

1.6.2 Advances

| ----- Audit Observation ----- | ----- Management Comment ----- | ----- Recommendation ----- |
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| <p>According to the financial statements, the aggregate balances of advances, deposits and receivables from external parties, contractors and the staff amounted to Rs.1,299.89 million. Out of that, the advance balances that should be recovered from the contractors and external parties for over 3 to 5 years amounted to Rs.205.47 million and Rs.64.29 million respectively. However, those balances had not been settled up to end of the year under review.</p> | <p>Contract Advances : According to the bills submit by the contractors for settlement of advances given to the contractors and according to contract works in progress, the advances had been settled within the period from 30 per cent to 90 per cent.</p> <p>Miscellaneous Advances : Those advances had been given for additional contracts and according to the completion rates, those advances had been deducted from the bills.</p> <p>Advance for supplies : Those advances were represented advance given to Batticaloa District office amounting to Rs.84,420 and stores advances amounting to Rs.200,000. The advance of the Batticaloa District office had been settled.</p> | <p>The advances, deposits and receivable balances from external parties, Contractors and the staff should be properly recovered.</p> |

1.7 Non – compliances with Laws, Rules, Regulations and Management Decision etc.

| ----- Reference to Laws, Rules, Regulations etc. ----- | ----- Non - Compliance ----- | ----- Management Comment ----- | ----- Recommendation ----- |
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| <p>(a) Section 11(b) of the Finance Act No.38 of 1971 and paragraph 8.2.2 of the Public Enterprises Circular No.PED/12 dated 02 June 2003.</p> | <p>Concurrence of the Finance Minister had not been obtained for the long term and short term investments made amounting to Rs.1,514.6 million.</p> | <p>A letter had been furnished through the Ministry to the Treasury Operation Department in order to get the approval of that Department.</p> | <p>The investments should be made after obtaining the required approvals in terms of the Finance Act.</p> |

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| (b) | Amendments made to paragraphs 13:2 and 22:1:1 of Chapter XLVIII of the Establishment Code of the Democratic Socialist Republic of Sri Lanka and Paragraph I and III of the Public Administration Circular No.30/2019 dated 30 September 2019. | Preliminary investigation and disciplinary inquiry with charge sheets should be finalized within 2 months and 6 months respectively. However, 14 disciplinary inquiries which were lapsed of 06 to 56 months, 13 inquiries which were not identified the periods of inquiries and 03 inquiries which were not finalized the legal preceding by the Court, had not been finalized up to 30 June 2020. Further, in some instances it was expended over one year to hand over the charge sheets and taking of another one year to make the amendments to the charge sheets were also observed. | Comments had not been given. | To be complied with relevant laws, rules and circular instructions. |
| (c) | Paragraph 3.1 of Chapter XV of the Establishment Code | A foreign training, duration of 12 days, had been given to and Engineer and to and Architecture, those who recruited on temporally basis | Proposed 09 names for the training had been furnished to the Ministry on 29 April 2019. In the proposed names, the names of temporally recruited Engineer and Architecture were included. The approval of the Chairman and the Director General had been given to sent for the Training. | To be complied with the requirement of the Establishment Code. |
| (d) | Paragraph 90 of the Extra Ordinary Gazette No.1589/30 dated 20 February 2009 of the Democratic Socialist Republic of Sri Lanka. | The particulars relating to new recruitments to the Authority, reporting to duties etc. had not been furnished to the Auditor General. | When recruiting for the new posts of the Authority, copies of those appointment letters had been furnished to the Auditor General. | Action should be taken to furnish the relevant information to the Auditor General according to the requirements in the Extra Ordinary Gazette Notification. |

(e) Financial Regulation of the Democratic Socialist Republic of Sri Lanka

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| (i) | Financial Regulations No.169(2) and 188(2) | Two hundred and thirty four cheques deposited in 13 Bank accounts, belonging to 10 District offices of the Authority were not realized for over a period from 01 month to 2 years and the value of those cheques amounted to Rs.9.98 million. | A detailed list of cheques had been submitted. | Action should be taken as per the financial regulation for the cheques and bank accounts. |
| (ii) | Financial Regulation No.371(2) and paragraph “b” of the State Finance Circular No.03/2015 dated 14 July 2015. | Even though the advances given for special activities should be issued only to staff grade officers, the advances aggregating to 1.6 million had been given to 36 non – staff grade offices of 04 District offices. Further, the advances totaling Rs.1.16 million had been given to 08 officers exceeding the limit of Rs.100,000. | The procedure to be followed when releasing of advances had been issued from the official direction No.2020/15 dated 22 October 2020. | Actions should be taken complying with the Financial Regulations and the State Finance Circular. |
| (iii) | Financial Regulation No.371(5) and Paragraph “D” of the above Circular | Even though a sub-impresst should be settled within 10 days after immediately completion the purpose, the sub - impressts totaling Rs.3.67 million obtained in 74 instances had been settled after being lapsed of 01 month to 3 years period. | The procedure to be followed when releasing of advances had been issued from the official direction No.2020/15 dated 22 October 2020. | Actions should be taken complying with the Financial Regulations and the State Finance Circular. |
| (iv) | Financial Regulation No.396 | Out of the issued cheques from 25 bank accounts of the Authority, 140 cheques were un cashed for over a period of 6 months and 28 cheques were un cashed over one year. However, action had not been taken | Related details are furnished herewith. | Action should be taken according to the relevant Financial Regulation. |

as per the referred Financial Regulation in that regard and the value of those cheques amounted to Rs.4.89 million and Rs.667,455 respectively.

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| (f) | The Management Audit Department Circular No.DMA/2009 (2) dated 01 September 2009. | The fixed assets register of the Authority had not been updated. | The register of furniture and office equipment had been updated. The register of computer accessories had been maintained by the computer division. | The fixed assets register should be maintained in timely manner as per the circular instructions. |
| (g) | Section 4.2.1 of the Government Procurement Guideline | A master Procurement Plan and a detailed procurement plan had not been prepared and updated by the Authority for a period of 3 years. | The procurement plan of the Authority is furnished herewith. | Action should be taken to prepare the Procurement Plan in timely manner. |
| (h) | The Public Enterprises Circular No.PED/12 dated 02 June 2003 | | | |
| | ----- (i) Paragraph 9.4 | Without obtaining the Cabinet approval, 39 officers and other employees had been released to the Ministry and other state institutions and a sum of Rs.14.84 million had been paid by the Authority during the year under review as salaries and allowances of those employees. | The officers those who work in the Line Ministry, the Housing Rent Review Board and the office of Commissioner of Housing have engaged in the activities in housing programmes which were implemented parallel to the programme for Housing for all, have not been reimbursed. However, the receivables from other officers released to the external institutions have been reimbursed. | Releasing the officers for other institutions and payments making for them should be done only on the proper approvals. |

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| (ii) Paragraph 9.5.1 | Even though the Authority had incurred a sum of Rs.1.19 million during the year under review for training programmes and scholarships, a training budget had not been prepared. | Comments had not been given. | Complied with the Public Enterprises Circular. |
| (i) The Public Enterprises Circular No.1/2013 dated 15 January 2013 and the Letter of the Ministry of Housing and Social Welfare No.2/1/176/23 dated 19 December 2018. | Extension of service periods, recruit on service contracts and recruit on contract basis had been conducted in the years 2017, 2018 and 2019 in order to continue the service of 44 employees over the age of 60 years. A sum of Rs.28.64 million had been paid as allowances 41 employees during the year 2019, out of above employees and offices. | According to the decision made by the Cabinet of Ministers on 29 October 2019 service of the some officers had been terminated at 31 December 2019. Further, action had been taken terminate the service of employees over the 60 years based on the letter dated 19 November 2019. | Action should be taken according to the relevant circular instructions. |
| (j) Paragraph 2.4 of Internal Circular No.04/97/06 dated 24 September 1997 | Even though the advances should not be given before the settlement of previously obtained advances, as per an audit test check it was observed that the advances had been given in 08 instances by 2 District officers totaling Rs.718,000 before making settlement of previously obtained advances. Further, over one advance had been given to the same officer within a day. | It had been informed to the District officers to comply with direction in the office instructions when obtaining of advances and making settlements. The procedure that should be followed relating to the advances, had been issued through the office instruction No.2020/15 on 22 October 2020. | Action should be taken according to the Internal Circular Instructions. |

2. Financial Review

2.1 Financial result

According to the financial statements presented, the operation of the Group and the Authority for the year ended 31 December 2019 had resulted deficit of Rs.3,019 million and Rs.3,025 million respectively and the corresponding deficit for the preceding year amounted to Rs.909.9 million and Rs.999.3 million respectively. Thus, compared to the preceding year, financial result of the Group and the Authority for the year under review had been deteriorated by Rs.2,109.1 million and Rs.2,057.7 million respectively. Compared to the preceding year, decrease of the income from sale of houses for the year under review by Rs.52.4 million or 94 per cent and decrease of interest income by Rs.4.63 million and increase of employees remuneration printing costs, expenditure on advertisement boards, information and advertisement costs, expenditure of model villages and other programmes and provision for compulsations (legal) by Rs.2,036 million had been mainly attributed for that deterioration.

2.2 Trend Analysis of Major Income and Expenditure Items

When analyzing the financial results of the Authority for the year under review and for the preceding 4 years, continuous losses were indicated in the financial results. Nevertheless, due to increase of income from land sales in the year 2016, the surplus of that year had been become Rs.240.3 million. However, when considered the employee remunerations, taxes paid to the Government and depreciation for non – current assets, the contribution of the Authority for the year under review was a negative value of Rs.290.98 million.

2.3 Ratio Analysis

The current ratio and the quick ratio of the Authority as at end of the year under review were 1.36:1 and 1.35:1 respectively and those ratios in the preceding year were 1.61:1 and 1.59:1 respectively.

3. Operational Review

3.1 Management Inefficiencies

| | Audit Observation | Comment of the Management | Recommendation |
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| (a) | Even though the Authority had planned to implement loan providing programme for housing and infrastructures and new 26 projects in the year 2019 at a cost of Rs.13,387 million, 4 projects valued at Rs.4,389 million had not been implemented in the year under review. | The activities in Maligawaththe project, housing project in Tangalle, Middle income housing project and programme for providing of sanitary facilities (toilet facilities), could not be implemented due to not receiving of estimated provisions amounting to Rs.4,389 million. | Action should be taken to implement the planned projects of the Authority. Without having the financial provisions, the projects should not be planned to implement. |

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| (b) | Even though it had been planned to complete 17,550 housing unites in 9 implemented projects by providing of loans and grants, the completion rate of the project was within the range of 01 per cent to 33 per cent. However, 89 per cent of the estimated cost had been expended. | There are some complications and problematic issues when making the estimate for physical targets and the progress in the some projects. In such situations, the physical progress, targets of the some projects had been indicated with the difficulties. | The operational functions of the Authority should be effective and fruitful. |
| (c) | The first loan installment of the loan given for model villages implementation schemes should be recovered on the first pursuant dates of which coming after 6 months, granting the first installment of the loan, or the date conning after the payment of the final loan installment. However, it was observed in audit that any loan installment had not been recovered from the loan amounting to Rs.25.3 million given for 66 beneficiaries in the Hambantota District during the period from 2015 to 2019. According to an audit test check, it was reveled that the loans given to 1,460 beneficiaries at 50 villages in 5 Districts totaling Rs.493.77 million and out of that a sum of Rs.39.39 million, representing more than 3 installments, in arrears were existed as unrecovered. | Had not been commented. | Loan installments should be continuously recovered according to the written agreements. |
| (d) | Even though it had been estimated to completed 1,486 housing units under the Indian Grant Housing Loan Programme in Horana, Welioya (special) and southern and Northern Provinces) for to Rs.688 million in the year 2019, none of the houses had been completed. A sum of Rs.126 million had been expended thereon. Further, even though it had been planned to commence the construction activities and complete 2000 | Allocation of provisions after April 2019 for the Horana and Welioya housing programmes, issues in the selection of beneficiaries and expending of more time of the year to finalize land issues, Easter Sunday attack, selection of beneficiaries for the Indian loan programme expending of more time identification of suitable lands and expending of more time by the Indian High | The operational functions of the Authority should be performed according to the plans of the Authority. |

housing units under the Sampath Sevana Housing Programme as at end of the year under review, the loans and grants had been given to commence the construction works of 356 housing units and only 64 housing units had been completed.

Commissioner's office to release the provisions after being completed the houses up to expected levels etc were the main reasons for this situation.

(e) Even though it had been planned to commence the construction works of 24,692 housing units during the year under review under 03 projects, the loans and grants had been given 16,698 excessive housing units exceeding the plan. As a result, the loans and grants that required to complete works had been given only for 3,355 housing units. Further, even though it had been planned to expend amounting to Rs.2,260 million, a sum of Rs.3,073 had been expended for the projects.

Due to applying of more low income families, it had to be provided more benefits to the families exceeding the planned number of families. Further, due to referring of more Ranaviru families those who had more requirements under the Viru Suvithuru Programme by the Ranaviru Seva Authority, exceeding the targets the benefits had been given. As well, due to apply of more displaced families under the Housing Programme of North and East Provinces.

Attention should be drawn to provide the loans, according to the financial position and plans of the Authority.

(f) The total allocation made for the construction of 10 bridges and community water projects for the providing of infrastructure facilities to the housing projects amounted to Rs.120 million. Even though the physical progress of those projects was 39 per cent and 24 per cent respectively as at end of the year under review, the total amount of Rs.43 million had been expended exceeding the allocated amount.

Due to conducting of extra works in some projects, payment for bills had to be made exceeding the estimated allocation. Hence, though the physical progress was appeared as low, the payments had been made as per the work done.

The operational functions of the Authority should be performed in effective and fruitful manner.

(g) The adjoining lands and bare lands belonging to the Authority had not been properly identified by conducting of surveys and valuations. As a result, the Authority had failed to use those lands effectively or dispose them. Thus, the income could have been earned by the Authority was lost.

Comment had not been furnished.

Action should be taken to conduct surveys and valuations of the adjoining lands belonged to the housing schemes and bare lands of the Authority. The value of the those lands should be accounted.

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| <p>(h) Contrary to Section 9 of the National Housing Authority Act No. 17 of 1979, two houses from the Maththegoda and Manuigtown housing schemes had been given to one person. Even though it had been decided by the Board of Directors, Board paper 9855 (4/2020), to repossess the first house given to the person based on the request made by him, that issue had not been resolved up to 30 June 2020.</p> | <p>Comments had not been furnished.</p> | <p>Action should be carried out according to the National Housing Development Act.</p> |
| <p>(i) Action had not been taken to transfer the ownership of 413 Janaudana land plots which had been given on lease basis in 80/90 decades extend of 60.59 hectares and belonging to 12 villages in the Anuradapura District, after being recovered the estimated value of Rs.13.48 million. Further, the Authority had not taken action to identify the value of 44 land plots after being made valuations, extend of 7.459 hectares, situated in 3 Janaudana villages in Anuradapura District, established during the above decade.</p> | <p>Comment had not been given.</p> | <p>The land transferring activities should be formalized being recovered the value.</p> |

3.2 Operational Inefficiencies

| Audit Observation | Management Comment | Recommendation |
|--|---|---|
| <p>(a) Even though the Authority had planned to incurred a sum of Rs.612.5 million for 3 projects scheduled to be implemented using other funds of the Authority, only a sum of Rs.82.82 million had been incurred for 02 projects and any expenditure had not been incurred for other project. Further, the other funds amounting to Rs.999.8 million had been incurred to the “Soduru Piyasa Programme” of</p> | <p>The provisions for the Soduru Piyasa Bank loan programme had been directly transferred to the beneficiaries. Hence, when make the estimates for external funds, that funds had not been included to the Action plan. However, due to the reporting of physical and financial progress of the beneficiary families those who received the benefits through the District</p> | <p>Operational functions of the Authority should be performed according to the plans and efficient and fruitful manner.</p> |

which had not been scheduled to implement using other funds.

officers, amalgamating with the progress report, it was shown over expenses than the estimated expenditure.

(b) The deeds for 145 Condominium Properties and 4,054 housing units had not been issued by the Authority as at end of the year under review. As well, 1,913 land plots belonged to 81 of above properties had not been vested to the Authority. Even though 63 properties had been vested to the Authority, the deeds for 1821 units had not been given due to not preparing of Condominium survey plans, not preparing of Condominium declarations and registering of them etc. Further, although the declarations had been registered for 02 Condominium properties comprising of 272 housing units, the deeds had not been given up to end of the year under review. As well, it although had been planned to give 3000 deeds to the beneficiaries those who obtain the houses on hire purchase basis, only 64 deeds had been issued to them.

The deeds could have not been given to 4054 housing units belonging to 145 Condominium properties situated in 66 housing schemes. Nevertheless, the Act could be applied to the above Condominium properties.

The operational activities of the Authority should be performed in formal, effective and fruitful manner.

(c) According to the feedback report of the Authority prepared for model villages (November 2019), 805 beneficiaries out of 10,117 beneficiaries, had not been occupied in the houses due to wild elephant treads, lack of common amenities and another reasons. Due to the availability of other houses and sale of the houses in the model villages, it was observed that 183 beneficiaries had not resided in the houses.

To construct the model villages, various lands are used (i.e. government lands, LRDC lands, Authority's lands). The government lands are given by conducting land Kachcheries and holding the interviews by the Divisional Secretaries. Due to providing of bogus information by some beneficiaries, lands had been allocated to the persons those who owned the lands, in some instances. Some recipient of houses in the peoplized villages, had been sold their house in illegal manner.

The selections of model villages should be conducted following the relevant procedures.

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| <p>(d) An aggregate amount of Rs.461.71 million had been incurred by the Head Office from November 2015 to December 2019 for publishing of news paper advertisements in connection with laying of foundation stones and opening ceremonies of model villages. In addition to that expenses, another sum of Rs.353.64 million had been expended for the opening ceremonies of the model villages. Further, according to an audit test check, it was observed that 5 District officers had also been incurred an aggregate amount of Rs.20.51 million during the period from 2015 to 2019 for laying of foundation stones, opening ceremonies of villages and for the preparation of inscriptions.</p> | <p>The housing project opening ceremonies had been conducted as per the instructions given by the Minister of Housing and the expenditure had been incurred having the approval of the Board of Directors and within the annual budgetary allocations.</p> | <p>The management should taken actions to use the Authority's funds in fruitful manner.</p> |
| <p>(e) The estimated value that should be recovered from 121 unauthorized occupants in the bare lands belonged to the Authority situated in Gampha, Colombo, Galle, Matara, Puttalam, Kandy and Matale District amounted to Rs.43.55 million and a sum of Rs.25.85 million to be recovered from 25 not lower income unauthorized occupants also had been included to the above. Nevertheless, the Authority had not taken necessary actions to legalized the unauthorized occupants.</p> | <p>A Board paper had been furnished to get the approval from the Director Board to legalize the unauthorized occupants.</p> | <p>Necessary Action should be taken to legalize the unauthorized occupants.</p> |

3.3 Transitions in Contentions Nature

| ----- Audit Observation ----- | ----- Comment of the Management ----- | ----- Recommendation ----- |
|--|---|---|
| <p>According to the decision of the Cabinet of Ministers No.99/1165/21/122 dated 11 September 1999, when legalized the unauthorized occupants, the</p> | <p>According to the decision made by the Board of Directors, 18/2016 dated 23 December 2016, a disposal was made based on the</p> | <p>The unauthorized occupants should be formalized based on the decision made by the Cabinet Ministers.</p> |

current valuation should be applied to legalize. However, it was observed in audit that the houses, lands and shopping complexes of the Authority had been transferred to the unauthorized occupants by the Authority based on the approvals obtained from the Board of Directors in time to time and based on the internal circulars, using the valuation made considering the occupied years of the unauthorized occupants.

valuation made for Rs.257,500 in the year 1998.

The decision of the Board of Directors No.8505, it had been decided to formalized the occupants adding 5 per cent margin for value increasing to the valuation of the year 2000 of the assets per year up to the current stage and 15 per cent as administration fees and applicable taxes. Accordingly, two occupants had pain in full and one occupants has been paying in installments.

According to a direction given by the president's office, the properties had been transferred based on the decision made by the Board of Directors.

3.4 Delays of Capital works in the projects

| ----- Audit Observation ----- | ----- Comment of the Management ----- | ----- Recommendation ----- |
|---|---|---|
| <p>According to an audit test check, due to the reasons of not receiving of adequate provisions to the District offices and not completing the construction works as per the released loans etc, it was observed that the construction works started at 86, 56 and 10 villages in Kurunegala, Monaragala and Mullativue Districts respectively had been abandoned.</p> <p>Further, at an audit test check, it was confirmed that only the foundation stones had been layed for 11 model villages.</p> | <p>When the programmes were implemented the provisions had not been allocated for 2,562 villages according to their estimates. The provisions had not been made available as per the requirements for the villages started in the year 2019. Hence, the construction works had been abandoned and become ineffective.</p> | <p>The operational activities of the Authority should be conducted according to a formal plan and considering the financial position.</p> |

3.5 Procurement Management

| Audit Observation | Comment of the Management | Recommendation |
|--|---|---|
| <p>Without obtaining a valuation report from the Government valuer, the Liberty plaza circuit bungalow had been sold to the OVDC Company for Rs.9 million in the year 2003. According to the valuation made by the Authority, the value was Rs.12.9 million and in turn according to the valuation made by the committee appointed by the Chairman of the Authority the value was Rs.11.52 million. However, without obtaining the approval from the price Committee of the Authority for the above valuations, the bungalow was sold for the above price deducting the repair cost of Rs.2.52 million incurred by that company. Any evidence relating to the repair cost had not been furnished to audit.</p> | <p>Then Board of Directors of the Authority had not decided to obtain that valuation and the valuation was obtained from W.A.D.Sarath Kumara, the valuer of the Authority, for Rs.12,900,000. After being informed by the OVDC about the repair cost of Rs.2,500,000, deducting the that amount the price was fixed as per Rs.10,400,000. At the time, the Chairman of the Authority, Major General Sarath Munasinghe, had appointed a committee to review this disposal.</p> | <p>Disposing of properties of the Authority should be carried out in transparent and formal manner.</p> |

3.6 Human Resource Management

| Audit Observation | Comment of the Management | Recommendation |
|---|--|---|
| <p>(a) According to the Letters of the Management Service Department No.DMS/1522/v-1 dated 04 January 2019, and No.DMS/1522/V-I dated 29 January 2019 it had been approved to recruit 2,164 employees for permanent posts and 1,486 employees on contract basis. The actual cadre as at 31 December 2019 was comprises from 1,675 permanent employees 313 contract basis and 73 daily paid employees. However, when analysis the each posts, it was observed that 96 vacancies in 5</p> | <p>The audit observation indicated only vacancies and excess in the employees at lower salary scales than the senior management levels, after being approved the new recruitment procedures, the vacancies could be filed.</p> | <p>The Human Resource Management System should be formalized and action should be taken to recruit only the required employees.</p> |

posts and 515 excess staff in 07 posts. Further, although the recruitment had been made based on the above created posts, action had not been taken to prepare the recruitment procedures in order to obtain the approvals. Furthermore, although the approved cadre for contract basis employees 1,486, the recruited employees were 1,685 and a sum of Rs.608.71 million had been paid for those employees.