

## **National Housing Development Authority and its Subsidiary Company - 2020**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the National Housing Development Authority for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance statement, 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 Financial Act No.38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Urban Settlement Development Authority as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1.2 Basis for Qualified Opinion**

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My opinion is qualified 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 qualified opinion.

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

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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 Audit Scope (Auditors Responsibility with regard to audit of the financial statements)**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Authority, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority;
- Whether the Authority has performed according to its powers, functions and duties; and
- Whether the resources of the Authority had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Financial Statements**

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### **1.5.1 Internal Control over the preparation of financial statements**

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Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that, transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards, and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

### **1.5.2 Non – Compliance with the Sri Lanka Public Sector Accounting Standards (SLPSAS)**

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<b>Non – Compliance with reference to the particular standard</b>	<b>Management Comment</b>	<b>Recommendation</b>
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(a) According to Paragraph 76 of the SLPSAS – 01, the assets which could not be realized within 12 months after the respective reporting date, should be categorized as no – current assets. However, 15 fixed deposits totaling Rs.58,010,000 had been shown in the	Action to be taken to make the corrections when preparing the financial statement for the year 2021.	Account should be prepared according to the SLPSAS.

financial performance statement under the current assets.

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| <p>(b) The value of a land extent of 170.56 perches 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 at a cost of Rs.2,520 as at end of the year under review. 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 paragraphs 27 and 47 of SLPSAS – 07. Further, even though the land value of the Authority had been identified as Rs.55,319,710 value of 112 land plots belonging to the offices and rented out buildings and lands extent of 473.15 hectares belonging to the housing projects had not been valued in order to show their fair values.</p> | <p>The land belonging to the Hantana Holiday Resort is 17.43 perches. As per the deed No. 39, a land extent of 148 acres, 02 rods and 03 perches had been vested to the Authority, including the Holiday Resort land given for Rs. 752,337 by the Land Reform Commission. To value the land belonging to the Holiday Resort had been informed to the to the Valuation Department on 06 February 2020. After being received the valuation report the correct value will be brought to the accounts value the land belonging to the Holiday Resort had been informed to the Valuation Department. After being received the valuation report the correct value will be brought to the accounts.</p> | <p>Account should be prepared according to the SLPSAS.</p>  |
| <p>(c) Hundred and thirty five motor vehicles cost of Rs.269,362,610 which had been purchased since the year 1985 and a large number of other assets cost of Rs.200,198,467 which had been purchased before 2015, are being still in used though they fully depreciated. However, the particulars of those assets had not been disclosed in the financial statements according to SLPSAS – 07. As well, according to SLPSAS – 03, action had not been taken to rectify the estimation error of useful life of those assets and adjusted in the accounts.</p>  | <p>A committed has been appointed thereto. It is expected to make the adjustments in the financial statement of 2021, after being made adjustments to the useful life of the assets.</p>   | <p>With regard to the fully depreciated assets, action should be taken according to the requirements of SLPSAS.</p> |
| <p>(d) The value of the stock of houses, and 43 units of rent/ lease houses had been shown in the financial statements at the cost of Rs.68,751,810 as at 31 December 2020. Out</p>   | <p>They have been accounted under the fixed assets in the year 2021.</p>   | <p>Action should be taken according to the SLPSAS.</p>  |

of that, 8 houses and shops cost of Rs.6,263,121 had been disposed on rent basis. As well, another 74 houses and shops had not been brought to the financial statements due to legal proceedings. However, a disclosure had not been made in the financial statements in that regard. Further, 117 houses and shops which have been held to dispose on rental/ lease basis had not been identified as the investment properties in terms of SLPSAS – 13.

### 1.5.3 Accounting Deficiencies

----- <b>Audit Observation</b> -----	----- <b>Management Comment</b> -----	----- <b>Recommendation</b> -----
(a) The assets valued at 131,682,451 received under the foreign grants during the period from 1981 to 1995 had been shown as foreign funds in the financial statement as at end of the year under review, without being amortized the related assets. Further, the particulars relating to some foreign grants, included in the above amounting to Rs.96,707,280, had not been furnished to audit.	The Board approval had been obtained to adjust the foreign grants received during 1981-1995 amounting to Rs.131,682,457 in the accounts. Action to be taken to make the adjustments when it prepares the 2021 accounts.	The adjustments should be made and the particulars relating to foreign grants should be furnished to audit.
(b) A difference of Rs.14,268,868 was observed between the cash remittances to the Weeraketiya District office from the Head office, due to either not being accounted the remittances or omission from the accounts. Hence, that difference had been deducted from the cash balance and shown in the financial statements. As a result, the cash balance of the year had been under stranded in the financial statements.	The matter has been examining.	The reasons for the difference in cash balance should be examined in depth and action should be taken to correct the reports.

#### 1.5.4 Lack of written Evidence for audit

Item	Amount	Evidence not made available	Management Comment	Recommendation
	Rs.			
(a) Advance, deposits, receivable balances	3,351,405	Detailed schedules	Schedules have been submitted	Adequate and detailed schedules should be furnished.
(b) The lands and houses given on long term basis to make payments on installment basis.	21,823,692,283	Schedules and supporting documents and detailed information. to identify the beneficiaries.	Schedules have been submitted	Adequate and detailed schedules should be furnished.

#### 1.6 Accounts Receivable and Payable

##### 1.6.1 Accounts Receivable

Audit Observation	Management Comment	Recommendation
(a) Even though a sum of Rs.47,462,689 had been shown in the financial statements since the year 2010 as receivable amount from the Consolidated Fund, the Ministry of Finance and Planning had informed in 2014 that said amount would not reimbursed again. However, action had not been taken to write-off that amount. As a result, the current assets of the Authority had been overstated by that amount.	Action to be taken to write – off from the books.	Prompt action should be taken to write – off the amount obtaining relevant approval.
(b) According to the financial statements, the advances and loans given by the Authority to the employees and to external parties aggregating to Rs.4,001,854,250. Out of that, the recoverable amount since 3-5 years and for over 5 years amounted to	Action to be taken after being examined.	Necessary action should be taken to recover the receivables as early as possible.

Rs.963,293,386 and Rs.2,652,095,768 respectively. However, action had not been taken to recover those receivables up to end of the year under review. As well, the receivables for over 5 years were represented 33 per cent of the total debtor balances.

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| (c) | Out of unsettled advances as at 31 December of the year under review, given to the Contractors for 30 projects, the advances amounting to Rs.64,001,469 were existed as unsettled for over 5 years. | Action to be taken to surrender the advances. | Action should be taken to recover the advances as early as possible. |
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### 1.6.2 Accounts Payable

----- <b>Audit Observation</b> -----	----- <b>Management Comment</b> -----	----- <b>Recommendation</b> -----
Out of the payables to the creditors, sums of Rs.202,530,915 and Rs.1,828,306,764 had not been settled for over 10 years and over 5 years respectively up to end of the year under review. As well, action had not been taken to write – off the non – liable creditor balances, after being conducted investigations.	Actions have been taken.	Action should be taken to write – off the non – liable creditor balances, after being conducted investigations.

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

----- <b>Reference to Laws, Rules, Regulations etc.</b> -----	----- <b>Non - Compliance</b> -----	----- <b>Management Comment</b> -----	----- <b>Recommendation</b> -----
(a) Section 11 (b) of the Finance Act No.38 of 1971	Concurrence of the Finance Minister had not been obtained for the short term and long term investments made totaling Rs.2,271,354,730.	The long term investments in HDFC and OVDC had been made with relevant approvals. A letter has been submitted to the Treasury operation Department through the Ministry in order to get	The relevant documents relating to the obtaining of approvals should be furnished to audit.

the approval for short term investments.

(b) Financial Regulation of the Democratic Republic of Sri Lanka

(i) FR 371(5) and Paragraph (d) of the State Finance Circular No.03/2015 dated 14 July 2015.

(i) Two advances given to the officers in the years 1998 and 2019 amounting to Rs.200,000 and Rs.42,272,005 respectively had not been settled up to end of the year under review. Further, action had not been taken to recover the salary advances given to the officers amounting to Rs.122,798 even after lapsed of over 5 years.

It was informed to the District officers that payment of advances and settlements should be adhered to the office directions.

Advances should be recovered according to the procedures.

(ii) Action had not been taken to recover the advances amounting to Rs.514,650,472, that had been given to various 73 projects, even after lapse of 1 to 5 years.

Actions have been taken to recover those advances joining with the Engineering Division.

Advances should be recovered according to the procedures.

(ii) FR 396

Necessary actions had not been taken relating to 69 cheques issued from 2 bank accounts of the 02 District offices amounting to Rs.602,142 though they were remained uncashed for more than 6 months.

Issues in the bank reconciliation had been resolved.

Action should be taken according to the Financial Regulations.

(c) The State Finance Circular No.02/2015 dated 10 July 2015

Even though disposing process of unused motor vehicles should be conducted as at 31 March in

Disposing of motor vehicles according to the circular No.2020/1 has been conducted.

Action should be taken according to the Circular.



every year after being identified the disposable motor vehicles, action had not been taken to dispose 11 motor vehicles cost of Rs.16,143,675 which were decided to be disposed since the year 2017 up to end of the year under review.

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| (d) | Paragraph 8.2.2 of the Public Enterprises Circular No.PED/12 dated 02 June 2003 and section 11 of the Finance Act No.38 of 1971. | Deviating from the main objective of the Sevana Fund, providing of facilities poor families for fulfillment of their housing needs, action had been taken to make investments continuously in order to earn the interest. Thus, a sum of Rs.328,000,000 had been invested without obtaining the approval of the Minister of Finance.                                  | Taking of long period for the process for identification of families and obtaining of approvals and due to the Covid – 19 pandemic, delays were occurred. Action had been taken to provide facilities to 22 families. | Funds should be utilized to achieve the expected objectives.   |
| (e) | Paragraph 3.1 of the Public Administration Circular No.30/2016 dated 29 December 2016.   | The consumption of fuel must be re-tested after a period of 12 months from each fuel test or after running a distance of 25,000 km or after carrying out a repair to the engine, whichever occurs first. However, the fuel tests had not been conducted for 36 motor vehicles of the Authority up to 31 December 2020, since the date of purchase the motor vehicles. | It had been informed to conduct fuel consumption test for the untested motor vehicles.  | Adhered to the circular instructions.                          |
| (f) | Paragraph 9.4 of the Management Services Circular No.12 dated 30 June 2003.  | The officers of an institute should not be released to the Line Ministry or to any other institution without  | As 07 offices had performed parallel programme to the Housing Authority, the  | Action should be taken according to the circular instructions. |

obtaining the approval of cabinet of Ministers and if it release with the approval, any payment should not be made during the period. However, contrary to that requirement, 12 officers had been released to external institutions without having said approval. Although three officers who had been released without pay basis, a sum of Rs.7,782,481 had been paid as salaries and allowances for them up to end of the year under review. A sum of Rs.164,657 to be receivable for an officer who had been released on the reimbursement basis up to 30 April 2021, Since a period from 4 years.

salaries of them had not been reimbursed. Three officers had been released with payment and another two offices had been released without payments.

## **2. Financial Review**

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### **2.1 Financial result**

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The operating result of the Group and the Authority for the year under review had resulted deficit of Rs.596 million and Rs.1,026 million respectively and the corresponding deficit for the preceding year amounted to Rs.3,016 million and Rs.3,025 million respectively. Thus, the financial result of the Group and the Authority for the year under review had been improved by Rs.2,420 million and Rs.1,998 million respectively. Decrease of administration and establishment expenditure by Rs.12.46 million and decrease of other expenses by Rs.1,594 million mainly attributed for that improvement in the financial results.

### **2.2 Trend Analysis of Major Income and Expenditure Items**

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When analyzing the financial results of the Authority for the preceding 3 years. Continuous losses were observed in the financial results.

### 2.3 Ratio Analysis

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The current ratio and the quick ratio of the Authority as at end of the year under review were 2.19:1 and 1.79:1 respectively and those ratios in the preceding year were 1.30:1 and 1.36:1 respectively.

### 3. Operational Review

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#### 3.1 Uneconomic Transactions

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##### Audit Observation

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The compulsion payables to the private sector for the acquisition of lands as at end of the year under review amounted to Rs.101,209,033 and the interest payable due to the delaying the payment of compulsion amounted to Rs.33,852,455, the payable interests due to delaying the payment were exceeded, that the compulsion in 24 instances.

##### Management Comment

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After obtaining the possess of the lands, construction of many houses had been completed and residents were occupied in the houses at the early stage. However, due to delaying of acknowledgement about the possession examination results, after being conducted them, the payable interest had been exceeded the payable amounts due to accumulating of 7 per cent interest per annum. Within this procedure, the delays were occurred.

##### Recommendation

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A suitable procedure should be prepared in order to solve the issues in payment of compulsion.

#### 3.2 Management Inefficiencies

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##### Audit Observation

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- (a) Forty Three houses and shops which had been constructed by the Authority for sale at a cost of Rs.6,263,123 had been kept in the trade stock without being sold for a period of over 3 years
- (b) A centralized main register had not been maintained by the Authority in order to compile units of houses and shops keep by the Authority for sale/ rent/ lease, though the finance division, property division and District offices had maintained separate data thereon.

##### Management Comment

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- Action will be taken to dispose them on new prices, after being obtained the valuation reports from the Department of valuation.
- Action has been taken to collect the information with regard to preparation of a centralized register.

##### Recommendation

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- Required action should be taken as early as possible.
- In order to obtain the required information, prompt action should be taken to prepare a centralized register.

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| (c) | A District Manager of a Authority had resided in a houses situated in the Maththegoda Housing scheme during the period of 2011 to 2020 and that houses had not been given following the formal procedure applicable to renting/ leasing of a houses. As well, the Authority had not taken action to recover any rent from the officer.  | The officer has been vacated from the post now. Action to be taken to recover the outstanding rent from the officer, for the relevant period.  | Necessary action should be taken immediately.                            |
| (d) | According to the guideline for implementation of the model villages, the main criteria for the selection of beneficiaries are, lack of a houses to the beneficiary or to the spouse and have a real requirement of a house. According to the information furnished for audit, due to receiving of another houses, 182 beneficiaries had not been resided in the houses and 9 beneficiaries had sold the houses given for them. Thus, it was observed that without conducting a correct examination, the houses had been provided.                           | The beneficiaries had been selected based on the reports received from the Grama Seva Niladaries mentioning that lack of a house or land. Further, the name lists provided by the land allocating institutes also included to thereto.   | The beneficiaries should be selected based on a formal procedure.        |
| (e) | According to section 2.1 of the Guideline (Athwela) for implementing of model villages, suitable lands for the housing schemes had not been selected. Due to that weakness, the beneficiaries of 1,089 houses, situated in model villages in 25 Districts, had not been resided in the houses due to the lack of Common facilities and threats from wild animals. As a result, the costs incurred to construct those houses had been become fruitless expenditure. The particulars of those expenditure had not been furnished to audit. Further, the non - | The electricity and water had been provided to relevant villages. Those lands are not adjoined to forest reservations or wildlife zones. The monthly loan installments have been collected from the residents in the villages. The non – occupants of the houses those who constructed houses from the grants, those grants to be recovered. | Action should be taken to achieve the expected benefits of the projects. |

occupying percentage of the beneficiaries in 133 model villages in 12 Districts opened in the year 2109 were ranging from 15 per cent to 42 per cent.

### 3.3 Operational Inefficiencies

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
<p>(a) Even though it had been planned to start the construction works of 10,000 housing units and to complete 5,000 housing units in the year under review at the estimated cost of Rs.5,271,500,000 under the “Obata Geyak – Ratata Hetak” Programme, only 3,949 housing units had been completed. Although 90 per cent of the estimated provisions had been received, 6,051 housing units were remained as uncompleted.</p>	<p>In order to complete the 10,000 housing units under the programme of “Ratata Hetak – Obata Gamak” a sum of Rs.6,000 million is required, Rs.600,000 per each housing unite. However, an estimate amounting to Rs.5,271 million had been made and a sum of Rs.4,161.33 million was received from the Treasury. Out of that receiving, a large portion of funds amounting to Rs.1,871 million was received on 31 December 2020. A short term deference was observed between the investment of funds and physical progress. 972 housing units had been completed now.</p>	<p>The construction works of the houses should be completed as per the plans and corrective action should be taken after being identified the reasons for delays.</p>
<p>(b) Even though it had been planned to construct 300 housing units during the year under review under the other funding programme of Sevana Housing grants, benefits had been provided only for 22 family units. As well, it had been planned to construct 1,860 housing units under the Indian donation Progamme, only 520 housing units had been constructed and 8 projects shedulded to be implemented under the above programme had not been conducted.</p>	<p>After being identified the families, it had taken long period of time to get the approvals from the Minister, Secretary to the Ministry and Sevana Management Board, and due to the Covid-19 situation, the delays were occurred and provision had been given to 22 families.</p>	<p>When planning the projects, the plans should be prepared in realistic manner with the achievable time targets.</p>

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| (c) | Out of the various grants and loan programmes conducted to construct 111,214 housing units under the 13 programmes, during the period from 2016 to 2019, only 37,408 housing units or 34 per cent had been completed up to end of the year under review. The construction works of 3,656 housing units conducted under those programmes had been abandoned.  | In order to complete the construction works started during the period of 2016 – 2019, a large amount of money was required. The Government budgetary provision had not been provided for the year 2020 for that programme. Hence, a progress of the continuing works was not achieved.  | On order to complete the continuing works, action should be taken to get the provisions.        |
| (d) | Five housing projects implemented under the shelter for all programme, in the year 2106 comprising of 2,503 housing units, which had been scheduled to be completed 11 April 2018, 07 December 2018, 22 November 2019 and 12 June 2020 respectively. Nevertheless, only 262 housing units, out of 2503 housing units, had been completed up to 31 December 2020. Action had not been taken to construct 1,815 housing units. | Two hundred and sixty two housing units had been completed during the year 2020. Funds had not been given through the Government Budget for this programme. As a result, a considerable progress could not be achieved from this continuing programme.  | Action should be taken to get the allocations in order to complete the uncompleted programmes.  |
| (e) | The works of rehabilitation and development of infrastructure facilities in 33 housing schemes had been planned to carry out at an estimated cost of Rs.200,000,000 in the preceding year. However, the progress of the scheduled works in 17 housing schemes was in zero level.   | Even though it had been scheduled to carry out rehabilitation works in 33 housing schemes in the year 2019 under the “Nagamu Purawara” programme, due to not receiving of tenders, the activities were limited to 18 housing schemes. As well, the procurement process of some projects were continuing even since end of 2019. | The projects that had not been completed as per the plans, should be included to the estimates. |

### 3.3 Human Resource Management

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Audit Observation	Management Comment	Recommendation
<p>The approved cadre of the Authority as at 31 December 2020 was 2,164 and the actual cadre as at that date was 1,978 comprising permanent staff of 1,175 personal recruitments of 446, on contract basis 282 employees and 75 daily paid employees. When it analyses the each staff category 665 vacancies and 295 excess staff was observed.</p>	<p>When made the recruitments, 665 vacancies and 295 excess staff were existed.</p>	<p>Action should be taken to maintain approved cadre.</p>

## 4. Accountability and Good Governance

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### 4.1 Tabling of Annual Export of Parliament

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Audit Observation	Management Comment	Recommendation
<p>In terms of paragraph 6.5.3 of the Public Enterprises Circular No.PED/12 dated 03 June 2003, the Annual Reports for the years 2018 and 2019 had not been tabled at Parliament.</p>	<p>Annual report of the year 2018 had been tabled at Parliament and the report for the year 2019 had been furnished to the Ministry.</p>	<p>Action should be taken according to the Circular.</p>

### 4.2 Annual Action Plan

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Audit Observation	Management Comment	Recommendation
<p>In terms of paragraph 04 of the Public Finance Circular No.01/2014 dated 17 February 2014, the updated organization plan, approved cadre, budget, annual procurement plan, imprest requirement plan and internal audit plan should be incorporated to the Annual Action Plan. However, the Authority had not been done so.</p>	<p>Those plans had been prepared by each of the respective Divisions and required approvals for the plans had been obtained.</p>	<p>According to the Circular instructions.</p>

### 4.3 Internal Plan

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#### Audit Observation

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When conducting the internal audit activities, it had not been drawn the attention to cover main functions of the Authority.

#### Management Comment

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Due to the Covid – 19 pandemic and shortage in staff, adequate audit coverage could not be fulfilled more attention will be given in 2021.

#### Recommendation

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When conducting the internal audit functions, more attention should be given to the District offices and to operational functions.

### 4.4 Budgetary Control

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#### Audit Observation

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The variances ranging from 45 per cent to 3,330 per cent were observed between the budgeted and actual expenditure and the income.

#### Management Comment

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Information relation to the variances ranging from 43 per cent to 3,330 per cent had been furnished.

#### Recommendation

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The budget should be made use as an effective management instrument.