

National Housing Development Authority – 2016

The audit of consolidated financial statements of the National Housing Development Authority and its Subsidiary for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 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 – 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 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

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 2016 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

2.2.1 Consolidated Financial Statements

The following observations are made.

- (a.) The present Chairman of the Authority is functioning in the capacity of a Director (Non-independent- Non- executive) of the National Housing Development Finance Corporation Bank. Even though the National Housing Development Authority owned 49 per cent of the total share capital of the aforesaid bank, consolidated accounts had not been prepared by considering it as an associated company and necessary disclosures on the related parties had not been made in the accounts.
- (b.) The consolidated financial statements had been prepared based on unaudited financial statements for the year ended 31 December 2016 of the Ocean View Development Ltd., which is the Subsidiary of the National Housing Development Authority and the net assets of the Subsidiary represented 14 per cent of the net assets of the Authority.

2.3 Comments on Financial Statements – Authority

2.3.1 Accounting Policies

The following observations are made.

- (a) Although it had been stated in accordance with the Accounting Policy No.7.4 that a sum of Rs.58.12 million receivable from the Maligawatta CGR Project would be offset against the payable compensation of the lands, action had not been taken accordingly.
- (b) Even though a sum of Rs.23,700 had been amortized in the year under review in respect of intangible assets of Rs.332,025 shown in the consolidated financial statements, the accounting policy applicable thereto had not been disclosed in the financial statements.

2.3.2 Sri Lanka Public Sector Accounting Standards

The following observations are made.

(a) Sri Lanka Public Sector Accounting Standard 03.

An accounting policy had not been formulated so as to reflect in the financial statements the fair value of the financial assets which represent 12 per cent of the assets of the Authority.

(b) Sri Lanka Public Sector Accounting Standard 07

The value of the land, 170.56 perches in extent belonging to the Hanthana Holiday Resort and acquired under a non- exchange transaction in the years 1987 and 1988 had been stated as Rs.2,520 in the financial statements by the end of the year under review and action had not been taken to revalue it and bring to account at the fair value in accordance with Paragraph 47 of the Standard.

2.3.3 Accounting Deficiencies

The following observations are made.

- (a) A new section had been added to the District Office, Kandy in the year 2015 by spending Rs.33.7 million. Nevertheless, depreciation had not been computed for this section in the computation of depreciation for the buildings in the year 2016. Hence, the depreciation value of the buildings had been understated by Rs.841,365.

- (b.) The value of the photocopy machine amounting to Rs.144,300 purchased by the Middle Class Housing Project in the year 2016 had been brought to account as office equipment and tools of the Authority during the year under review.
- (c.) The value of the plots of land further remained at the housing schemes and lands of 450.3484 hectares in extent vested for housing schemes had not been assessed and brought to account. Similarly, value of 32 plots of land belonging to the Authority where permanent office buildings and rent buildings had been built at, had not been assessed and brought to account by the end of the year under review.
- (d.) The balance sum of Rs. 13.32 million from the grants of the National Livestock Development Board received for constructing houses, had been shown under other aids instead of being shown as accounts payable from the year 2012.
- (e.) Nine housing units valued at Rs.7.08 million given on rent/lease basis for more than a period of 5 years had been brought to account as stocks under current assets as at 31 December 2016 instead of being accounted as investment assets.
- (f.) Although provisions for doubtful debts at 20 per cent should be made in respect of sundry debtors of Rs.72.42 million due from other institutions in terms of Accounting Policy 7.4, provisions had been made only for the debtors exceeding 05 years totalling to Rs.71.06 million and as such, provisions for doubtful debts had been understated by Rs.272,372. Accordingly, the profit of the year under review as well had been overstated by that amount.

2.3.4 Unexplained Differences

The balance of loans obtained by the Authority from 06 banks under Diri Piyasa loan scheme amounted to Rs.19.7 million as at the end of the year under review and a difference of Rs.7.81 million was observed between the balance confirmation submitted by those banks and the amounts indicated in the Ledger.

2.3.5 Lack of Evidence for Audit

A sum of Rs. 104.36 million receivable from the Urban Development Authority from the year 1984 to the year 2002 had been offset against a sum of Rs.52.52 million payable to the Urban Development Authority and a receivable balance of Rs.51.84 million had been shown in the financial statements of the year under review. Nevertheless, the balance confirmations of the Urban Development Authority had stated that a sum of Rs.39.89 million was due from this Authority.

2.4 Accounts Receivable and Payable

The following observations are made.

- (a.) The following matters were observed in connection with the recovery of housing loan installments and land sale loan installments by the District Secretariat, Kegalle.

- (i) The period delayed for the recovery of Rs.3.69 million out of the loan amounting to Rs.5.64 million granted by the District Office under the Estate Housing Loan Scheme had exceeded 05 years.
 - (ii) According to the report relating to the lands sold before the year 2012, any installment relating to 03 blocks of lands valued at Rs.514,948 had not been recovered from the date of sale of those lands and in spite of existence of arrears of installments relating to 43 blocks of lands, action had not been taken to recover those money up to the end of the year under review.
 - (iii) Sums totalling Rs.770,875 receivable for 04 blocks of lands sold by the District Office on the agreement of recovery of money as a lump sum had not been recovered up to the end of the year under review.
 - (iv) Although the highest price quoted for the land bearing the lot No.56 of the Karunaratnagama housing scheme was Rs.850,000, this land had been awarded in the year 2015 to a person who had quoted Rs. 725,000 therefor and scored higher marks at the interview. Nevertheless, the Authority had not recovered that money up to the end of the year under review.
 - (v) The rent in arrears for the houses belonging to the District Office was Rs.1.06 million and the number of house units the arrears of which had exceeded 03 years contained therein was 106. Although the General Manager had informed the Audit that there was an arrears in the recovery of rentals from the houses constructed in lands not owned by the Authority, a proper step had not been taken thereon.
- (b) Although the Authority had provided a sum of Rs. 21.52 million in respect of the tax in arrears amounting to Rs. 15.33 million and the fine of Rs. 7.12 million relating thereto that remained payable to the Inland Revenue Department on behalf of National Institute of Machinery, action had not been taken to settle those liabilities up to the end of the year under review.
- (c) 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. 216.3 million brought forward for over a period of 02 years.
- (d) A sum of Rs. 72.42 million had remained recoverable by the Authority in respect of the employees of the Authority who had been deployed in the service of the other Government institutions. Out of that, a sum of Rs. 71.82 million had remained unrecovered for more than a period of 05 years.
- (e) A sum of Rs. 605,675 receivable to the Authority in respect of a land of 685.49 perches in extent granted by the Authority in the year 1998 from Athnawala Estate to a private social welfare organization for a housing project consisting of 60 houses and installments of Rs.171,194 receivable for the year 2016 in respect of 06 blocks of lands had not been recovered up to the end of year under review.

- (f) Even though the Authority had credited a sum of Rs.47.46 million to the Consolidated Fund in the year 2010, a written confirmation had not been obtained from the Treasury to the effect that the above money would be paid back. Nevertheless, this amount had been shown as a receivable balance in the financial statements for more than a period of 05 years.
- (g) Outstanding loan installments and outstanding loan interest amounting to Rs.512.42 million and Rs.248.07 million respectively payable in respect of the loans obtained from 05 Public and private institutions for projects had remained unsettled for more than a period of five years.
- (h) Action had not been taken to settle the loan balances totalling Rs.220.09 million payable to the Ministry of Rehabilitation and the Ministry of Fisheries for exceeding a period of 05 years.
- (i) Without taking action to recover a sum of Rs. 520,369 granted to the Subsidiary by the Authority to purchase a land before 10 years, it had been shown as sundry debtors in the financial statements.
- (j) Since 1,468 housing loan files valued at Rs.5.97 million given under the Thrift and Credit Co-operative Society Housing Loan Scheme (TCCS) by the District Office, Jaffna 30 years ago had been misplaced, Authority had not taken action either to recover that money or write off them from the books and it had been brought to account as debtors.
- (k) The creditors balance amounting to Rs.1,829.81 million payable as at the end of the year under review had included creditors balance of Rs. 1,315.62 million elapsed a period of 05 years.
- (l) Even though the District Office, Kalutara had granted advances totalling Rs.275,000 to external parties in the years 2013 and 2015, those advances had not been settled even up to the end of the year under review.

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

The following non-compliances were observed.

Reference to Laws, Rules, and Regulations and Management Decisions	Non-compliances
-----	-----
(a) Section 11 (b) of the Finance Act, No.38 of 1971	Concurrence of the Minister of Finance had not been obtained in connection with investments of Rs. 2,218.36 million.
(b) National Environmental Act No.47 of 1980	Approval of the Central Environmental Authority had not been obtained for the Regency Park Housing Scheme and Living Homes Scheme, Pallekele.

- (c) Pubic Finance Circular No.03/2015 dated 14 July 2015. Even though the maximum amount payable from the petty cash imprest at a time is Rs.5,000, the District Office, Kegalle had paid sums totalling Rs.376,088 for the purchase of stamps in 39 instances exceeding the above maximum limit.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Group and the Authority for the year ended 31 December 2016 had resulted in a surplus of Rs.232 million and Rs. 240 million respectively as against the deficit of Rs. 720 million and Rs. 1,028 million respectively for the preceding year, thus indicating an increase of Rs. 952 million and Rs. 1,268 million respectively in the financial result for the year under review as compared with the preceding year. As compared with the preceding year, the increase in the above financial result had mainly been attributed by the increase in the land sale income and the other income of the Authority by Rs. 872 million and Rs. 1,377 million respectively.

In analyzing the financial results of the year under review and the 04 preceding years, deficit of the year 2012 amounted to Rs.303 million and that deficit had continuously increased up to Rs.1,028 million by the year 2015, whereas it had turned out to be a surplus of Rs.240 million during the year under review. However, when readjusting employee remuneration, tax paid to the Government, and the depreciation on non-current assets to the financial result, the contribution of the Authority amounting to Rs. 588 million in the year 2012 had improved up to Rs.1,976 million by the end of the year under review.

3.2 Legal Actions Instituted against or by the Authority

Seventy two external parties had field 72 cases in Courts against the Authority claiming compensation of Rs.66 million regarding the matters such as vesting lands and houses, payment of gratuity and employer and employee disputes. Similarly, the Authority had field cases against 1,006 external parties relating to the matters such as encroachment of the properties of the Authority and failure in settling loans and rentals in arrears.

4. Operating Review

4.1 Performance

(a) Physical Performance

The National Housing Development Authority had been established in terms of National Housing Development Authority Act, No. 17 of 1979 to execute the functions such as: to directly engage itself in the construction of flats, houses and other living accommodation or buildings; to formulate schemes to establish housing development projects in order to alleviate the housing shortage, and to make land available for housing development. In addition to the Head Office, the Authority functions island wide with 26 District Offices and 03 Urban Offices. The following observations are made on the performance of the Authority as at 31 December 2016.

- (i) Although it had been planned to build 1,330 housing units and 500 housing units under the Urban Lands Redevelopment Programme and the Middle Class Housing Development Programme respectively, no housing unit whatsoever had been built by the end of the year under review. Moreover, it had been planned to build 4,500 housing units under the Model Villages Programme (Rural/ Estate/Fishery), whereas construction of 259 housing units only had been completed by the end of the year under review.
- (ii) Despite being planned to build 500 housing units under the Sevena Housing Development Programme, only 59 housing units had been built by the end of the year under review and the progress thereof was 12 per cent only.
- (iii) It had been planned to build 40 housing units according to the Restoration Housing Programme under the continuation programme during the year under review. Nevertheless, no housing unit whatsoever had been built. Further, out of 660 housing units under the Public and Private Contribution Housing Programme planned to be built under above programme, only 59 housing units had been built and the progress thereof was 9 per cent.
- (iv) Despite being planned to build 1000 housing units under the Welioya Special Project, only 42 housing units had been constructed. The progress thereof was 4 per cent.
- (v) According to the report of land survey carried out in the year 2016, it had been identified that there are 327.56 hectares of bare lands, 116.1 hectares of land occupied by encroachers and 6.71 hectares of adjacent lands owned by the Authority. Nevertheless, action had not been taken to settle those lands.

(b) Financial Performance

The following observations are made.

- (i) The total loan capital granted under the housing loan programmes by the end of the year under review amounted to Rs.19,340.24 million and it was Rs.16,307.33 million by the end of the preceding year.
- (ii) The total debtors balance including the debtors balance under the housing loan programmes as at the end of the year under review amounted to Rs.4,509.19 million and it had included debtors balance of Rs.2,041.56 million or 45 per cent older than 05 years.
- (iii) Although a sum of Rs.86.33 million had been spent as loan collecting commission in the year 2016, according to the progress report relating to the recovery of loans, only 58 per cent out of the expected loan recoveries had been recovered during the year under review and the number of dormant debtors had represented 71 per cent of the total debtors.

4.2 Management Activities

The following observations are made.

- (a.) Even though provisions amounting to Rs.247.6 million had been made in the financial statements as compensation payable in respect of taking over of 63 plots of land, 154.85 hectares in extent the tenure of which had been taken over by the Authority in terms of Section 38(b) of the Land Acquisition Act, the Authority had not taken action to settle those compensations up to end of the year under review.
- (b.) As the approval for the building plans had not been obtained from the relevant Local Authorities prior to the implementation of the housing schemes, Certificates of Conformity had not been received for those housing schemes. Accordingly, due to failure in establishing management Corporations by vesting the houses of the housing schemes in the owners, the Authority had to incur sum of Rs. 7.38 million for the maintenance of 17 housing schemes and Rs. 105.98 million for the repairs of 29 housing schemes.
- (c.) Of the loan granted during the years 1989-1994 in order to purchase solar panels for 526 families in Kurunegala district, a sum of Rs.4.08 million remained recoverable as at 31 December 2016. Nevertheless, a sum of Rs.2,590 only had been recovered in the year under review and the Management had not taken action to implement specific methodology to recover the remaining amount.

- (d.) Although the Authority had incurred a construction cost of Rs. 20 million in the year 2007 on the Mahaiyawa Housing Project consisting of 32 houses implemented by the Authority on a land belonging to the Kandy Municipal Council, the monies relating thereto had not been recovered from the Kandy Municipal Council even by the end of the year under review.
- (e.) Although a sum of Rs. 8.69 million had been paid to the Urban Development Authority in the year 2012 for taking over the land in Ratnapura, named as Galkaduawatta, the Authority had decided not to take over the land in the year 2014. However, action had not been taken up to the end of the year under review to recover that amount paid to the Urban Development Authority and it had been brought to account as the development assets.
- (f.) The stock of houses had comprised reserved houses valued at Rs. 37.87 million, the remaining houses, and shops existing for a period of over 05 years. Action had not properly been taken by the Authority to recover the dues in arrears with respect to the reserved houses and sell the remaining houses and shops in the stock promptly.
- (g.) Four out of 08 homes constructed under Stage IV, 117 Estate, Elvitigala Mawatha had been vested in the Foreign Ministry in the year 2011, whereas action had not been taken up to the end of the year under review to recover a sum of Rs.4.97 million further remained receivable thereon.
- (h.) Thirteen motor vehicles valued at Rs.1.94 million belonging to the Authority had been misplaced in North and East and other areas, but the management had not taken action to conduct inquiry into that matter and take formal step thereon.
- (i.) According to the agreement pertaining to the *Upahara* loan granted to the Public and private employees by the Authority, provisions had been made to recover those loan installments from the salary of the loan recipient or the guarantors. Nevertheless, the outstanding loan balance that remained unrecovered as at the end of the year under review amounted to Rs.303.5 million. Since this *Upahara* loan programme had been implemented by obtaining loans from the State banks, the Authority had to settle relevant installments and interests on due date though the money is not received from the debtors. It was observed in audit that the funds of the Authority allocated for its normal activities had been spent for the payment of loan installments and interest due to the above reason.

4.3 Operating Activities

The following observations are made

- (a) Even though District Office , Kandy had spent Rs.2.67 million for the construction of 16 housing units of the Galaha Housing Scheme from the year 1998 to the year 2001, that money had not been received by the Authority even by the end of the year under review.

- (b) Although the Authority had invested Rs.120 million in its Subsidiary, despite being shown after tax profit amounting to Rs.73.9 million and Rs.207.67 million of the Subsidiary relating to the year 2014 and 2015 respectively, no dividend whatsoever had been received by the Authority after the year 2013.

4.4 Transactions of Contentious Nature

The following observations are made.

- (a) In terms of Cabinet Decision 99/1165/21/122 dated 11 September 1999, the present valuation should be made use of as the basis in regularizing the encroachers, whereas it was observed in audit that homes, lands and shopping complex of the Authority were being vested in the encroachers by the Authority from time to time at the valuations prevailed in the years of their encroachments based on Board of Directors' decisions and the internal circulars without being complied with the above Cabinet Decision. Several examples are given below.
- (i) The ownership of the Wnnigama Trade Complex Building belonging to the Authority had been vested in an encroacher in the year 2015 based on the assessment price of Rs.257,500 of the year 1998.
- (ii) Three lots of lands of the Wewelduwa Housing Scheme had been vested in the year 2011 at the valuation of the year 2000 amounting to Rs.2.23 million (Inclusive of administrative charges). The assessed valuation of these lands in the year 2011 was Rs.6 million.
- (iii) A housing unit of the Manning Town Housing Scheme which had been valued at Rs.13.8 million in the year 2014 had been vested at the valuation of the year 1996 amounting to Rs.3.7 million.
- (b) For the development and construction of houses in the land , 01 acre and 26.5 perches in extent valued at Rs.650 million situated in Darley Road, Colombo, a combined agreement valued at Rs.812 million had been entered into with a private company on 23 June 2006 and a sum of Rs.100 million had been received by the Authority therefor on that day itself. Despite the lapse of 10 years, any housing construction activity or development activity had not been initiated according to the agreement and therefore, action should have been taken to terminate the agreement and take over the land to the Authority again. Instead, without being considered the present value of the land, a balance of Rs.712 million due to be received according to the 2006 agreement only had been obtained by the Authority during the year under review.
- (c) As an valuation from the Government Valuer had not been obtained in renting out the ground floor and 27,184 square feet from 1st floor to 5th floor of the Housing Development Authority Building to the Housing Development Finance Corporation Bank, it could not be established in audit that an adequate rent had been obtained therefor. Nevertheless, without considering that matter, the Authority had entered into the following transactions with the Housing Development Finance Corporation Bank.

- (i) Even though premises 7 of the IX floor of that building had been rented out from the year 2000, no lease agreement had been entered into thereon and the Bank had made monthly payment of Rs.21,850 to the Authority.
- (ii) In renting 1,345 square feet of the IX floor of this building without obtaining a valuation of the Government Valuer in the year 2015, the Valuer of the Authority and the Price Committee had decided a rental of Rs.80,700 therefor, whereas agreements had been entered into at a monthly rental of Rs.54,500 with the concurrence of the Heads of the Departments.
- (d) Without being complied with the Section 9 of the Housing Development Authority Act No.17 of 1979, the Housing Development Authority had granted two houses in the Maththegoda and Manning Town Housing Schemes to a same person. Nevertheless, action had not been taken to settle that issue even by the end of the year under review.
- (e) Two houses valued at Rs.4.76 million of the Jalthara Hosing Scheme, Homagama of the Authority had been released to two persons deviating from the normal housing disposal method and without entering into the agreements.

4.5 Identified Losses

The following observations are made.

- (a.) In making contribution to the Employees' Provident Fund and Employees Trust Fund from the year 2006 to the year 2012, contribution had been made according to a salary less than the salary required to be applied therefor and as such the Authority had to pay a fine amounting to Rs.71.93 million and the contribution of the employees amounting to Rs.50.04 million. Action had not been taken to recover that amount from the employees.
- (b.) A delay interest of Rs.64.68 million had to be paid in respect of payable land compensation by the end of the year under review.

4.6 Staff Administration

The following observations are made

- (a) The cadre approved by the Department of Management Services as at 04 April 2012 had been 1,376 and the actual cadre as at 31 December 2016 had been 2,143. Accordingly, 807 employees had been deployed in the service exceeding the approved cadre.
- (b) There were 28 vacancies in the senior executive and middle management level posts of the approved cadre, whereas recruitments had been made only for 5 posts during the year 2017.

- (c) Contrary to the provisions in Section 9.3.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, nineteen officers had been deployed in acting post and to covering up duties over periods ranging from 06 months to 10 years.
- (d) As action had not been taken to properly identify the human resource requirement by revising the approved cadre of the District Offices, a shortage of 28 officers and an excess of 52 officers could be observed in the District Offices of Kegalle and Kandy respectively.
- (e) Even though a Chief Internal Auditor serves in the Authority according to the approved Scheme of Recruitment, 2005, that post had not been included in the organization chart and approval for the said post had not been obtained in accordance with the Scheme of Recruitment dated 04 April 2012.

4.7 Resources of the Authority Released to other Public Institutions

Contrary to the Section 8.3.9 of the Public Enterprises Circular, No. PED/12, dated 02 June 2003, the Authority had spent a sum of Rs.9.57 million in respect of the activities of the World Habitat Day, 2016 and the Middle Class Housing Projects on behalf of the Ministry of Housing and Constructions and 05 motor vehicles of the Authority had been released to the State Engineering Corporation.

5. Accountability and Good Governance

5.1 Action Plan

The Authority had not prepared an Action Plan including updated organization chart, approved cadre, Budget, Annual Procurement Plan, Imprest Requirement Plan and the Internal Audit Plan as required by Paragraph 04 of the Public Finance Circular No.01/2014 dated 17 February 2014.

5.2 Budgetary Control

According to the financial statements presented by the Authority, as variances from 53 per cent to 1,597 per cent were observed between the budgeted and actual income and expenditure, the budget had not been made use of as an effective instrument of financial control.

5.3 Tabling of Annual Reports

Reports for the years 2014 had not been tabled in Parliament even up to 30 June 2017 by the Authority.

5.4 Unresolved Audit Paragraphs

Attention is drawn on the following matters indicated in the Audit Report for the year 2015.

- (a) 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 Ocean View Development Pvt. Ltd. without obtaining the valuation of Government Valuer. However, the value of the valuation of the Government Valuer obtained later relating to the said property had been Rs. 11.52 million, whereas the selling price had been Rs. 9 million. Although the attention of the COPE meeting held on 23 November 2012 had been paid on this matter, the step taken thereon had not been revealed to audit.
- (b) Although it had been reported to the audit that a Ministerial report was furnished in connection with filling vacancy of the post of Deputy General Manager (Human Resource Management and Control) without being complied with the Scheme of Recruitment of the Authority in the year 2011, the current position thereof had not been presented to audit.

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.

Areas of Systems and Controls	Observations
-----	-----
(a.) Control of Loans	(i) Selection of loan recipients and issuance of installments without being complied with the loan procedure. (ii) Computerization of the recovery of loans and the issue of receipts had not been properly carried out. (iii) Failure to settle receivable and payable balances over a long period of time.
(b.) Control of Advances	Failure to comply with the limits of the issuance of advances and delays in the settlements.
(c.) Accounting	(i) Existence of differences of the names of the accounts in the ledger and the financial statements and failure to recognize separately the grants accounts given for each item. (ii) Failure to maintain a Ledger Account for the lands
(d.) Control of Payments	(i) Making payments for unapproved expenditure vouchers (ii) Failure to indicate the accounts code numbers in the vouchers