

## **National Housing Development Authority - 2021**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the National Housing Development Authority and its Subsidiary for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 Finance Act No. 38 of 1971. My comments and observations which I consider should be reported 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 Authority as at 31 December 2021, 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**

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 (SLAuSs). 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**

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 Scope of Audit (Auditor's Responsibility on the 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 scepticism 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 Audit Observations on the preparation of the Financial Statements**

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

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. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under the following headings.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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The credit balance amounting to Rs.14.26 million in the year 2019 in the money transfer account, which had been maintained to record the money transferring transactions between Weerakatiya and Hambantota Zonal Offices, affiliated to the Hambantota District Office, had been Rs.14.04 million as at 31 December 2021 and it had been deducted from the total cash balance and indicated in the financial statements. Due to this, the cash balance as at 31 December 2021 had been understated by that amount. This accounting error had been rectified on 26 April 2022.	The errors were identified and corrected in the year 2022 through journal entries.	That the transactions in relation to money transfer between the head office and the district offices should be properly recorded.

## 1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Comments of the Management	Recommendation
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<p>(a) Although a period of 30 years had passed since the acquisition of the land in extent of 17.43 perches belonging to the Hanthana resort, which had been acquired in the years 1987 and 1988 on the basis of nontransferable to another party, the value of it had been stated as Rs.2,520 in the financial statements at the end of the year under review. According to paragraphs 27 and 47 of Sri Lanka Public Sector Accounting Standard No. 07, action had not been taken to account the value of the land at the fair value.</p>	<p>The Government Valuation Department has been informed on 6/2/2020 to get the valuation. After obtaining the valuation, the correct value is to be recorded in the books.</p>	<p>That action should be taken to account the correct appraised value of the assets belonging to the Authority.</p>
<p>(b) Assets amounting to Rs.462.28 million including 134 motor vehicles costed at Rs. 237.92 million, which had been purchased from 1985 to 2017, 11 plants and equipment costed at Rs. 23.94 million received under Japanese aid in 1990, equipment costed at Rs.147.87 million purchased before the year 2016 and equipment and furniture fixtures costed at Rs.52.55 million had been fully depreciated by 31 December 2021. The Authority had not revalued the assets that are still in use, out of these assets, and reviewed the useful life of the said assets as per paragraph 37 (e) of Sri Lanka Public Sector Accounting Standard No. 03 and adjusted them in the accounts.</p>	<p>It has been indicated in Standard 1-92 that various classes of property, plant and equipment may be carried at cost or revaluation value. Accordingly, it has been indicated at cost.</p>	<p>According to Section 92 (b) of Sri Lanka Public Sector Accounting Standard No. 1, the carrying value of property, plant and equipment that had been fully depreciated, but still in use must be disclosed in the financial statements. That action should be taken in accordance with Sri Lanka Public Sector Accounting Standard No. 7 in relation to property, plant and equipment.</p>
<p>(c) Although the houses and shops worth Rs. 1,119.56 million and owned by the Authority and to be disposed of on the rental basis should have been identified as investment property and indicated in the financial statements in terms of Sri Lanka Public Sector Accounting Standard No. 13, it had not</p>	<p>They have been accounted under fixed assets in the year 2021.</p>	<p>That investment property identified as per paragraph 20 of Sri Lanka Public Sector Accounting Standard No. 13 should be presented in the statement of financial position as per paragraph of Sri Lanka Public Sector Accounting</p>

been done so and they had been accounted under lands and buildings.

Standard No.1.

### 1.5.3 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>(a) The number of shops owned by the Authority and that had been rented / leased out had been 1,816 and 1,786, out of that, had been located in the Colombo district. Among them, 942 had been given on the basis of monthly rent less than Rs.100 and another 09 shops had been given to external parties without charging any lease. Furthermore, 744 shops had been given for monthly rents in the range of Rs.101 and Rs.1,000. In the calculation of rent, the lower value, out of 04 percent of the value of the property or 4 percent of the net income should be considered as rent, and the lease agreement should be renewed once in every 02 years. The Authority had not estimated the rent in this manner in leasing out of the shops and the lease agreements of 89 percent of the shops in the Colombo district ie 1,582 shops had not been updated since the date of the starting the lease agreement. Accordingly, the Authority had lost the income that could have been received due to not giving for rent / lease at the current assessed value.</p>	<p>Information is being obtained from the district offices for the activities in relation to valuation of the properties.</p>	<p>That the value of the shops given for rent or lease should be assessed and subsequently, the rent should be decided and lease agreements should be renewed according to the Conditions.</p>
<p>(b) Extent of lands with housing schemes owned by the Authority, vacant lands, the value of 8,286 land plots in extent of 473.15 hectares, which had been used in an unauthorized way by other parties and the extent of lands, where offices costed at Rs.565.05 million as at 31 December 2021 owned by the Authority had been located and the extent of lands, where buildings given on rental basis had been located, had not been correctly identified and the value of those lands had not been assessed and accounted at the fair value.</p>	<p>Details of the lands are obtained from the district offices and valuations of lands will be done.</p>	<p>The extents of all the lands owned by the Authority should be correctly identified and the respective values should be assessed and accounted.</p>

#### 1.5.4 Documentary Evidences not made available for Audit

Item	Amount	Evidence not available	Comments of the Management	Recommendation
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	(Rs. Million)			
(a) Estate Housing Deposit Payments for Contracts	254.89	Detailed Schedules	Will be obtained from the district offices and submitted.	That adequate and detailed schedules should be submitted for contract deposits.
(b) Creditors, current liabilities for loans and 32 credit balances for deposits	1,995.45	Detailed Schedules	Schedules have been submitted.	That adequate and relevant detailed schedules should be submitted.
(c) Local Grants	1,849.31	Detailed Schedules	-Do -	-Do -
(d) 09 Creditor Balances	1,118.12	Balance Confirmations	Letters have been sent informing to submit to institutions.	That balance confirmations should be submitted to audit.

#### 1.6 Accounts Receivable and Payable

##### 1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
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(a) Out of the loan balances for which age analysis had been submitted, the total amount of non-recovered loans, outstanding for more than 15 years had been Rs.1,476.8 million. The Authority had not been able even by the end of the year under review to collect the receivable loan balances, amounting to Rs.1,068 million, which had exceeded 5 years.	Various programmes are being implemented to recover the loan amounts.	That a realistic and formal methodology should be introduced and implemented to recover loans that have not been recovered.
(b) The amount to be recovered from 8817 beneficiaries in 20 Divisional Secretary's Divisions in Kandy District by 30 September 2021 had been Rs. 236.15 million. An amount of Rs. 82.04 million, which should have been recovered from 1461 beneficiaries, out of that,	The errors that had been occurred have been rectified and updated. The Staff under 20 Divisions have been directed to	That loan registers should be maintained formally and in an updated manner and formal loan recovery procedures should be

had been outstanding for more than 03 years by 30 September 2021. Although a sum of Rs.115.26 million should have been collected from 3828 beneficiaries within a period of 1-3 years, a formal programme to recover the amounts had not been implemented. It was observed in an audit test check carried out that the recoveries of loans had not been recorded accurately and in an updated manner since the total of the loan balances to be recovered from 14 beneficiaries by 03 September 2021 had been overstated by Rs. 1.045 million, than the amount of loans to be recovered as per the monthly loan recoveries report of the estate housing loan register of Kandy and the total of loan balances recoverable had been understated by Rs. 1.57 million in 12 instances.

the duty of promoting recoveries followed.

- (c) Action had not been taken to settle and account the advances of Rs.514.14 million provided for 73 contracts for repairing housing complexes, although 1 year to 5 years had passed since obtaining the advance.
- (d) It had not been possible even by the end of the year under review to recover a total of Rs. 15.97 million to be recovered to Sevena Media Unit from 27 government institutions including 22 government corporations and 03 companies for advertisements during the period of 2011 to 2020.

Action is being taken to settle jointly with the Engineering Department.

When the works under the advance have been completed, necessary action should be taken promptly to settle and account them.

Requests have been made to pay after discussing with the relevant institutions.

Arrangements should be made to recover the receivable balances promptly.

## 1.6.2 Payables

Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) The payable balances amounting to Rs. 1,495.73 million, which had exceeded 05 years, had not been settled even by the end of the year under review.	Action is being taken to settle.	Creditors should be identified and payments should be made or loans not claimed under formal approvals should be charged to the revenue.

**1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.**

	<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Management Comment</b>	<b>Recommendation</b>
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(a)	The Establishments Code of the Democratic Socialist Republic of Sri Lanka			
(i)	Section 13.3 of Chapter II	An acting appointment should be made only as a temporary remedy until a regular appointment is made, and if the post requires the services of a full-time officer, the regular appointment should be made promptly. If the services of a full-time officer are not required, the duties should be divided among the other officers. However, it was observed that acting in 17 posts had been done for a period of 01 year to 06 years.	Acting appointments have been made due to delays in recruitment.	Action should be taken in terms of the Establishments Code.
(ii)	Section 13.3 of Chapter XLVIII of the Establishments Code.	Although a preliminary investigation should be completed in 02 months and a disciplinary inquiry with a charge sheet should be completed in 06 months, a period of 05 months to 15 months had been spent to issue the relevant charge sheets to 07 interdicted officers of the Authority and a period of 09 months to 27 months had been spent to initiate and to complete the disciplinary inquiries regarding 15 charges. Furthermore, the Authority had spent a period of 11 months to 74 months from the date of completion of the disciplinary inquiries to issue orders regarding the 13 disciplinary inquiries that had been completed.	Orders are being issued for the completed disciplinary inquiries.	Action should be taken in relation to disciplinary inquiries in accordance with the Establishments Code and the Circular.
(b)	The Financial Regulations of the Democratic Socialist			



Republic of Sri Lanka

- FR 135 (4) Although delegation of powers should be revised once in a specified period, the Authority had delegated the financial powers in 2019 according to the report on delegating powers of the year 2016 as revealed during an audit test check carried in Hambantota district. Although the limit of signing letters for transferring money among accounts according to No. 2 (c) under the limits of its power had been Rs. 05 million, Assistant General Manager (Finance), Senior Manager (Finance) and Senior Accountant of the Head Office had signed for transferring a total of Rs.1,522.81 million in 58 instances exceeding that limit. Although the limit for signing letters on transferring money between the accounts of district offices and zonal offices had been Rs. 02 million, a total of Rs.2,013.11 million had been transferred in 111 instances from Hambantota District Office exceeding that limit.
- (c) Section 11 (b) of the Finance Act No. 38 of 1971 The consent of the Minister of Finance had not been obtained for the short term and long term investments totalling to Rs. 683.5 million made in the year under review. An amount of Rs. 375 million received from the Sevana Fund for the provision of relief to poor families in need of housing had also been included in that amount.
- (d) Public Finance Circular No. 02/2015 dated 10 July 2015 Although the vehicles that had been removed from the use should be identified and the process of disposal should be completed by 31 March every year, 06 vehicles, out of the 33 vehicles that had been decided to be disposed of from the year 2017, had not been disposed even by 30 October 2022.
- The powers have been delegated as per the report of delegating powers in the year 2016 and accordingly, the limits have not been exceeded.
- Action should be taken in terms of the Financial Regulations in relation to the delegation of powers annually.
- It has been forwarded to the Line Ministry to submit it to the Ministry of Finance.
- Investments should be made after obtaining necessary approvals within the stipulated time.
- Disposal of vehicles is being carried out.
- Activities on disposal should be carried out in the relevant year according to the instructions of the Circulars.

## **2. Financial Review**

### **2.1 Financial Result**

The operating result of the Authority and the Group for the year under review amounted to a deficit of Rs.842 million and Rs.450 million respectively and the corresponding deficit of the Authority and the Group in the preceding year amounted to Rs. 1,026 million and Rs. 596 million respectively. Therefore, improvements amounting to Rs.184 million and Rs.146 million were observed in the financial results of the Authority and the Group respectively. This improvement was mainly due to the increase in the other income of the Authority by Rs.2,433 million.

### **2.2 Trend Analysis of major Income and Expenditure items**

In analyzing the financial results of the year under review and the previous 04 years, a continuous deficit in the financial result of the Authority had been indicated.

### **2.3 Ratio Analysis**

The current ratio of the Authority had been 2.3:1 and the quick ratio had been 2.28:1 at the end of the year under review, and these ratios in the previous years had been 2.15:1 and 2.14:1 respectively.

## **3. Operational Review**

### **3.1 Uneconomic Transactions**

<b>Audit Observation</b> -----	<b>Comment of the Management</b> -----	<b>Recommendation</b> -----
(a) The leaflets and the file covers and posters related to 18 housing grants worth Rs. 2.12 million printed during the period 2015-2019 had been kept in storage without using, and it was also observed that the storage space was unnecessarily blocked and the storage control was at a weak level.	These prints had been made for the housing projects implemented at that time. A committee had been appointed to take a decision on the remaining stocks. Further action will be taken according to its decision.	The need should be identified properly, when printing the papers and measures should be taken to use them as planned.
(b) Rs. 307.7 million rupees had been spent by the Sevana Shadow Media unit during the period 2015-2019 to publish newspaper advertisements regarding the handing over of houses to the people in 288 model villages that had been built with housing loans of Rs. 4,320 million given to 720 housing loan beneficiaries at	Advertisements had been made on the notice of political authority and top management.	The money allocated for the construction of houses for the homeless should be spent for the same purpose.

Rs. 06 lakhs per each.

### 3.2 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) 34 houses and shops out of 117 houses and shops available for sale or rent/lease owned by the authority could not be sold or let for rent/lease due to unauthorized occupation, unusable condition, etc. , and no measures had been taken by the authority yet to settle them.	Newspaper advertisements had been published. Measures will be taken to dispose under the highest prices received.	The construction investments funded by the government should be used for properties.
(b) Even though separate data on houses and properties had been maintained by the financial division, the property division of the head office and the district offices, a centralized register had not been maintained by the authority to identify the number of units of houses and shops available for sale/rent/lease.	Centralized register related to houses for sale/rent is being updated.	A centralized register containing necessary information should be prepared and maintained so that the relevant property can be identified correctly.
(c) It had been decided to complete 500 projects consist of 12,500 houses at a cost of Rs. 6,250 million within year 2017 , i.e. 25 houses per village, under the Model Village Project according to the Cabinet Decision No. 16/2040/701/032 dated 14 October 2016. Even after 04 years elapsed, number of model villages that had been constructed was 368 by the end of the year under review, and the total number of housing units built under it was 10,159. Rs.4,798 million had been spent for the same. Furthermore, even though Rs. 163.90 million had been allocated during the year under review for the 2,499 housing units being built under this model village	The number of projects that have been peoplized is 369. Only 04 more projects can be completed further. Treasury allocations are not allocated for this purpose.	Continuous projects should be completed with necessary allocations.

project, the amount spent out of Rs. 84.3 million allocated for 07 districts was Rs. 47 million only.

- (d) During the sample audit conducted in connection with the 186 houses built in the Weerakatiya Divisional Secretary's division under the above model village programme, it had been observed that 66 people i.e. 35 percent of the land owners had been given lands without any formal method to select the beneficiaries. Further, due to the non-disbursement of loans in proper stages, 176 houses, i.e. 26 percent, which had been commenced in year 2018/2019 and had to be completed within 06 months, remained as continuous houses at the beginning of year 2021 and the houses had not been able to be completed and occupied due to the fact that no house was given the necessary provisions in the year under review. Thirty six (36) houses out of them had been completely destroyed due to weeds. Accordingly, it was observed that the desired objectives of the project could not be achieved by the Authority.
- Beneficiaries had been selected on the basis of homelessness or landlessness as per the reports obtained from Grama Niladhari. Beneficiaries should be selected so that the objectives of the project are fulfilled.
- (e) The land in extent 01 acre and 26.5 perches located at Darley Road Colombo 10 owned by the Authority had been given to the foreign company BAY SAT MBH (Pvt) LTD for the construction of a mixed development project with housing and a commercial complex without calling bids based on the Cabinet approval dated 09 November 2005. It had been agreed to charge the value of the land i.e. Rs. 650 million based on the assessment of the chief assessor and to give a dividend of Rs. 162 million to the authority after the completion of the project within 06 years in terms
- Audit observation is correct. Proceedings are ongoing. The selection of institutions for the projects and disposal of land should be carried out in a formal manner and all necessary conditions should be included in the contract. Furthermore, the monitoring activities should be carried out by the authority continuously.

of the agreement entered with that company on 23 June 2006. However, the BAY SAT MBH (Pvt) LTD company had left it in the year 2006 without performing the proposed development work and the L & T Infrastructure Development Company had been introduced for that work. When entering into the agreement with this new company in 2016, the land had been transferred to the value for which it had been obtained 10 years ago in the year 2006 i.e. Rs. 650 million, without obtaining a new valuation report for the land.

- (f) Before paying the money to the BAY SAT MBH (Pvt) LTD for the above project on 05 May 2016, the ownership of this land had been transferred to the L & T Infrastructure Development Company by the company on 05 May 2016 by deed number 983 and Rs. 712 million had to be paid in foreign currency in terms of the agreement. However, contrary to that, these payments had been made through two Sampath Bank cheques dated 05 May 2016 in the amount of Rs. 800 million obtained by mortgaging the 3 plots of the land namely Lot No. 2, 3, 4 to Sampath Bank.
- (g) However, under the above scheme, the proposed development works had not been completed by L & T Infrastructure Development Company till 31 October 2017. Meanwhile, the plot number 05 of this land had been sold to the OAK company by this company through a deed, and the deed had been mortgaged by the OAK company to the People's Bank and obtained a loan of Rs. 950 million. Even though the transfer deed had been canceled by the authority, the

possession of the land had been given to the OAK company until a verdict is given by the Supreme Court.

(h) The 05 acres 10 perches land called Nawala Parangia Kumbura owned by the National Housing Development Authority was contracted in year 2004 for the construction of a housing complex within 03 years according to a cabinet decision and the land had been transferred to the Eco Home Lanka Ltd at Rs.75 million, which was the government's assessed value, by a freehold deed. However, in the transfer of that land, it was decided to transfer the land to Rs. 75 million, which was the assessed value of year 2003, instead of Rs. 121.5 million in year 2004, which is Rs. 46.5 million less than the assessed value of year 2004.

(i) Furthermore, instead of executing the development project as agreed upon, 29.44 perches of the transferred land had been sold to Ceylinco Hospitals Service Company for Rs.196.5 million by the company that took over the above land in the year 2006. Meanwhile, the rest of the land had been mortgaged to the Seylan Bank and Rs. 697.5 million had also been obtained. However, the terms of corrective action was not included in the agreement in case of non-performance of the project works and the deed had been canceled by the authority on 26 June 2020 under Section 8 (1) of the National Housing Development Authority Act No. 17 of 1979, and a lawsuit had been filed by the company against it. Meanwhile, the loss incurred by the authority due to the failure to complete the construction of the housing complex until 2020 is Rs. 4.5 million.

The case had been filed to hand over the project work to them. Rental only till 31.01.2023.

Selection of institutions for projects and disposal of lands should be done in a formal manner and the relevant conditions should be included in the contract. Furthermore, the monitoring activities should be carried out continuously by the authority.

- (j) Despite the lawsuit regarding the above land, this land had been given to a private company in order to maintain a water supply equipment warehouse for a monthly rental of Rs.100,000 without a procurement process and contract agreement by the Board of Directors decision No. 15/2020 dated 01 September 2020 and it had been increased to Rs.500,000 from 01 October 2022. However, a large concrete mixer, a backhoe, and a generator owned by Echo Home Company had been allowed to fall into disrepair on the land, and although the General Manager had informed the company by the letter dated 31 May 2021 to remove them within 14 days, the equipment had not been removed until the date of this report.
- (k) According to the above mentioned facts, the Authority had not been able to achieve the project objectives in the public interest due to the fact that proper procurement methods had not been followed by the authority in disposing lands for the projects, not preparing contracts correctly by including the necessary conditions, not obtaining the required valuation values and taking actions without proper supervision etc.

### 3.3 Operational Inefficiencies

Audit Observation -----	Comment of the Management -----	Recommendation -----
(a) The progress of the 'Semata Sevana' national housing programme for 2,503 high-income earners, which had been started in year 2016 and proposed to be completed within a period of 19 to 47 months, was 41 percent at the end of the year under review and the work of 1,463 housing units had not been completed.	2 out of 4 projects had been handed over to people. One project is in the final stages of maintenance.	Actions should be taken to finish the continuous projects.

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| (b) Even though it had been planned to start work on 2,000 units at a cost of Rs. 750 million and complete work of 500 units under the Mihindu sevana housing programme in the year under review, it had not been possible to start work on 1242 units and complete work on 299 units. The progress of that programme was only 27 percent.   | Work of only 758 houses could be started due to the delay in sending the relevant lists by the Department of Buddhist Affairs. | When planning projects, all relevant information should be prepared in a time frame. |
| (c) Even though it had been planned to complete the works of 730 housing units under the programmes of Model Villages and Sevana Adhara during the year under review, no work had been done regarding the Model Villages Assistance Programme and only one house had been built under the informal continuous Sevana Adhara Programme.   | There was no significant progress in continuous programmes as government allocations had not been allocated.                   | Measures should be taken to complete continuous projects.                            |
| (d) Even though Rs.110 million had been allocated for the repair of old housing complexes and housing compensation under housing related activities, those activities had not been carried out in the year under review. Similarly, out of the 150,770 housing units that had been started to be built under 13 other housing loan and housing assistance programmes implemented from year 2016 to 2019, only 55,225 housing units or 37 percent had been completed by the end of the year under review and the 4,987 housing units of which work had been started were suspended. | Temporarily suspended due to non-receipt of necessary provision from the treasury.   | Measures should be taken to complete continuous projects                             |

### 3.4 Resources released to other organizations

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
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According to paragraph 9.4 of Management Services Circular No. 12 dated 30 May 2003, the employees of an	Salaries and allowances of 05 officers are not reimbursed as they perform	The management shall act as per terms of the circular.



organization cannot be released to the line ministry or any other organization without an approval of the cabinet of ministers, and if released on a formal approval, no payment should be made during that period. However, contrary to that, 07 officers of the authority had been released to ministries, corporations and companies and a total of Rs. 3.6 million had been paid as salaries and allowances for those officers by the authority by the end of the year under review.

duties concurrently with the housing programmes assigned to the Housing Authority.

### 3.5 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
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(a) The approved cadre of the Authority was 2,164 as at 31 December 2021, and the actual cadre was 2,161. However, there were 670 vacancies and the excess cadre was 232 in the analysis of each post.	There are 670 vacancies and 232 excess cadre when appointing of approved staff.	Measures should be taken to maintain the approved cadre for each position.
(b) Even though only 04 officers out of 05 officers who were suspended from work since 21 February 2020 as per the recommendations no. 03/2020 of the Board of Directors meeting held on 20 February 2020 regarding the irregularities committed in the Hambantota District Office from 2015-2019 had been issued charge sheets from 09 March 2021, no disciplinary inquiries in this regard had been conducted even by July 2022. Similarly, 03 officials had been suspended from work as per the decision of the board directors' meeting held after more than 02 years, i.e. on 30 November 2021, regarding the irregularities committed by them between 2017-2019 at the Weerakatiya Zonal Office and no charge sheets had been issued by July 2022. Similarly, even though a disciplinary inquiry had been conducted after more than a year had passed since the Deputy General Manager (Property Management) ,who had been charged on 05 July 2021, was sent on compulsory leave, no disciplinary orders had been issued even by 02 November 2022.	Disciplinary inquiries will be conducted and disciplinary orders will be issued.	Measures should be taken to take disciplinary actions regarding irregularities.

#### **4. Accountability and Good Governance**

##### **4.1 Annual Report**

<b>Audit Observation</b> -----	<b>Comment of the Management</b> -----	<b>Recommendation</b> -----
The audit reports of the years 2019 and 2020 had not been tabled in Parliament by the Authority in terms of the paragraph 6.5.3 of the Public Enterprise Circular No. PED/12 dated 03 June 2009.	2019 had been submitted to the Ministry.	Measures should be taken as per the circular.

##### **4.2 Annual Action Plan**

<b>Audit Observation</b> -----	<b>Comment of the Management</b> -----	<b>Recommendation</b> -----
Even though the organization chart, the approved cadre, the budget document, the annual procurement plan, the imprest needs plan and the internal audit plan updated by the authority should be included in the action plan in terms of the paragraph 04 of Public Finance Circular No. 01/2014 dated 17 February 2014, those information had not been included in the action plan submitted for the year 2021.	The relevant plans had been prepared by the respective departments and the necessary approval had been obtained.	An action plan that includes all the facts should be submitted in terms of the circular.

##### **4.3 Internal Audit**

<b>Audit Observation</b> -----	<b>Comment of the Management</b> -----	<b>Recommendation</b> -----
Adequate internal audit had not been carried out regarding each division of the the district offices and the authority.	More attention will be drawn in the coming year.	Internal Audit should be planned and executed in such a way that the district offices and operational areas are adequately exposed.

##### **4.4 Budget Control**

<b>Audit Observation</b> -----	<b>Comment of the Management</b> -----	<b>Recommendation</b> -----
The actual income earned over estimated income of 06 revenue objects including dividends, fees income, and income of Sevana	The information is presented with revenue variations ranging from	The budget should be used as an effective management control tool by the

Media Unit of the authority in the year under review was 61 percent to 1,337 i.e. Rs. 676.6 million more ,and the estimated income of 06 revenue objects was unable to reach the estimated income ranging from 12 percent to 52 percent. Further, no income had been received during the year under review in relation to estimated revenue of Rs. 141.25 million relevant to 11 objects, and Rs. 7,310 million had been earned from 07 non-estimated revenue objects. Accordingly, it was observed that the revenue estimates were not based on realistic information.

When comparing the budget and actual expenditure, it was observed that the budget had not been used as an effective control tool due to the facts that 432 percent more than the actual expenditure i.e. Rs. 25.8 million had been estimated for other allowances, 100 percent of the estimated total expenditure of Rs. 5.19 million for 08 expenditure objects had been saved, and Rs. 7,167.82 million had been spent for 13 un-estimated expenditure objects.

61 percent to 1,327 management. percent.

Information with The budget should be used as variations had been an effective management presented. control tool.