

ANNUAL REPORT 2010

CONDOMINIUM MANAGEMENT AUTHORITY



www.condominium.lk



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CONDOMINIUM MANAGEMENT AUTHORITY

1st Floor ,National Housing Department Buiding
Sir Chittampalam A Gardiner Mawatha
Colombo 02

T.P : 2 447429/2 447432 Fax : 2 423606

Email : cmastaff@sltnet.lk

www.condominium.lk





Vision

Condominium colonies as a solution to the housing requirement of the country

Mission

Constructing condominium property to be apposite with the benefit and welfare of residents and establishing management corporations for the systematic administration and management of such property and regulating their maintenance activities





Administrative Report

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- Resolving disputes of Condominium Property
- Creating Awareness
- Amendment of Apartment ownership Act
- Operational and Maintenance Activities
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- Overall scope of work
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- Acknowledgement



Financial Statement

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Report of the Auditor General

CORPORATE INFORMATION

Name

Condominium Management Authority

Year of Incorporation

2003 November 10

Common Amenities Board Act No 10 of 1973

Common Amenities Board (Amendment)
Act No 24 of 2003

Registered Office

1st Floor , National Housing Department Buildg.
Sir chittampalam A Gardiner Mawatha
Colombo 02

Telephone / Fax

2447429 / 2447432
2423606

E-mail

cmastaff@sltnet.lk , it@condominium.lk

Web

www.condominium.lk

Director Board

01

Mr.Kapila Gamage,^{attorney-at-law}
Chairman
Condominium Management Authority

02

G.U.Upawansa
General Manager
Condominium Managenet Authority

03

Mrs.Chandani Wijawardana
Director,
Department of National Planning
General Treasury

04

Mr.Nihal Fernando
Director General
Urban Development Authority

05

Mr.L.L.Premanath
General Manager
National Water supply & Drainage Board

06

Brig.Mr.L.S.S.K.Perera
General Manager
National Housing Authority

07

Mr.Damitha Kumarasinghe
Director General
Sri Lanka Public Utilities Commission

08

Mrs.Bhadrani Jayawardana
Municipal Commissioner
Colombo Municipal Council

09

Mrs.Shantha P Liyanage
Municipal Commissioner
Sri Jayawardanapura Kotte Municipal
Council

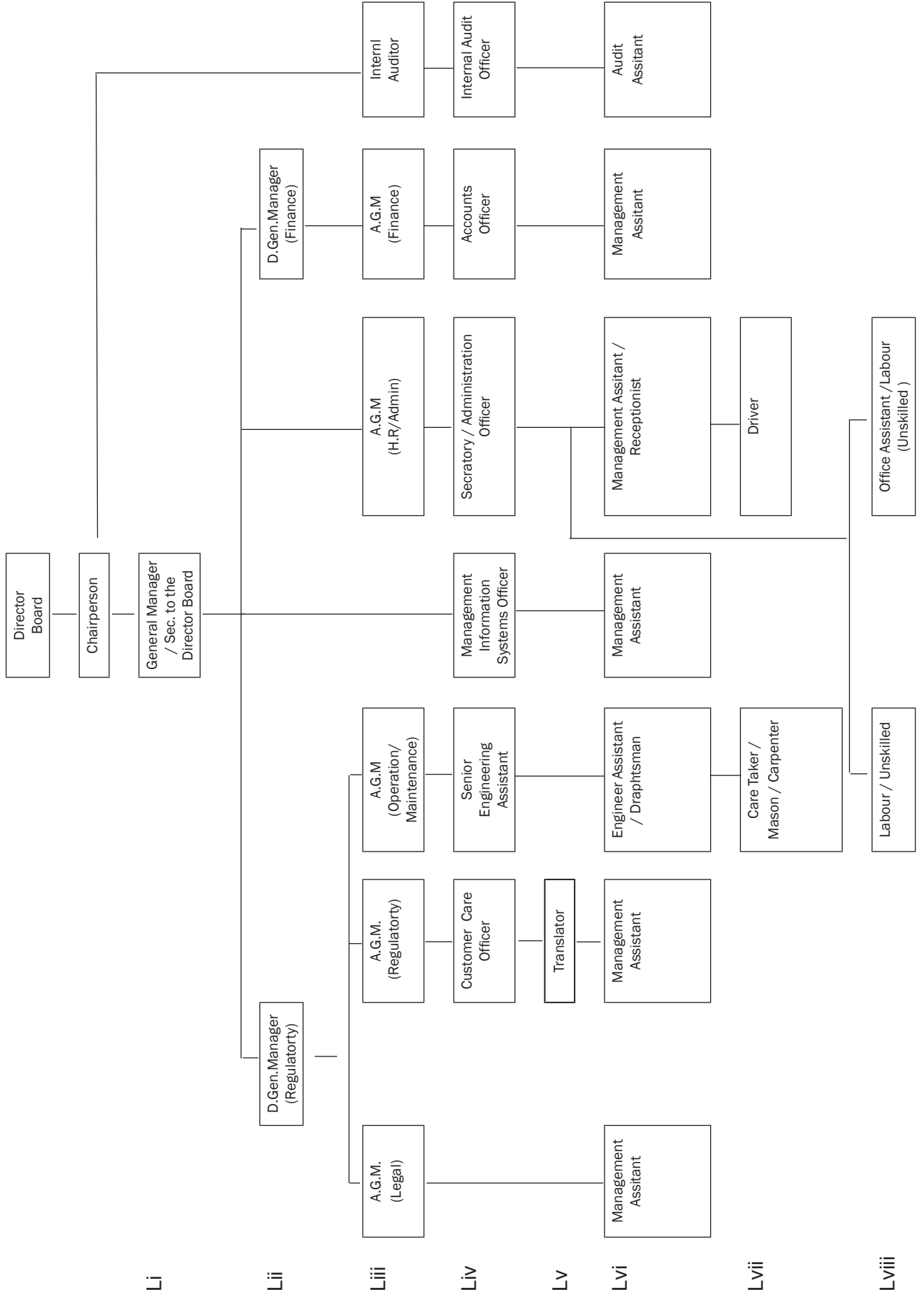
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Mr.K.W.D.Namal Muthugala
Municipal Commissioner
Dehiwala Mt.Lawinia Municipal Council

11

Mrs.N.S.Angamma
Municipal Commissioner
Moratuwa Municipal Council

Corporate Plan Condominium Management Authority



Administrative Report

of the Board of Management of the
Condominium Management Authority- 2010



*T*he Condominium Management Authority was established through the Common Amenities Board (Amendment) Act No.24 of 2003 which amended the Common Amenities Board ACT No. 10 of 1973. As per section 2 of the said Act, it has been stated that the Condominium Management Authority is established “for the control, management, maintenance and administration of the Condominium Property, Semi Condominium Property and Provisional Condominium Property”. Accordingly the Condominium Management Authority was incorporated on 10th of November 2003.

Objectives of the Authority



As set out by section 5 of the aforesaid Condominium Management Authority, the following are its objectives.

- (a) control, manage, maintain and administer the condominium parcels, the common elements and the common amenities of the Condominium Property or Semi Condominium Property ;
- (b) ensure that the common elements and the, Common Amenities of the Condominium Property or Semi Condominium Property are properly maintained in good order and that periodic repairs are being carried out in order to maintain such property in good and serviceable order, and to assist the management corporation or the owner or owners or occupiers to carry out such activities or to be directly involved with such activities in the event of the management corporation or owner or owners or occupiers failing to carry out such activities ;
- (c) ensure that all buildings comprising such condominium parcels are insured against risk of fire, civil commotion and riot or to insure or keep insured, if so requested by the management corporation or by the owners, and to recover such premium or charges from the management corporation or the owners as the case may be ;
- (d) remove all such unauthorized constructions erected or carried out by the respective owners or occupiers of such condominium parcels or by any person, contrary to the registered condominium plan of the Condominium Property or the registered Semi Condominium Plan of the Semi Condominium Property ;
- (e) ensure that the management corporation of the condominium property or Semi Condominium Property is properly functioning and to manage and administer the activities of such management corporation ;
- (f) assist the management corporation or the owner or owners or occupiers of the condominium parcels, of the Condominium Property or Semi Condominium Property in providing the services such as water, sewerage, drainage, gas, electricity, garbage disposal, air conditioning, telephone, radio and red fusion services to the owner or owners or occupiers of the condominium parcels of such condominium Property or Semi Condominium Property or transfer the local authority the establishment and maintenance of such facilities
- (g) provide maintenance and repair services to such condominium parcels of the Condominium Property or Semi Condominium Property at the request of the management corporation or owners or occupiers thereof;
- (h) monitor the progress of the construction of the registered Provisional condominium Property in order to ensure that the interests of the stakeholders are protected and to intervene wherever necessary to protect such interests;

- (i) formulate and submit condominium redevelopment programmes including capital investment plans to the Minister for approval by the Government;
- (j) call upon the National Housing Development Authority or the Urban Development Authority or any local authority or any government agency or any private sector developer, to undertake the implementation of such condominium re-development projects, or to undertake the execution of the condominium redevelopment projects, of such programme as may be approved by the Government ;
- (k) undertake the completion of any condominium building shown in the registered Semi Condominium Plan or Provisional Condominium Plan, in the event of any owner failing to complete such project;
- (n) develop or redevelop land for carrying out of any of the objects of the Authority ; and
- (o) do all such other acts as may be necessary or conducive to the attainment of any or all of the above objects.

For the attainment of the above objectives, the Authority is vested with a host of powers under Section 6 of the Act and some of them are listed below

2.1 Powers of the Authority



- * Resolve disputes between the management corporation and the owner or owners, and occupier, or owner and purchaser of the condominium property;
- * Enter any condominium property to inspect its progress or for inspecting non-maintenance of common elements or for the purpose of removing or inspecting unauthorized constructions
- * Levy fees or charges, for any services rendered by the Authority
- * Recover from any person including an owner, expenses incurred in making good any damage caused by him to the common amenities or common elements of the condominium parcels

3. Overall performance of the Authority in the year 2010



As the competent authority for regulating condominium property, the Authority was able to render an efficient service on the basis of its power during the year under review.

Despite their being a number of factors beyond the control of the Authority, an increase has been recorded in the income in comparison to the year 2009. In the year 2009, the turnover was Rs 38.630 million and it increased up to Rs 57.823 million in the year 2010. The main source of income of the Authority was the income from certificates and in the year 2010, a sum of Rs 46.4 million was added to the overall turnover as the income from certificates.

During the relevant period, the total expenditure was Rs. 57.780 million and in the year 2009 the total expenditure was Rs. 55.397 million. In the year 2009, the net deficit was Rs. 16.768 million and in the year 2010, the net surplus was Rs 0.027 million.

It is worth mentioning here that the Authority was able to make profits in comparison to the previous year, despite the existence of the following problematic situations.

- * Continuing lack of trust of applicants on the financial management of property companies of Sri Lanka
- * Bank and lending agencies restricting the grant of loans for condominium property
- * Owing to the failure to correctly assess the demand for urban housing, many construction companies focusing on super luxury constructions

In view of the above situations, companies engaged in condominium property constructions ran into a crisis. This resulted in a sharp drop in the construction of super luxury and semi luxury condominium property and the request for condominium certificates almost came to a halt.

Though 66 certificates were issued in the year 2010, the number of applications for property with more than 10 units was 24. This was 36% of the total number of applications.

3.1 Issuance of Condominium Certificates



As per the Apartment Housing Ownership (Amendment) Act No 39 of 2003, the Condominium Management Authority has been vested with regulatory responsibility with regard to the provisional condominium property, semi-condominium property and completed condominium property. Accordingly, it has been made mandatory for the Authority to issue a certificate to the property developer confirming that it is satisfied with the common amenities employed for the benefit and wellbeing of the residents of the condominium building and that it is satisfied with the program put in place for the administration and management of common elements. Before issuing this certificate, the Authority scrutinizes the relevant documents and inspects through engineering assistants whether the building has been constructed in compliance with the approved plan and eventually the recommendations of a committee comprising of architects, structural engineers and officers with professional qualifications from institutions such as the local government authorities, the Fire Brigade and the Water Supply and Drainage Board.

The developer can obtain this certificate during any one of the following stages.

Provisional condominium certificate for a property proposed to be constructed after obtaining the approval for the plan.

The semi condominium certificate issued after obtaining the certificate of compliance that a part of the building approved as per above is suitable for residence.

Condominium certificate issued after fully completing the building

Issuance of Condominium Certificates 2005-2010						
	2005	2006	2007	2008	2009	2010
Provisional Condominium Certificates	-	04	11	04	05	01
Semi condominium certificates	-	03	02	03	02	03
Full condominium certificates	12	81	92	94	112	62
	12	88	105	101	119	66

In the year 2009, the income generated from certificates was Rs 23.6 million while in the year 2010 it was Rs 46.4 million. The reason for the drop in income in the year 2009 despite the increase in the number of certificates issued was that the majority of applications were for buildings with a small number of units.

3.2 Establishing and activating Management Corporations



- * With the registration of the condominium plan of the constructed condominium property in the Land Registry, the Management Corporation of that condominium property is legally constituted. The Condominium Management Authority should convene the first meeting of that Management Corporation with six months of the registration of such property. The officials of the Condominium Management Authority regularly attend meetings held to establish management corporations and their annual meetings. As of 31.12 2009, the number of Management Corporations registered with the CMA was 197 and by 31.12.2010, it was 235.
- * As there is a delay in the registration of condominium plan of condominium property in the Tsunami- affected areas and in the process of granting title deeds, the Authority has taken measures to establish Management Committees until Management Corporations are legally constituted to for the management and administration of their common amenities and common elements. Accordingly, 35 such management committees have been set up by now.
- * In addition, action was pursued in the year 2010 to establish management committees in condominium properties where Management Corporations could not be established until now due to the non-registration of the condominium property constructed by the public or private sector or due to non-obtaining of the deeds. However during the period from 2005 to 2009, the result achieved in this regard re was at a minimal level. During that five year period, only 46 committees were established as 11 public sector committees and 35 private sector committees. But in the year 2010 alone, 15 management committees could be established.

In establishing Management Corporations, the following difficulties were experienced during the year.

- * Lack of understanding among property owners regarding the importance of the Management Corporation for maintaining property
- * Lack of interest among residents of the apartment housing schemes constructed by the government for the establishment of management corporations
- * Owners of condominium property constructed by the private sector not residing permanently in them
- * Lassitude of owners to be involved in maintenance and management activities under a voluntary basis due to them being busy
- * Defaulting the payment of maintenance fees and other residents not cooperating with the panel of office bearers of the Management Corporation.

3.3 Resolving disputes of Condominium Property



3.3 Resolving disputes of Condominium Property

The Authority has been vested with powers to intervene in the event of disputes arising between the management of the condominium property and the property owner or between the residents and the owner or between the owner and the purchaser. Accordingly, an investigation council has been set up for the resolution of such disputes. The complaints received by the Council can be categorized as follows according to their nature.

- * Non granting of deeds to the residents since the Condominium Plan cannot be registered despite the lapse of over five years since the construction and sale through a sales agreement.
- * Construction in violation of the approved building plan; some property developers construct several additional floors than the number approved and as a result they are unable to obtain the certificate of compliance.
- * Not providing common amenities and common elements in accordance with the approved plan
- * Residents not paying the monthly maintenance fee to the Management Corporation
- * Erecting unauthorized structures

The Authority offered solutions to over 120 such complaints in the year 2010 and some complaints are still being investigated.

The above mentioned activities amply illustrates that the Authority has made a commendable con-

3.4 Creating awareness on Condominium Property



We implemented the following programs during the year under review, to raise awareness among the relevant parties regarding the condominium property law, planning, maintenance and management of condominium property.

- * Publishing quarterly journal “Condominium”
- * Participating in public sector exhibitions like ‘Deyata Kirula’ and “Thunkal Dekma” which is held to mark World Habitat Day, introducing the concept ‘Management Corporation’ to those involved in the field and for the residents of Tsunami condominium property.

3.5 Amendment of Apartment Housing Act



With the establishment of the Condominium Management Authority in 2003, many property owners came forward to have resolved their condominium property problems pertaining to the Act. Since it was established when dealing with these problems that there was no legal framework as regards the maintenance and management of housing schemes which have many common amenities, though not considered as condominium property, the Board of Directors decided in the year 2010 to amend the Apartment Housing Act No 11 of 1973 to make this law applicable to such properties as well. In addition, action was taken to commence preliminary activities to amend the Act by incorporating the essential facts identified while fulfilling the regulatory responsibilities in the field during the past eight years, in the Apartment Housing Ownership Act No 11 of 1973 and the Common Amenities Board Act No 10 of 1973.

3.6 Operational and Maintenance Activities



Maintenance activities of the sewerage plants at the Nagambo and Gampaha base hospitals and maintenance activities of the Madiwela MPs' quarters are carried out by deploying our employees. The Authority earned Rs 6.8 million in the year 2010 from these operational and maintenance activities executed using surplus employees. In addition an income of Rs 0.86 million was raised through the contract activities of the decentralized budget.

3.7 Human Resource Management Activities (Cadre and Problems)



The approval of the Treasury was obtained in April 2010 for the new recruitment procedure of the Condominium Management Authority which was based on the 2006/30 Management Services circular. Hence the Authority was able to fill several posts in the in the executive cadre which were lying vacant, in the year 2010.

The composition of the entire staff was as follows in the year 2009

Executive and senior professional officers	18
Junior executives and Management Assistants, Administrator	26
Skilled and unskilled professionals	29
Unskilled (such as KKS)	19
Total	92

3.8 Board Meetings of the Condominium Management Authority



In the year 2010, 11 meetings of the Board of Directors were held

Audit and Management Meetings

During the year under review, 11 audit and management meetings were held.

3.9 Review of the overall scope of work



Many of the service supplies are regulatory processes that need to be executed as per the Consumer Services Act and they do not generate any income. Under these circumstances, provision of some services has to be suspended as certain expenses could not be recovered. During the year 2010, a noteworthy progress was recorded in introducing new regulations for condominium property, drafting project plans for properties that can be redeveloped, storing data relevant to condominium property, activities pertaining to the removal of unauthorized structures, initiating legal action against those who violate certain clauses of the Act, finding solutions for disputes in the Management Corporations and activating Management Corporations.

3.10 Development Activities of the Condominium Management Authority



The Authority implemented a special program to create public awareness regarding the management, maintenance, control, administration of condominium property and all other regulatory activities relevant to the sector. A considerable progress was achieved through the conduct of seminars and workshops for the relevant sectors and awareness campaigns conducted repeatedly over the print and electronic media.

A significant progress was also achieved in issuing certificates for condominium property, resolving disputes and problems in the sector and activating Management Corporations. To further regularize these activities, the three main divisions of the Authority, i.e. the Consumer Services Division, Condominium Certificate Division and Engineering Division were expanded and reorganized to provide a more efficient service.

Further, a Condominium Appeals Council was established in the year 2010 to expedite the resolution of disputes between parties such as the Management Corporations and developers, residents and devel-

opers and the Management Corporations and residents.

The residents of the multi-storey housing schemes constructed by the National Housing Development Authority, the Colombo Municipal Council are low-income earners. Though they have occupied these houses over a long period on rent or lease basis, the residents, even after securing the ownership of the property are very apathetic towards the management of property as government institutions have been carrying out their general maintenance and renovation. As a result the Authority has made very little progress in establishing management corporations in the government sector. It has to be stated that no significant progress could be made in establishing Management Corporations in the property constructed by the government, despite continual publicity and awareness programs conducted by the Authority. Yet, the Authority continues to make efforts to draw the attention of the government regarding this predicament and secure financial provisions.

However, the Authority, by now, has attained the status of a key institution that plays a pivotal role in the field of condominium property of the public and private sectors

Acknowledgement



During the year under review, Hon. Mrs Farial Ashroff who served as the Minister of Housing and Common Amenities, the former Minister of Housing Hon. Geethanjana Gunawardane, the Minister of Construction, Engineering Services, Housing and Common Amenities Hon. Wimal Weerawansa, the former Secretary to the Ministry Mr. S.M.A.L.Gunathilake, former Secretary Mr. Nissanka Wijeratne, the incumbent Secretary Mr. Gotabhaya Jayaratne and all officials of the Ministry extended support and positive guidance to our Authority during the year under review. Our thanks are also due to all members of the Board of Directors, all customers and all employees of the institution.

Kapila Gamage, Attorney at law
Chairman,
Condominium Management Authority .

G.U.Upawansa
Gen. Manager/ Secretary to the Board
Condominium Management Authority ,



Financial Statement

Condominium Management Authority
Financial Statement as at 31st December 2010 (Balance Sheet)

Financial Statement

Condominium Management Authority Financial Statement as at 31st December 2010 (Balance Sheet)

2009 Rs.	Assets			2010 Rs.
	Non current assets			
	Current Assets			
18,589,663	Property, Plant and equipment	Note 01		14,507,617
	Investment			
5,995,530	Short term and long term investment	Note 02		11,525,406
24,585,193				26,033,023
	Current assets			
413,836	Stocks	Note 03	481,654	
18,699,525	Trade creditors, employee loans, and receivable balances	Note 04	22,351,712	
18,506	Other receivables	Note 05	46,093	
280,603	Advance payments	Note 06	81,684	
1,566,678	Cash and financial items	Note 07	2,064,506	25,025,649
20,979,148				
45,564,341	Total assets			51,058,672
	Liabilities			
	Current Liabilities			
3,958,340	Payable	Note 08	2,038,568	
2,050,757	Accrued expenses		1,642,403	
31,012,187	Creditors/ Advance	Note 09	37,436,386	
21,412,213	Provisions	Note 10	22,783,178	
58,433,497	Total liabilities			63,900,535
(12,869,156)	Total Net Assets			(12,841,863)
	Net assets represented by			
500,000	Authorized capital			500,000
500,000	Government Capital			500,000
2,500,000	Bonus shares			2,500,000
3,000,000				3,000,000
	Total			
(37,135,282)	Accumulated funds		(41,790,584)	
12,112,934	Adjustments for the previous year			
(41,790,584)	Surplus/deficit during the year		27,293	(41,763,291)
22,308,765	Revalued reserves			22,308,765
1,350,000	General reserves			1,350,000
2,262,663	Capital transfer			2,262,663
(12,869,156)	Total net assets/rights			(12,841,863)

Kapila Gamage
Chairman

G.U.Upawansa
General Manager

K.M.A.Upali
Deputy Gen.Manager (Finance)Acting

Condominium Management Authority

Report on financial situation from 01st Jan to 31 Dec, 2010

2009 Rs.			2010 Rs.
Income			
33,457,137	Operational Income	Note 11	56,454,482
5,173,083	Non-operational income	Note 12	1,368,786
<u>38,630,220</u>			<u>57,823,268</u>
Operational Expenditure			
38,286,951	Employee salaries and allowances	Note 13	38,176,122
767,177	Travel expenses		677,516
2,812,695	Supplies and consumables	Note 14	3,154,536
2,883,166	Maintenance expenses	Note 15	4,762,910
3,415,191	Statutory expenses	Note 16	3,070,535
5,011,697	Depreciation		5,145,209
<u>53,176,877</u>	Total Operational Cost		<u>54,986,828</u>
(14,546,657)	Operational Expenses (Surplus/Deficit)		2,836,440
842,598	Project expenses/direct expenses	Note 17	591,860
1,018,952	Financial expenses	Note 18	1,358,539
360,029	Non-operational expenses		844,053
<u>2,221,579</u>	Total non-operational expenses		<u>2,794,452</u>
(16,768,236)	Net Surplus/ (Deficit) before tax deductions		41,988
	Provisions for income tax		14,695
<u>(16,768,236)</u>	Net surplus /deficit before tax deduction		<u>27,293</u>
(37,135,282)	Accumualted surplus(deficit brought forward from previous year)		(41,790,584)
<u>(53,903,518)</u>			<u>(41,763,291)</u>
Adjsutments relevant to previous years			
431,510	Debit total		-
12,544,444	Credit Total		-
<u>(41,790,584)</u>			<u>(41,763,291)</u>

Notes to the Accounts

1. Responsibility of the Management with regard to Financial Statement

This financial statement has been presented in accordance with Sri Lanka Accounting Standards and generally accepted accounting principles and by applying appropriate accounting principles that are timely and reasonable under the circumstances.

It is also assured that measures have been taken for the preparation and fair representation of financial statements by designing, implementing and maintaining the relevant internal controls that are free from material misstatements whether due to fraud or error.

2. Accounting Policies

The Account statements of the Authority have been presented in accordance with the generally accepted accounting principles with mutual interrelation on periods of time and on the basis of historical cost convention. Adjustments can be made for inflationary factors that might affect the financial policies and the accounts have been prepared on the accrued basis.

3.Fixed Assets

In charging for depreciation, in keeping with the policy of the Authority the straight line method from the date of purchase to the date of sale is adopted for depreciation.

Motor Vehicles	25%
Office Furniture & Fittings	20%
Machinery & Tools	20%
Office Equipment	20%
Buildings	4%

4. Gratuity

Provision has been made in the accounts to the value to be paid as gratuity for employees who have completed a minimum of five years. For year ended 31 December 2010, the relevant value is Rs. 17,282,147.50 .

5. Stock

Stock purchases have been computed on the cost and adjusted in accounts and any profits have not been included in it.

6. Income

The Profit and Loss accounts have been prepared on the basis of gross income

07. Provision for bad debt and doubtful debt

In accordance with the age analysis of the trade debtor balances remained at the end of the year, provisions have been made in the accounts as bad debts and doubtful debts for debtor balances which are over four years old.

08. Legal matters

A case has been filed in the Colombo District Court under Case No. 53429/ M.R to recover a sum of Rs. 807, 187. 50 due from Lanka Net (Pvt) Ltd.

Property, plant and equipment		Cost as at 01.01.2010	Acquisitions during the year	Disposed of during the year	Note 01 Cost as at 31.12.2012
1,520,000	Kataragama circuit bungalow land	1,520,000	-	-	1,520,000
6,700,000	Kataragama circuit bungalow building	6,700,000	-	-	6,700,000
1,497,457	Office furniture and accessories	1,497,456	330,429	-	1,827,885
16,650,000	Motor vehicles	16,650,000	90,000	-	16,740,000
1,682,782	Machinery, equipment and office furniture	1,682,782	642,734	-	23,625,516
28,050,239		28,050,238	1,063,163		29,113,402

Less- Depreciating Provisions		Accumulated deprecia- tion alloca- tions as at 01.01.2010	Depreciation allocations for the year	for dispos- als	Accumulated depreciation allocations as at 31.12.2010
536,000	Kataragama circuit bungalow building	536,000	268,000	-	804,000.00
568,495	Office furniture and accessories	568,495	314,816	-	883,310
7,901,042	motor vehicles	7,901,042	4,177,500	-	12,078,542
455,039	Machinery, equipment and office furniture	455,039	384,893	-	839,933
18,589,663		18,589,663	5,145,209		14,605,785
	Value written off as at 31.12.2010				14,507,617

Investment		Note 02	
3,000,000	Long term investments- Shares in Housing De- velopment and Finance Corporation Bank		3,000,000
2,995,530	Short term investments		758,506
	Investment in the sinking fund of Edmonton G.H.S		6,751,832
	Gratuity allocations investment		1,015,068
5,995,530			11,525,406

Stock Account		Note 03
161,611	Stocks of operations division	136,054
252,225	Stocks-Head Office	82,319
240,403	Office supply stocks	263,281
654,239		481,654

Trade creditors and various other re- ceivable deposits		Note 04
221,599	Trade creditors and various other receivable deposits	Schedule 01 250,134
13,096,232	employer creditors	Schedule 02 18,558,155
4,195,907	Staff loans advance	Schedule 03 3,156,503
1,185,787	Mobilization advance	Schedule 04 386,920
18,699,525		22,351,712

Other receivables		Note 05
18,506	Withholding tax	46,093
18,506		46,093

Advance payments		Note 06
-	Fuel allowance	42,000
40,200	Vehicle registration fees	39,684
40,200		81,684

Cash and financial items		Note 07
1,566,678	Cash at hand and banks	Schedule 05 2,064,506
1,566,678		2,064,506

Payables		Note 08
935,130	Office rent	-
1,330,215	Payable to contractors	421,477
440,038	Accrued liabilities	Schedule 06 455,229
600,400	Payments for supplies	499,514
347,531	Cash withheld	266,432
107,900	Refundable Tender fees	95,000
197,126	Safe Deposits	Schedule 07 300,917
3,958,340		2,038,568

Operational Income		Note 09
3,567,284	Advance from customers	Schedule 08 2,671,307
27,444,903	Miscellaneous creditors	Schedule 09 34,765,079
31,012,187		37,436,386

Provisions		Note 10
1,490,639	Provisions for Audit Fee	1,765,639
16,216,948	Provisions for gratuity	17,282,147
156,673	Provisions for employee compensation	156,673
3,379,076	provisions for bad and doubtful debts	3,578,719
168,877	Provisions for security services	-
21,412,213		22,783,178

Operational Income		Note 11
1,064,403	Service Charge Income	Schedule 10 857,073
23,607,030	Income from issuing certificates for Condominium Property	Schedule 11 46,384,269
7,283,422	Repairs and maintenance income	Schedule 12 6,817,808
907,375	Pradeepa hall, -Income	-
594,907	Miscellaneous income	Schedule 13 2,395,332
33,457,137		56,454,482

Non Operational Income		Note 12
105,205	Tender Application income	9,000
318,450	Registration fees	Schedule 14 387,723
5,580	Fines and other recoveries	3,200

126,659	Interest for eemployee loans		126,636
-	Dividends		150,000
107,880	Applicationfees		82,000
230,075	Mediation fees		168,000
-	Semianr income		157,090
12,444	Income from condominium publications		14,825
456,986	Fixed deposito interest		-
133,810	Interest for savings		28,044
188,050	Condominium journal-income		30,350
3,487,944	Profits from selling fixed assets	Schedule 15	-
-	Interest for 7-day deposits		211,918
<u>5,173,083</u>			<u>1,368,786</u>

Employee wages and allowances

Note 13

360,000	Allowances for chairman		350,000
440,000	Chairman's housing allowance		285,000
27,894,219	Salaries and wages		25,281,626
2,474,518	Employess Provident Fund		2,370,149
618,993	Employees Trust Fund		593,817
5,838,721	Overtime and leave encashment		6,763,607
91,000	Bonus payments		518,983
409,500	Incentives		-
-	Gratuity		1,842,520
110,000	Allowances for directors		75,000
50,000	Employee compensation		-
-	Health risks and inconveniences		5,000
-	Employee welfare		90,420
<u>38,286,951</u>			<u>38,176,122</u>

Supplies and consumables

Note 14

655,884	Printing and stationary		671,389
572,148	Tea expenses		614,598
1,116,600	Fuel for motor vehicles		1,073,094
352,000	Fuel allowance		439,000
116,063	Office supplies		249,375
-	Purchasinsg software		49,000
-	Fees for Annual hosting charges		58,080
<u>2,812,695</u>			<u>3,154,536</u>

Maintenance

Note 15

1,657,071	Vehicles repairs and maintenance		2,414,181
120,743	Computer repairs and maintenance		111,474
235,668	Kataragama circuit bungalow maintenance		289,175
289,018	Maintenance of furniture accessories, machin- ery and equipment		246,951

465,473	Office building maintenance	1,590,414
115,193	Office maintenance	110,715
<u>2,883,166</u>		<u>4,762,910</u>

Statutory expenses		Note 16
508,164	Electricity	387,791
864,149	Telephone	936,917
260,052	Insurance	218,753
233,243	Water bills	244,028
57,415	Vehicle license fees	57,464
68,310	Postal and telegrm fees	96,481
28,154	Legal fees	18,850
29,700	Advertisement fees	174,468
30,993	Passenger money insurance fees	30,406
500,646	Publicity expenses	3,080
-	- Rates and Taxes	161,806
58,405	Newspaper	61,775
307,440	Office lease rental	307,440
109,020	Translation fees	51,851
329,500	Mediation fees	319,425
<u>3,415,191</u>		<u>3,070,535</u>

Project/direct expenditure		Note 17
176,000	Expenses for issuing certificates	250,290
409,353	Repairing and maintenance expenditure	Schedule 16 339,470
257,245	Pradeepa Hall expenses	-
-	- Removal of unauthorized structures	2,100
<u>842,598</u>		<u>591,860</u>

Financial Expenses		Note 18
275,000	Financial Expenses	275,000
8,956	Debit tax	7,822
3,850	Bank fees	395
6,000	Procurement expenditure	6,000
25,000	Incometax	-
243,877	Economic Service Charges	413,135
392,887	Bad and doubtful debts	556,744
211	Stock adjsutments	6,618
63,171	PAYE Tax	92,825
<u>1,018,952</u>		<u>1,358,539</u>

Non operational expenditure		Note 19
54,080	Entertainment allowance for those visiting the Chairman	55,468
34,749	Miscelleneous expenditure	89,733
271,200	Condominium journal expenses	-

- Deyata Kirula exhibition	250,000
- World habitat Day Celebrations- Thunkal Dekma	297,677
- Semianr expenses	143,025
- Nagamu Purawara	8,150
<hr/> 360,029	<hr/> 844,053

Miselleneous deposits		Schedule 1
52,120	Employee safe deposit investments	75,655
100,000	Fuel deposit	100,000
	Procurement deposit	5,000
	Telecom deposit	
69,479	Charges for electricity supply	69,479
	Deposit for Lanka Oxygen cylinder	
	Deposits for suing postal seal	
	Deposit for renting Pradeepa Hall or bungalow	
<u>221,599</u>		<u>250,134</u>

Debtors		Schedule 2
443,331	Parliamentary Secretariat , Madiwela	502,513
1,722,027	Udumulla ancient temple	1,722,027
1,447,351	Gampaha Hospital	1,170,295
807,187	Lanka Net (Pt) Ltd	807,187
881,465	Wildlife Conservation Department	881,465
198,129	Car park (Maligawatta)	189,129
283,943	MNationalMachinery andEquipment Institution	-
672,192	Belihulouya Project	72,192
	- Summerland Property Developers	1,139,481
5,881,574	NHDA	3,875,150
69,853	Maintaining housing schemes in Gampaha, NHDA	-
	- Fatignam Realty Investment	2,439,871
529,213	Mediation fees	556,529
48,000	Decentralised and provincial council funds	48,000
26,217	Booking Kataragama circuit bungalow	10,868
	- Electricity bills of Jalthara public employee housing scheme	714,523
94,750	Negambo Hospital, Pump House maintenance	502,623
	- State Engineering Corporation	96,858
	- Himbutu Uyana	316,021
	- L.H.P. Property Developers (Pvt) Ltd	2,416,719
	- Seegull Property Developers (Pvt) Ltd	63,027
	- Suncity Property Developers (Pvt) Ltd	785,335
	- Hezanite Property Developers (Pvt) Ltd	248,342
<u>13,105,232</u>		<u>18,558,155</u>

Loans and advances		Schedule 3
7,753	T.P.Siriyawthi	7,753
474,050	Purchasing advance	25,955
70,726	Special advance	-
3,394,278	Distress loan	2,818,694
131,500	Special distress loan	192,500
117,600	Festival advance	111,600
<u>4,195,907</u>		<u>3,156,502</u>

Mobilization advance		Schedule 4
118,000	Lakmali Builders (Maligawatta)	-
588,032	LKI Constructions (Maligawatta)	-
242,717	Mesco Creations (Manning Town)	-
237,038	Araliya Constructions(Manning Town)	-
-	Nelu's Constructions	386,920
1,185,787		386,920
Cash at hand and banks		Schedule 5
603,568	People's Bank	1,292,546
963,110	Bank of Ceylon	771,960
1,566,678		2,064,506
Accrued liabilities		Schedule 6
339,516	EPF dues	361,779
4,359	Stamp fees	5,307
26,101	Third party deductions	37,278
23,763	Payable withholding tax	1,531
46,299	Payable ETF funds	49,334
440,038		455,229
Safe deposits		Schedule 7
135,006	Safe deposits of contractors	225,261
62,120	Safe deposits of employees	75,655
197,126		300,916
Advance from customers		Schedule 8
1,105,705	Decentralized/provincial council funds	981,540
104,453	Ceylon Electricity Board	104,453
1,309,846	Maligawatta emergency repairs	603,814
766,151	Manning town emergency repairs	-
281,129	Soyzapura emergency repairs	-
-	Nagamu Purawara	981,500
3,567,284		2,671,307
Miscellaneous creditors		Schedule 9
9,575,215	Ministry of Housing and Common Amenities	9,575,215
15,733,971	Goods and Service Tax	15,733,971
1,573,674	VAT	1,991,305
311,539	Nation building taxes	406,543
377	Various advances	1,024
223,014	Department of Fisheries	223,014
21,740	M.Arunkumar	-
5,373	Modern Housing Nd Construction	-
-	Thanuja Dineshika	81,850
	Sinking fund of Edmonton Public employee housing scheme	6,751,832
	National machinery and Equipment Organization	325
27,444,903		34,765,079

Service charge income		Schedule 10
1,064,403	Decentralized /provincial council projects-service charges	857,073
1,064,403		857,073
Issuing certificates for condominium property		Schedule 11
17,906,951	Certificates issued for completed constructions	37,330,049
297,717	Certificates issued for property of which construction has been commenced	5,237,320
5,402,362	Certificates issued for semi-constructions	3,816,900
23,607,030		46,384,269
Repairing and maintenance income		Schedule 12
2,345,297	Maintenance income-Madiwela MPs housings cheme	2,491,288
1,635,504	Negambo hospital pump house maintenance income	1,471,929
2,515,468	Gampaha hospital - Pump house maintenance income	1,820,916
28,975	Emergency repairs	307,042
31,550	Emergency repairs income of management corporations	-
726,628	Gampaha Elvitigala housing scheme-maintenance income	726,633
7,283,422		6,817,808
Miscellaneous income		Schedule 13
255,771	Kataragama circuit bungalow income	333,550
30,833	Other income	1,770,854
213,041	Insurance compensation	158,888
95,262	Micellenous income	-
-	Vehicle rental income	132,040
594,907		2,395,332
Registration Fees		Schedule 14
7,000	Contractors registration income	6,000
-	Income from registration of private management corporations	90,650
-	Income from renewing registrtrion of private management corporaions	250,173
-	Income from registering management corporations of government housing schemes	9,000
-	Income from renewing registration of management corporains of government housings schemes	14,000
-	Income from renewing registration of tsunami housing schemes	200
-	Income from registering private management committes	10,500
-	Income from registering private mangement committees	5,500
-	Income from registering management committees of government housing schemes	450
-	Income from renewing rgistration of management committees of governmetn housing schemes	1,000
-	Income from registering management committees of tsunami housing schemes	250
318,450		387,723
Profits from the sale of fixed assets and store items		Schedule 15
2,968,457	Sale of motor vehicles	-
174,974	Sale of mechanical tools and equipment	-
205,656	Sale of furniture and accessories	-
138,857	Sale of stores items	-
3,487,944		-

Repairs and Maintenance Expenditure		Schedule 16
13,434	NHDA-Repairing and maintenance expenses	3,842
15,670	Negambo Hospial Pump House Maintenance expenses	13,675
239,168	Madiwela parliamentary housing scheme- Maintenance expenses	305,999
-	- Gampaha Hospital pump house maintenance expenditure	10,184
141,081	Repairing and maintaining pump houses	-
-	- Jalthara housinsg scheme maintenance	5,770
<u>409,353</u>		<u>339,470</u>

Condominium Management Authority
Cash flow statement as at 31.12.2010

Net loss before income tax and specialized items 41,988

Net loss before income tax and specialized items

Adjustments

Depreciation allocations		5,145,209
Investment income		(516,598)
Interest expenditure		
Operational profit /(loss) before change in working capital		<u>4,670,600</u>

Change in working capital

Stock reduction	(67,819)	
Debts increased	(3,652,187)	
Increase in other receivable balances	(27,587)	
Deduction advance payments	198,919	
Reduction in payable balances	(1,919,771)	
Reduction in accrued expenditure	(408,354)	
increase in creditors	6,424,199	
Increase in provisions	<u>1,370,965</u>	<u>1,918,365</u>
Cash flow generated from operational activities		6,588,965
interest payment		
Income tax payment		<u>14,695</u>
Net cash flow on operational activities		<u>6,574,270</u>

Cash flow on financial activities

Investment	(5,529,876)	
Purchasing fixed assets	(1,063,163)	
Sale of fixed assets	-	
Interest received	366,597	
Dividends received	<u>150,000</u>	
Net cash flow channeled for investment activities		(6,076,422)
Cash flow on financial activities		
Receiving long term loans	-	
Payment for financial leasing facilities	-	
Dividend payments	-	
Money channeled for financial activities	-	
Net cash flow for cash and cash equivalents		497,828
Starting balance -cash and cash equivalents		<u>1,566,678</u>
Final balance- cash and cash equivalents		<u>2,064,506</u>

Report of the Auditor General

Report of the Auditor General on the Financial Statements of the
Condominium Management Authority for the year ended 31 December 2010
in terms of section 14(2) (c) of the Finance Act No. 38 of 1971.

Report of the Auditor General on the Financial Statements of the Condominium Management
Authority for the year ended 31 December 2010 in terms of Section 14(2) (c) of the
Finance Act No. 38 of 1971.

The Audit of Financial Statement of the Condominium Management Authority for the year ended 31
December 2010 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. My observations which I consider should be published with the Annual
report of the Authority in terms of section 13(2) (c) of the Finance Act appear in this report.

A detailed report in terms of section 13 (7) (a) of the Finance act was presented in the
Chairman on 21 April, 2011.

1.2 Responsibility of the Management in relation to Financial Statements.

It is the responsibility of the management to prepare these financial statements in accordance with the Sri Lanka Accounting Standards and present them in a fair manners. This responsibility includes planning implementation and maintenance of internal controls relating to preparation of financial statements devoid of quantitative false statements that could be accrued to fraud or errors and presenting them in a fair manner, selection and adoption of relevant accounting policies and the preparation of Accounting estimates fairly and appropriately.

1.3 Base for the Scope of Audit and Opinion

It is my responsibility to express my opinion about these financial statements based on my audit queries. The Audit opinion and comments and findings in this report are based on reviews on the financial reports that had been presented for the Audit and substantive tests of samples of transactions. The scope and the extent of such review and tests were such so as to enable as wide an Audit coverage as possible within the limitations of staff, other resources and time available to me.

2. The Audit was carried out in accordance with Sri Lanka Auditing Standards, methods and practices to obtain reasonable assurance as to whether the financial statements are free of material misstatements. The Audit included examination of evidence supporting the amounts and disclosures in financial statements and assessment of accounting principles and significant estimates and judgments made in the preparation of financial statements, evaluation of their overall presentation and determining whether accounting policies adopted were appropriate, consistently applied and adequately disclosed. Sub section (3) and (4) of section 13 of the Finance Act No. 38 of 1971 give discretionary powers to the Auditor General in determining the scope and extent of the Audit.

2. Financial Statements

2.1 Opinion

So far as appears from my examinations and to the best of my information and accounting to the explanations give to me, I am of the opinion that the Condominium Management Authority had maintained Financial statements for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 2.2. of this report, the financial statements have been prepared and presented in accordance with Sri Lanka Accounting Standards and the Financial statements give a true and fair view of the financial position of the Condominium Authority as at 31 December 2010 and the financial results of its operations the year then ended.

2.1 Opinion

Audit Report

Report of the Audit and Management Committee

Comments on Financial Statements	Comments on Financial Statements
2.2.1 Instances of non-compliance with Sri Lanka Accounting standards.	2.2.1 Instances of non-compliance with Sri Lanka Accounting standards.
The following observations are made.	
Sri Lanka Accounting Standard No. 16	Sri Lanka Accounting Standard No. 16
Though the allocation of gratuity at the end of the year for the year under review was Rs. 17,282,147, arrangements had been made to invest only Rs. 1,000,000 to cover the liability according to the standard.	Instructions were issued to increase these allocations by 25% before the end of the year 2011.
Sri Lanka Accounting Standard No. 18	Sri Lanka Accounting Standard No. 18
In terms of the standard, though the salvage value and lifetime of computer laser printers, fax machines, telephones etc. should be considered when computing the percentages the wastage of assets, it had not been done.	In terms of the standard, though the salvage value and lifetime of computer laser printers, fax machine, telephones etc. should be considered when computing the percentages the wastage of assets, if had not been done.
2.2.2 Accounting Deficiencies	2.2.2 Accounting Deficiencies
(a) Short term investment amounting to Rs. 8,525,406 had not been shown as current assets in the balance sheet.	(a) Arrangements have been made to display in the accounting reports of Rs. 5,525,406/- as short term investments and Rs. 3,000,000 as long term investments.
(b) Liabilities to the tune of Rs. 1,557,961 payable for 10 contracts completed under the provincial council fund in the year under review, had not been accounted.	(b) Arrangements are being made to account the transactions completed during the year under accrued basis
(c) Despite the Authority having identified a sum of Rs. 3,157,476/- 14% of the debtor balance, as being unable to recover a 3% annual bad debt and doubtful debt allocation had been made. This is not a satisfactory situation.	(c) Instructions were issued to submit a fresh board paper in order to take a policy decision with regard to the allocation of doubtful debts and bad debts based on age analysis.
(d) A sum of Rs. 4,722,340/- receivable in relation to 16 contracts completed in the year under review had not been accounted.	(d) Arrangements are being made to account the contract transactions completed during the year under the accrued basis
(e) Only a sum of Rs. 981,500/- of the Rs. 1,500,000 received from the line Ministry under the programme "Nagamu Purawara" had been shown in the balance sheet. The balance of Rs. 518,500 had not been shown in the accounts.	(e) A sum of Rs. 1,500,000 under receipt number 65286 had been received for the Programme "Nagamu Purawara" on 18.10.2010.
	Accordingly, since this amount was an advance to effect repairs of the drainage system of K. H. and J blocks and the road behind the K block of the Maligawatta Housing scheme, a sum of Rs. 142,300/- was paid to the State Engineering Corporation on 02.11.2010 and Rs. 376,200/- was paid to the Building Department. The balance Rs. 981,500 has been shown in the accounts as advance received from customers. However, as pointed out in the Audit Report steps have been taken to adjust these transactions separately in the year 2011.

Audit Report

Report of the Audit and Management Committee

2.2.3 Sustainability

Net assets of the Authority had recorded a minus value in the year under review and the two previous years as Rs. 12,841,863, Rs. 12,869,156 and Rs. 6,124,654 respectively while the current rate had been 1:25, 1:2:8 and 1:1:7 respectively. This raises questions about the sustainability of the Authority.

The General Manager of the Authority had intimated to me that various debtor balances had to be used to pay salaries of the staff since the operational income was not sufficient to meet the relevant costs from 2003 and creditor balances were not settled which led to current rates plunging into an unfavourable situation.

2.2.3 Sustainability

The main reason for the current rates to plunge into an unfavourable state was because the operational income was not sufficient to meet the relevant costs from 2003 which led to the utilization of various debtor balances to pay the salaries of employees and failure to settle creditor balances.

When this situation was brought to the notice of the Secretary to the treasure a sum of Rs. 40.0 million was allocated to pay salaries in 2012 as a temporary measure. As a long term measure, the Condominium management Authority Act No. 10 of 1973 in terms of which the Authority was incorporated is scheduled to be amended with stringent attention being paid to avenues of revenue of the Authority.

The suggestions to be considered are as follows.

1. To order for the temporary Condominium certificate to be obtained prior to the construction of any Condominium property upon approval being obtained for the building plan.
2. To order for a major percentage of the stamp levy, which is charged at the transfer of a Condominium property be credited to the Condominium Management Fund.
3. To order that the present order which enables this Authority to charge fees in proportionate with the ownership of the Condominium property be charged as a percentage of the duty charge.
4. To order that all management Corporation be registered with this Authority.
5. To introduce a system for Housing Schemes of which houses built on fragmental lands with common amenities set up separately such as Millenium city in Aturugiriya and Niwasipura in Ja-ela to obtain a certificate from this Authority and establish a arrangement Corporation to administer their common facilities.
6. To order for a penalty to be paid upon the Authority ascertaining that an unauthorized construction has been erected in a condominium property, by the relevant party until the relevant construction is removed from the day of such ascertaining by the Authority.
7. To order for a portion of the penalty determined to be paid to the Court in the event of non registration of a condominium property within the relevant period after the completion of such property, to the fund of this Authority.

The above draft Bill has been referred encompassing the aforesaid proposals to a Cabinet Sub Committee by the Cabinet of Minister and is being discussed at present.

Audit Report	Report of the Audit and Management Committee														
<p>2.2.4 Unexplained changes</p> <p>A client debtor balance of Rs. 3,875,150 receivable from the National Housing Development Authority and a client advance of Rs. 1,585,314 payable to the National Housing Development Authority are shown as Rs. 2,262,134 and Rs. 20,984,863 respectively in the accounts of the National Housing Development Authority. No steps have been taken to identify the relevant changes and effect the necessary adjustments.</p>	<p>2.2.4 Unexplained changes</p> <p>In terms of the decisions taken at the discussion with the Chairman of the two institutions with regard to the recovery of these arrears, a committee was appointed to enquire into the arrears and report about it. Further, steps were taken to recover a sum of Rs. 4.5 million out of the arrears as at 30.11.2010.</p>														
<p>2.2.5 Receivables and payables</p> <p>Following facts were observed.</p> <p>(a)The Authority has not taken enough steps to recover a sum of Rs. 3,672,000 to be recovered from 5 debtor clients brought forward for over 05 years and to settle 04 creditor balances with a value of Rs. 25,636,653.</p> <p>(b)Balance endorsements relating to 03 debtor balances amounting to Rs. 12,667,999/- and 02 creditor balances amounting to Rs. 18,945,075/- had not been submitted to the Audit.</p>	<p>2.2.5 Receivables and payables</p> <p>Following are the debtor balances of Rs. 3,672,000 brought forward for over 05 years..</p> <table border="1" data-bbox="810 685 1485 958"> <thead> <tr> <th></th> <th style="text-align: right;">Rs.</th> </tr> </thead> <tbody> <tr> <td>Udumulla Purana Viharaya</td> <td style="text-align: right;">1,722,027</td> </tr> <tr> <td>Dept. of Wildlife Conservation</td> <td style="text-align: right;">881,465</td> </tr> <tr> <td>Maligawatta Car Park</td> <td style="text-align: right;">189,129</td> </tr> <tr> <td>Lanka Ket (Pvt.) Limited</td> <td style="text-align: right;">807,187</td> </tr> <tr> <td>Belihul Oya Project</td> <td style="text-align: right;">72,192</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">3,672,000</td> </tr> </tbody> </table> <p>It was decided to submit a Board Paper to remove the debtor balances from No. 01 to 03 with a value of Rs. 1,911,156/- from the Accounts and to send a reminder to the Department of Wild Life to recover the amount due from it. A case has been filed in the Court under Number 53429/- MR to recover a sum of Rs. 807,187/- from the other debtor balances. The sum of Rs. 71,192/- due from the Belihul oya project has been received.</p> <p>Furthertime is required to settle the creditor balances as the financial position f the Authority is still not found to do so.</p>		Rs.	Udumulla Purana Viharaya	1,722,027	Dept. of Wildlife Conservation	881,465	Maligawatta Car Park	189,129	Lanka Ket (Pvt.) Limited	807,187	Belihul Oya Project	72,192	Total	3,672,000
	Rs.														
Udumulla Purana Viharaya	1,722,027														
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Belihul Oya Project	72,192														
Total	3,672,000														

Audit Report

Report of the Audit and Management Committee

2.2.6 Non compliance of laws, rules and regulations with the decisions of the Management.

2.2.6 Non compliance of laws, rules and regulations with the decisions of the Management.

Following non compliances were observed.

Non compliance with laws, rules, and regulations with the decisions of the management.	Non Compliance	
(a) Finance Regulations Code FR 104	Action has not been taken in terms of F.R. in relation to motor accidents that cost the institution Rs. 164,783.	(a) Finance Regulations Code FR 104 Arrangements are being made to complete the investigation relating to motor accidents in 2010 and in future too this system will be followed
FR 255(1)	Though it is mandatory for vouchers relating to all payments to be submitted to the Audit, vouchers to the value of Rs. 1,177,209/- relating to holiday work payments made to the officers from January to December 2010 had not been submitted to the Audit.	FR 255 (1) All vouchers relating to payments were submitted to the Government Audit Unit. Accordingly the holiday work payment with a value of Rs. 1,177,209/- paid to the officers were paid along with the salaries of the relevant month. Therefore these also have been included in the vouchers for payment of salaries. Since the preparation of salaries is done by the Computer, a summary of all payments made to the employees is annexed to the relevant voucher. In addition to that, arrangements were made to maintain the leave chits pertaining to leave encashments in the file CMA/6/10/42.
(b) Public Enterprise Circular No. 118 (a) dated 3rd May, 1997.	Exacative officers Entitled one holiday payment per month . however , paid Rs.79,961/= excess payment for Holiday Pay in same month for that officers .	(c) Public Enterprise circular No. 118(a) dated 3rd May, 1997. According to the Annual action plan and compact plans, it has been scheduled to set up more than 100 management Corporations and register them with the Authority. This applies to condominium properties of both public and private sector. In pursuing the above task, the officers have to meet and discuss with the tenants of those condominium properties prior to the establishment of management corporations. The officers also have to attend the annual general meetings and special general meetings etc. of those corporations. These meetings usually take place at week ends or after 6.00 p.m. on week days. Officers have to be deployed on special duty in addition to the ones stated above on holidays. Upon the situation being explained to the Board of Directors, the approval has been given by the Board which met on 27.02.2007 to pay one day's salary (1/20) in addition to the provisions of the above circular.

Audit Report	Report of the Audit and Management Committee
Chapter 2.2.1 (c) of the Public Enterprises Circular dated 2nd June 2003/	Chapter 2.2.1 (c) of the Public Enterprises Circular dated 2nd June 2003/
2.2.1 Chapter (c)	2.2.1 Chapter (c)
The annual reports in the Parliament within a specific period of time each year, Annual reports from 2006 to 2009 have not been presented in Parliament so far.	Annual reports of 2006, 2007 and 2008 have been referred to the Ministry to be presented in Parliament while 2009 report which is being printed at present will be referred to Ministry to be presented in Parliament as soon as it is received..
Financial and Operational review	Financial and Operational review
3.1 Financial Outcome	3.1 Financial Outcome
According to the financial statements presented the net profit of the year ended 31 December 2010 was Rs. 27,293/- million while the net income of the previous corresponding year was Rs. 16,768,236/- Debtor balance with a value of Rs. 1,261,729/- and accrued. Additional allocation of Rs. 484,103 had been accounted as income which led to the net income of the year under review showing an increase.	Compared to the accounts of 2009 the total income of 2010 has increased by 49.74% but after deducting the identified non refundable debtor balances and accrued additional allocations the increase in income is only 4.4 %. Compared to the total expenditure of 2009, the increase of total expenditure in 2010 is 4.5%. This is a result of rising maintenance costs. This shows that the Authority has achieved significant progress during the year under review. The Authority has been able to balance the income and expenditure by bringing down loss which was Rs. 1617 million in 2009 to Rs. 27,293/- in 2010.
3.2 Operational Review	3.2 Operational Review
3.2.1 Performance	3.2.1 Performance
<p>(a) In terms of the Article 5(e) of the common Amenities Act No. 24 of 2003, though the activities of the condominium property management Corporation should be managed and administered, only 36 management corporations had been registered out of the 66 Condominium certificates issued during the year under review.</p> <p>Further in terms of article 5 (h) of the Act the maintenance of common amenities of the condominium properties had not been assigned to the respective local government institutions and no re development activities had been carried out as required by article 5(j) of the Act. In terms of article 5(j) a programme has been prepared to redevelop condominium property and is due to be presented to the Minister for approval repeated requests have been made to the treasure for funds for this purpose.</p>	<p>(a) Eventhough 66 condominium certificates had been issued during the year under review 31 of them were in relation to Condominium properties with less than 5 units owing to that in terms of article 5 (c) the ownership of those properties lie with them and there is no need to set up management corporation.</p> <p>Steps have been taken to educate the municipal commissioners following discussions with the Board of directors with regard to assigning the maintenance of common amenities of the condominium properties to the respective local government bodies as required by article 5(h). However, local authorities are reluctant to take over inner roads and children's parks.</p> <p>Arrangements have been made to take this issue up at the inter ministerial committee.</p> <p>A sum of Rs. 15 million was granted for this purpose in 2011 and a plan has been drawn to prepare projects in relation to Prince of Wales avenue, Torrington Housing Schemes and Wekanda Housing Scheme while the Prince of Wales avenue project is scheduled to be presented to the Minister in August 2011.</p>
(b) Though the registered number of Management Corporations was 130, only 15 committees had been set up during the year which was an indication of very slow progress in setting up management committees.	(b) In instances when legitimate management committees cannot be set up owing to non handing over of deeds, temporary condominium committees are set up. However there is no possibility of comparing this situation with the number of management committees being set up. However 176 management committees were set up during the year under review.

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(c) It was observed that the Authority has failed to achieve its targets substantially during the year under review. Following are the details.

Subject	Targeted		Performance	Progress According to the Action plan
	According to the Corporate plan	According to the Action Plan	Real	Percentage
Establishment Of Management Corporation	290	260	150	50%
Corporation Registration Renewal	-	30	15	50%
Condominium Regulatory mediation And operational Activities	200	180	67	37%
Issuance of Condominium Certificates	90	89	66	74%

(c) The details given in the Audit Report in relation to this should be corrected as follows.

	According to the Corporate plan	According to the Action Plan	Real	Percentage
Establishment Of Management Corporation	120	-	53	-
Corporation Registration Renewal	170	-	94	-
Condominium Regulatory mediation And operational Activities	200	-	-	-
Issuance of Condominium Certificates	90	89	-	-

3.2.2 Corporate Plan and Action Plan

Considerable variations were observed in the corporate plan and the action plan. Using the action plan as a temporary measure to achieve the targets specified in the corporate plan was not satisfactory. There was no effective mechanism to review the progress of the achievement of targets in the Authority. The Authority had not paid sufficient attention to reviewing the progress of the achievement of the set targets in order to identify the shortcomings and rectifying them. This had directly impacted the financial stability and the sustainability of the Authority.

3.2.2 Corporate Plan and Action Plan

At the preparation of the Corporate Plan Management Corporations and Management Committees was estimated at 290 under one item and at the preparation of the Action Plan the above two were estimated separately as 260 and 30 respectively. A mechanism of reviewing and reporting quarterly existed throughout. But at the very inception of the Condominium Management Authority.

- Majority of the schemes of flats which had been given on rent nearly 30 years ago are in a very dilapidated condition and deserve major repairs.
- A large number of flats had been unable to be registered in the land registry as building plans had not been approved as the lands on which they had been built were not clear. Due to these reasons speedy solutions had to be found to achieve the targets of establishing management corporations.

Accordingly as a result of continuous submissions being made to the treasury a sum of Rs. 1000 million was allocated by the 2011 budget for the purpose set out in the (1) above. As a result a significant progress in the establishment of management corporations can be seen at present. With regard to the (2) above, discussions are currently underway with the Secretary to the Ministry of Defence and the Urban Development Authority with the intervention of this Authority.

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3.2.3. Controversial transactions	3.2.3. Controversial transactions
<p>Instead of levying the PAYE tax from the officers in terms of article iii (a) of the PAYE tax Act No. 38 of 2006, the Authority had paid on behalf of the Officers a sum of Rs. 92,825.</p>	<p>The Board of Directors had given its approval for this payment. However arrangements are already being made to deduct the PAYE tax from those officers from April 2011.</p>
3.2.4 Administration of contacts	3.2.4 Administration of contacts
<p>In calling for bids for contracts, the instructions set out in Paragraph (a) of the Procurement Guidelines Code have not been complied with and the Authority has called for bids for 37 contracts estimated at Rs 7,763, 910 by sending letters to the same group of contractors. As a result of the procurement procedure not being made public, only one contractor had submitted bids for all contracts and he had been awarded the contracts uncontested.</p>	<p>Condominium Management Authority undertakes the small contracts of the Provincial Councillors out of their decentralized funds and charges service charges which has become an alternative means of income to the Authority.</p> <p>These contracts are mostly relate to building drainage systems and laboratories in the Urban tenaments.</p> <p>Only a few small scale contractors come forward to take these contacts.</p> <p>The number of contractors so registered in the year 2010 was 05. All the above mentioned contracts had to be awarded to them.</p> <p>However from 2011 bids for contracts were called from through newspaper advertisements as required by article 3.2.2(a) of the procurement guidelines.</p>
4. Systems and Control	
<p>Special attention should be paid to the following systems and controls.</p> <ul style="list-style-type: none"> (a) Contract Administration (b) Issuance of condominium certificates (c) Making overtime payments (d) Payment of advances (e) Maintenance of receipt books 	<p>Arrangements are being made to pay special attention to items (a) to (e) in relation to systems and controls.</p>

H.A.S.Samaraweera
Auditor General

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CONDOMINIUM MANAGEMENT AUTHORITY

1st Floor ,National Housing Department Buiding
Sir Chittampalam A Gardiner Mawatha
Colombo 02

T.P : 2 447429/2 447432 Fax : 2 423606

Email : cmastaff@slt.net.lk

