

# CONDOMINIUM MANAGEMENT AUTHORITY

2011

ANNUAL  
REPORT





# ANNUAL REPORT 2011

CONDOMINIUM MANAGEMENT AUTHORITY

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

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# Director Board

**M.M.Abul Kalam** (attony\_at\_law)  
(From 2010.01.01-2010.05.10)

**Mr.Kapila Gamage** (attony\_at\_law)  
(Since 2010.05.13)

**Chirman**  
Condominium Management Authority

**Mr.G.U.Upawansa**  
General Manager /Secretary to the board  
Condominium Management Authority

**Mr.Dhamitha Kumarasingha**  
Director General  
Sri Lanka Public Utilities Commission

**Mrs.Chandani Wijayawardhana**  
Director  
Krama Samadana Department  
General Treasury

**Mr.D.C.Siribaddana**  
Asst.Director  
Management Service Department

**Mr.K.L.L.Premanath**  
National Water & Drainage Board

**Mr.S.L.Palansooriya**  
(From 2010.02.18-2011.07.27)

**Major Geberal Wasantha Kumara**  
(From 2011.08.29-2011.08.29-2011.10.20)

**Brigadior A.L.S.K.Perera**  
(Since 2011.12.27)  
General Manager  
National Housing Development Authority

**Mrs.Bhadrani Jayawardhana**  
Commissioner  
Colombo Municipality Council

**Mrs.Shantha .P.Liyanage**  
Commissioner  
Sri Jayawardhanapura Municipality Council

**Mr.W.A.Gunawardhana**  
(From 2010.02.18-2011.July)  
**Mr.K.B.R.Dhammika Namal Muthugala**  
(Since 2011.08.09)  
Commissioner  
Dehiwala - Mt.Lavinia Urban Council

**Mr.U.D.C.Fernandoo**  
(From 2010.06.29-2011.10.27)  
**Mrs.H.N.S.Angammana**  
(Since 2011 December )  
Commissioner  
Moratuwa Municipality Commission

**Mr.Prasanna Perera**  
**Mr.Nihal Silva**  
Director General  
Urban Development Authority





# Vision

Condominium 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



# CORORATE 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  
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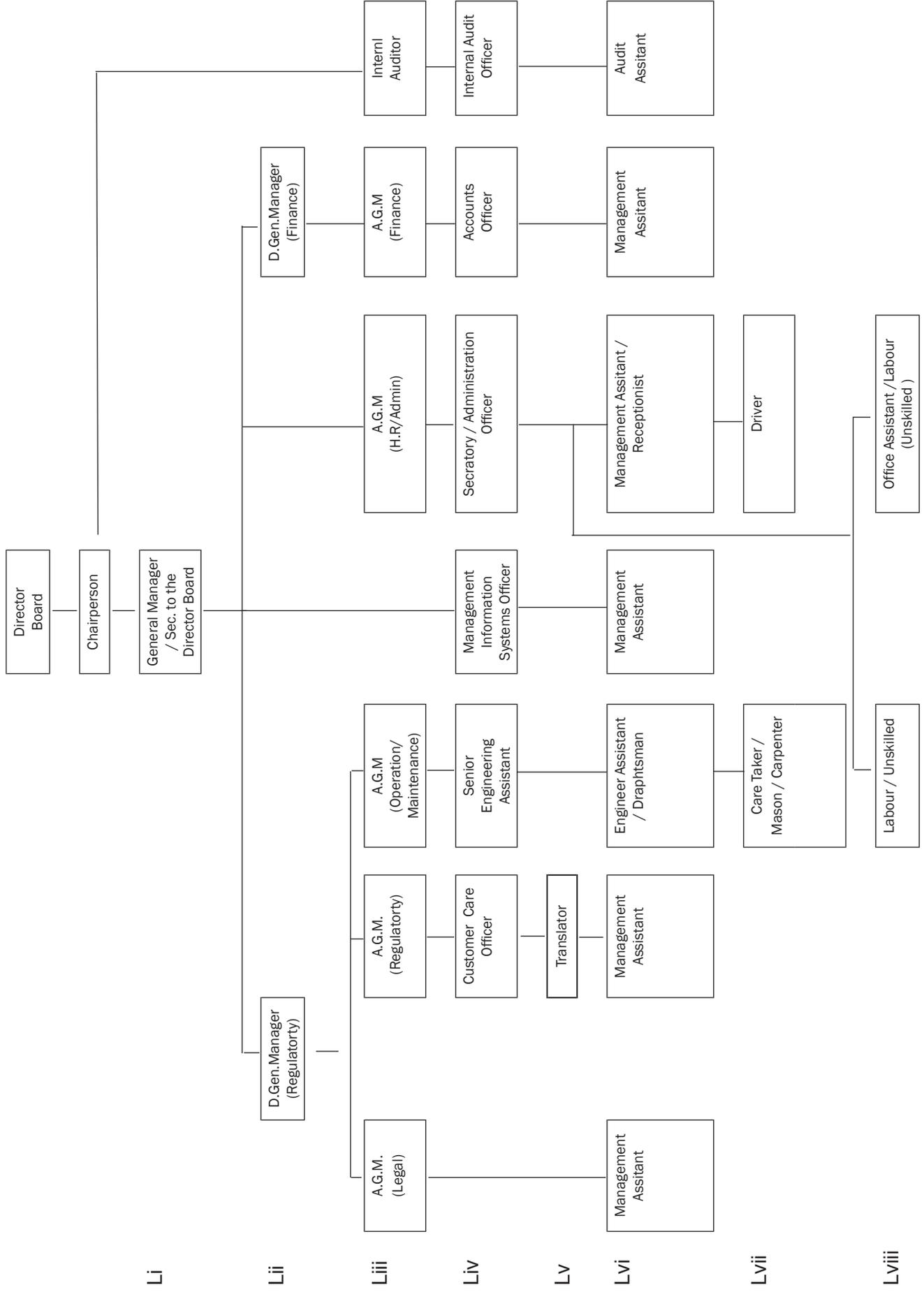
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**Report of the Auditor General**



# Corporate Plan Condominium Management Authority



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# Objectives of the Authority

The objectives of the Authority as statutorily set out in the Condominium Management Authority Act are outlined briefly as follows.

- Guiding the management corporation for properly carrying out management, maintenance, control and administration of common amenities and common elements of condominium property.
- Ensuring proper maintenance and smooth operation of common amenities and common elements.
- Ensuring that common amenities common facilities are provided for the benefit and welfare of occupiers in a satisfactory manner.
- Causing insurance activities to be carried on condominium property.
- Taking action to prevent and remove unauthorized structures.
- Ensuring proper functioning of management corporation
- Transferring as appropriate to the local authority the locations such as parks and roads belonging to the condominium property.
- Provision of services on the request of the Management Corporation.
- Monitoring the progress of condominium property being constructed.
- Identifying property needed to be redeveloped and assisting in their development activities.

# 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



# Services of the Authority

- Issuing certificates for common elements and common amenities to the effect that building is fit for occupation or use to enable the owner or Developer to register the condominium Plan in respect of condominium properties.
- To assist the units owners to form the management corporation in order to manage and administer the common elements in a proper manner.
- To resolve disputes arising between an owner and occupier or owner and the owner or purchaser and the developer of any such condominium parcels in respect of the use or occupation or the enjoyment of the common amenities
- Removal of unauthorized constructions
- Intervention in the management and the maintenance of common elements of the condominium properties as and when necessary
- To encourage the defaulters to pay the maintenance fee regularly.
- To make aware the management corporations the necessity to maintain the common elements properly and attend to any needful repairs

# Administrative Report for the year 2011

## The overall performance of the Authority in the year 2011

The Authority was able to provide an efficient service to the sector and clients in the year 2011 using the regulatory powers vested with it under the Condominium Management Authority Act No.10 of 1973 which was amended from the Act No.24 of the 2003.

During the year under review, the main functions of the Authority were,

- Issuing certificates on common amenities and common elements of condominium property
- Establishing management corporations in condominium property of which the ownership has been transferred.
- Solving disputes among partners of condominium property
- Making redevelopment plans for housing schemes which are unfit for living
- Carrying our large scale renovation in apartment housing schemes using funds allocated from the 2011 budget.

Though the above activities were carried out as expected, the income/expenditure situation of the Authority in the year 2011 was not satisfactory. Due to a host of reasons beyond the control of the Authority, the total turnover which stood at Rs 57.82 million in the year 2010, dropped to Rs 44.7 million in the year 2011. This is a decline of 22.6%. During the relevant period, overall expenditure was Rs. 63.8 and in the year 2010 it was Rs 57.78 million. The main contributory factors for the increase in expenditure in the current year were;

- Increase of salary of all employees,
- Recruitment of new employees for essential posts,
- Increase in price levels of goods and services

These contributed to an increase of 10% in the operational expenses.

Accordingly the Authority has incurred a net deficit of Rs. 18.9 million in the year 2011. This deficit was caused by the following factors in the condominium property sector which retarded the growth of the construction sector.

- Significant drop in the construction of new con-

dominium property

- The applicants continue to lose faith in the financial management of property developing companies which started in 2009.
- Banks and other lending finance companies restricting the granting of loans for condominium property
- Many property developers giving priority to super luxury housing schemes without making a proper assessment on the need of urban housing
- Inordinate delay in obtaining approval for building development licenses, building plans and certificates of compliance from many local authorities.

## Issuing Coandominium Certificates

One of the key functions of the Authority is to issue a certificate on the common elements and common amenities of condominium property to enable the registration of provisional, semi and full condominium property in the Land Registry which incidentally is the main source income of the Authority.

### Issuance of Condominium Certificates 2005-2011

	2005	2006	2007	2008	2009	2010	2011
Provisional Condominium Certificates	-	04	11	04	05	01	06
Semi condominium certificates	-	03	02	03	02	03	06
Full condominium certificates	12	81	92	94	112	62	50
<b>Total</b>	<b>12</b>	<b>88</b>	<b>105</b>	<b>101</b>	<b>119</b>	<b>66</b>	<b>62</b>

In the year 2010, the Authority generated Rs 46.6 million as certificate income and it slumped to Rs 27.7 million in the year 2011 which was a drop of 40%.

## Intervention for the establishment, registration and active maintenance of Management Corporations

The Authority intervened to form 184 Management Corporations. Accordingly, the total number of Management Corporations set up with the intervention of the Authority as at 31 December 2011 was 480. Of the Management Corporations established in 2011, 137 were in the condominium property constructed by the government while 43 were in condominium property constructed by the private sector ownership of which was transferred subsequently. In 04 apartment housing schemes constructed under the Tsunami Rehabilitation Program, 04 management committees were established.

Similarly, 27 Management Committees were constituted in condominium property for which condominium certificate could not be registered due to the failure to obtain certificates of compliance or due to non-settlement of land disputes. Corporations were also established in housing schemes constructed by the National Housing Development Authority for which management corporations cannot be established, to enable the residents to be familiar with the functions of Management Corporations that may be established in the future. From the 2011 budget, in line with the 'Mahinda Chintana –Future Vision' a provision of Rs. 1000 million was allocated for the completion of renovations of common elements and common facilities within a period of three years in the multi-storey housing schemes constructed by the government. Of this sum, Rs 234 million was set aside in the year 2011 for the Maligawatta, Soyzapura and Serpentine housing schemes. As a positive outcome of this, management corporations could be established in the majority of housing schemes constructed by the National Housing Development Authority.

During this year too, the following difficulties were encountered in constituting management corporations.

- Lack of understanding regarding the importance of the Management Corporation for maintaining property of the residents and common elements
- 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.

Regardless, the staff of the Authority worked with dedication throughout the year creating awareness among owners/residents of condominium property every weekend.

### Establishment of Management Corporations

Year	Target	Progress
2005	75	64
2006	195	15
2007	100	50
2008	120	63
2009	120	49
2010	120	54
2011	130	184
<b>Total</b>	<b>860</b>	<b>479</b>

### Establishment of Management Corporations

	Government	Private	Total
2005	-	4	4
2006	-	3	3
2007	1	7	8
2008	6	3	9
2009	6	20	6
2010	2	12	14
2011	22	5	27
<b>Total</b>	<b>37</b>	<b>54</b>	<b>91</b>

## Solving 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 buyer. Accordingly, an investigation council has been set up for the resolution of such disputes. The complaints received by the Council in 2011 can be categorized as follows according to their nature.

- on 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 25 such complaints in the year 2011 and some complaints are still being investigated. The above mentioned activities amply illustrate that the Authority has made a commendable contribution during the past five years for the attainment of the objectives for which was established. The introduction of a new system enabled the process of investigation to be expedited.

### Designing redevelopment plans

One of the objectives of the Apartment Ownership Act of 1973 is to identify apartment housing schemes which have lapsed 40 years which cannot be used any further for human dwelling and to draw up redevelopment programs for condominium property including capital investment plans for the approval of the government and submit such plans to the government. Accordingly, in the year 2010, the Authority identified that plans should be drawn up for the redevelopment of following housing schemes.

1. Municipal Council housing scheme at Sirimavo Bandaranaike Mawatha (Prince of Wales Street), Colombo 12-( 144 housing units in two flats)
2. De Soyza housing scheme, Slave Island, Colombo 2- (64 houses)
3. Wekanda national housing scheme, Slave Island, Colombo 02 -(42 houses)
4. Torrington housing scheme, Phase 1, Torrington Place, Colombo 07-(168 houses)
5. Bambalapitiya national housing scheme, Colombo 03-(293 houses)

Of these housing schemes it was identified that the Municipal Council H.S, at Prince of Wales, Mawatha, De Soyza H.S, Slave Island, Wekanda N.H.S as unsuitable for living and that the lands they are located could be used to construct housing schemes with more multi-storey buildings. It has also come to light that the residents of these schemes live in danger due to the dilapidated state of buildings. The land utilization of the Torrington housing scheme is well under par and the buildings are more than 40 years old. The Authority received funds amounting to Rs 15 million from the Treasury in the year 2011 to design plans for the above housing schemes and the plans of the following housing schemes were finalized by the end of 2011.

- Redeveloping the Prince of Wales housing scheme as a 12-storey, 912 unit housing scheme.
- Redeveloping the Wekanda housing scheme, Slave Is-

land, Colombo-02 as a 14-storey, four building, 192 unit housing scheme

- Redeveloping the Torrington housing scheme as a 15-storey, 04- building, 360-unit housing scheme

Since the De Soyza housing scheme, Colombo 02 is being redeveloped under the housing program of the Urban Development Authority, approval has been sought from the Treasury to develop the Bambalapitiya housing scheme. Action will be taken to submit the above redevelopment plans to the government to be incorporated in 2012 budget.

### Renovating common elements of apartment housing schemes

From the 2011 budget, a provision of Rs 25 million was made to effect repairs at the Serpentine Housing Scheme which cannot be carried out by residents. The renovation activities commenced in 2011 and completed in December and handed over to the residents. As a result the Authority received a service income of Rs 3.5 million.

### Awareness on Condominium Property Law

The officials of the Authority participated in an action program conducted throughout the year to enhance the knowledge of residents on the condominium law, change attitudes and empowering management corporations.

- Launching and distribution of quarterly journal "Condominium"
- Conducting an awareness workshop for the management corporation leaders

A sum of Rs 2 million was received from treasury provisions for the 'Condominium' publication and four issues of the publication consisting of the Sinhala, Tamil and English languages were published in the year 2011.

### Generating other revenue

The Authority which has always been conscious of the trend of dwindling revenue, adopted the following measures as alternative revenue generation.

1. Maintenance activities and repairs of the sewage plants of the Gampaha and Negabo national hospitals.
2. Maintenance activities of the Members of Parliament housing scheme at Madiwela.
3. Maintenance activities of the pump house of the Elapitiwala apartment housing scheme

4. Undertaking contracts of decentralized budget projects approved by the Department of Local Government.

From these alternative sources, the Authority earned Rs. 7.0 million in the year 2011 and the income so generated within the first six months of 2012 was Rs 3.5 million.

### Restructuring the staff

In the year 2010, the cadre estimates and promotions and recruitment procedure were approved by the Management Services Department. Accordingly, mea-

asures were taken in 2011 to grant promotions as per the vacancies in cadre estimate. In addition, steps were also taken to recruit staff for essential posts. By the end of 2010, the staff was 91 and as of December 2011 it rose to 110.

During the year 2011, nine meetings of the Audit and Management Committee were held and the activities of the Board were constantly reviewed at these meetings. In addition 06 meetings of the board of directors were conducted in 2011. At the meetings, a large number of staff reports are examined and reviewed and decisions are taken as appropriate.



**Kapila Gamage, Attorney at law**  
Chairman  
28.02.2012

## Acknowledgement

We take this opportunity to extend our thanks to all members of the staff who contributed to the performance of the Authority in the year 2011 and to all ministries, departments and the heads of public and statutory bodies who supported the activities of the Authority. The board of directors also wishes to convey its heartfelt thanks to the Minister of Construction, Engineering Services, Housing and Common Amenities Hon. Wimal Weerawansa who has been source of inspiration, constantly guiding us to ensure sustainability of the Authority and Deputy Minister Hon. Lasantha Alagiyawanna, Our thanks are also due to the Secretary of the Ministry Mr. Gotabhaya Jayaratne and additional secretaries for their unstinted support extended to the activities of the Authority.

# Report of the Audit and Management Committee

Report of Audit and Management Committee meetings of 2011 which should be submitted together with the Annual Report as per the instructions of section 6.3.1 of the Guide Book on Good Governance in Public Enterprises.

It has been decided at the Cabinet Meeting in which cabinet paper No. 14/0817/517/023 titled Condominium Management Authority -2011 Annual Report was submitted that the report on the Audit and Management Committee meetings of 2011 to should be submitted together with the Annual Report in accordance with the instructions of the guide book on good governance in public enterprises.

## Report of the Audit and Management Committee of the year 2011

During the year under review, 09 meetings of the Audit and Management Committee were held.

The Audit and Management Committee consists of the following officers.

Chairman
Mrs. Chandani Vijayawardane
Deputy Director Department of Public Finance Policies (Treasury Representative)
General Treasury
Members
Mr. L.S.Palansuriya
General Manager National Housing Development Authority
K.B.V.Dhammika Namal Muthugala
(From August 2011) Municipal Commissioner Dehiwala- Mount Lavinia Municipal Council
Observer
Mr. I.K.K.S.Edirisinghe
Audit Superintendent Representative of Deputy Auditor General Auditor General's Department
Mr. K.P.Gunadasa
Internal Auditor/ Accountant Ministry of Construction, Engineering Services, Housing and Common Amenities
The following officers participated as invitee officers of the Authority

1. Attorney at law Kapila Gamage
Chairman
2. Mr .U.Upawansa,
General Manager/ Secretary to the Board of Directors
3. Mr. K.H.A.Upali
Deputy General Manager (Finance)
4. Miss Chamila Nilushi Pemmadu
Internal Auditor

The Audit and Management Committee paid special attention on the following matters.

- ❖ Problems encountered in carrying out regulatory functions and the Authority as a going concern
- Emerging problems and trends in the field of Condominium Management Construction and the field of sales
- Going concern of the Authority and recommendations for securing the support of the Treasury for the salaries and operational expenditure of the year 2012
- ❖ Identifying the needs for amending the Common Amenities Board Act No. 10 of 1973 and re-amending the Common Amenities Board Act (Amendment) Act No 24 of 2003. Recommending to seek the opinions of professional bodies, management corporations and other relevant parties. Drafting amendments for the Act and taking action to submit for the approval of the Board of Directors and the Hon. Minister of Construction, Engineering Services, Housing and Common Amenities.
- ❖ Taking measures to publish quarterly newspaper titled "Sahadhipathya" and raising awareness about this law among all stake holders of the condominium sector through the newspaper.
- ❖ Taking steps to update the website of the Authority

In addition, the following matters were observed quarterly

- Formulating the budget and action plan for the year and recommending for the approval of the

board of directors

- Preparing the corporate plan of the Authority and obtaining the approval of the Board of Directors
- Reviewing the financial management of the Authority monthly and quarterly
- Studying the cash flow and liquidity of the Authority and making recommendations
- Studying bank reconciliation statements
- Submitting recommendations as regard the use of human resources and filling vacancies.
- Studying long standing balances and making recommendations on same.
- Studying the achievement of targets outlined in the annual budget and identifying shortcomings.
- Formulating the annual audit report of the Authority and inspecting its progress.
- Ensuring that Treasury circulars and instructions issued by the government in respect of statutory bodies are adhered to.
- Investigating expenditure control mechanisms of the Authority and offering the necessary guid-

ance

- Offering guidance to take action as regards recruitment and promotions as per the recruitment procedure and the conduct of efficiency bar examinations
- Reviewing documents needed for the meeting of the Committee on Public Enterprises held on 06/18/2011

Drawing the attention of the Board of Directors to implement the accounting policies and the management policies as per the decisions indicated in respect of the Authority in the Auditor General’s report

The Chairman and the staff of the Authority extended fullest support for this purpose. Similarly, the Audit and Management Committee was able to offer guidance to the decisions taken from time to time by the Board of Directors.

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# Financial Statement

Condominium Management Authority  
Financial Statement as at 31st December 2011 (Balance Sheet)

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## Condominium Management Authority Financial Statement as at 31st December 2011 (Balance Sheet)

2010 Rs.	Assets	2011 Rs.
<b>Non current assets</b>		
<b>Current Assets</b>		
14,507,617	Property, Plant and equipment	9,656,419.19
	Investment	
	long term investment	
3,000,000	Shares of Housing Development Finance Corporation Bank	3,000,000.00
17,507,617		2,656,419.19
<b>Current assets</b>		
481,654	Stocks	470,504.54
22,351,712	Trade creditors, employee loans, and receivable balances	23,233,231.91
46,093	Other receivable balance	127,501.79
81,684	Payments made in advance	98,018.00
2,064,506	Short term investments	10,497,670.19
2,064,506	Cash and financial items	7,015,002.78
33,551,055		41,441,929.21
51,058,672	Total assets	4,098,348.40
<b>Liabilities</b>		
<b>Current Liabilities</b>		
2,038,568	Payable	14,421,808.99
1,642,403	Accrued expenses	1,675,326.60
37,436,386	Creditors/ Advance	42,153,041.77
22,783,178	Provisions	27,642,455.35
63,900,535	Total liabilities	(85,892,632.71)
(12,841,863)	Total Net Assets	(31,794,284.31)
<b>Net assets represented by</b>		
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
<b>Total</b>		
(41,790,584)	Accumulated funds	(41,763,290.94)
-	Adjustments for the previous year	
(41,763,291)	Surplus/(deficit) in the year	(18,952,421.69)
22,308,765	Revaluation reserves	(60,715,712.63)
1,350,000	Common reserves	22,308,765.04
2,262,663	Capital transfer	1,350,000.00
(12,841,863)	Total net assets/rights	2,262,663.28
		(31,794,284.31)



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, 2011

2010 Rs.			2011 Rs.
<b>Income</b>			
56,454,482	Operational Income	Note 11	42,519,125.43
848,988	Other operational income	Note 12	1,849,100.20
519,798	Non-operational expenses	Notes 13	317,476.51
<u>57,823,268</u>			<u>44,685,702.14</u>
<b>Operational Income</b>			
38,176,122	Operational expenses	Note 14	43,264,197.85
677,516	Travel expenses		600,038.42
3,154,536	Supplies and consumer commodities	Note 15	3,947,284.49
4,762,910	Maintenance expenses	Note 16	4,484,133.89
2,751,110	Statutory expenses	Note 17	3,280,896.07
909,185	Direct expenses	Notes 18	705,146.32
5,145,209	Depreciation		5,322,076.44
143,025	Project expenditure	Notes 19	625,450.55
2,100	Other operational income	Notes 20	378,915.40
55,721,713	Total operational expenditure		62,608,139.43
2,101,555	Operational activities- Surplus/ (Deficit)		(17,922,437.29)
1,358,539	Financial expenditure	Note 21	888,350.00
701,028	Non operational expenditure	Note 22	141,634.40
<u>2,059,567</u>	Total non-operational expenses		<u>1,029,984.40</u>
41,988	Net Surplus/ (Defiict ) before tax deductions		(18,952,421.39)
14,695	Provisions for income tax		-
27,293	Neet surplus/(deficit)		<u>(18,952,421.69)</u>
(41,790,584)	Surplus./ (deficit) carried forward from last year		(41,763,290.94)
<u>(41,763,291)</u>			<u>60,715,712.63</u>
<b>Adjsutments relevant to previous years</b>			
-	Debit total		-
-	Credit total		-
<u>(41,763,291)</u>			<u>(60,715,712.63)</u>

# Notes to the Accounts

## 1. Management's responsibility for the Financial Statements

These financial statements have been presented in accordance with Sri Lanka Accounting Standards and generally accepted accounting principles and by selecting and applying appropriate accounting policies and making accounting policies that are responsible in the circumstances.

It is assured that measures have been taken to present fair financial statements by designing,, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## 2. Accounting Policies

The accounting reports of the Authority have been presented with mutual interconnection between periods of time and on historic cost basis in accordance with recognized accounting policies. Adjustments have been made towards inflationary factors that may affect the financial policies and the accounting reports have been prepared on accrual basis.

## 3.Fixed Assets

The provisions for depreciation for fixed assets are calculated by using straight line basis from the date of purchase to the date of sale as per the policy of the Authority.

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

## 4. Gratuity

Allocations have been made in accounts for the value of the gratuity to be paid for employees who have completed a minimum period of service of five years. The value of such allocation relevant to the year ended 31st December 2011 was Rs. 18,102,961/=.

## 5. Stock

Purchasing of stocks are valued at cost and adjusted in accounts and no profit has been included in it.

## 6. Income

Profit/loss accounts have been prepared on the basis of gross income.

## 07. Allocations for bad and doubtful loans

As per the age analysis of the trade debtor balances at the end of the year, debtor values which are more than 04 years old are analyzed and provisions have been made in the accounts as bad and doubtful debts for the said values.

## 08. Legal matters

A case has been filed in the Colombo District Courts under Case No. 53429/MR to recover the dues amounting to Rs 807,187.50 from Lanka Net (Pvt) Ltd. In addition, 23 cases filed by or against the Authority by the relevant parties connected with condominium property are pending, but no provisions have been made in accounts for contingent liabilities since there are no obligations on the part of the Authority for any amount payable.

Property, plant and equipment		Cost as at 01.01.2011	Acquisitions during the year	Disposed of during the year	Note 01 Cost as at 31.12.2011
1,520,000	Kataragama circuit bungalow land	1,520,000.00	-	-	1,520,000.00
6,700,000	Kataragama circuit bungalow building	6,700,000.00	-	-	6,700,000.00
1,827,885	Office furniture and accessories	1,827,885.25	20,569.20	-	1,848,454.45
16,740,000	Motor vehicles	16,740,000.00	-	-	16,740,000.00
689,177	Machinery and equipment	689,176.00	132,310.16	-	821,486.16
1,636,340	Tools and equipment	1,636,340.00	318,000.00	-	1,954,340.00
29,113,402		29,113,401.25	470,879.36	-	29,584,280.61

Less- Depreciating Provisions		Accumulated depreciation allocations as at 01.01.2011	Depreciation allocations for the year	for disposals	Accumulated depreciation allocations as at 31.12.2011
804,000	Kataragama circuit bungalow building	804,000.00	268,000.00	-	1,072,000.00
883,310	Office furniture and accessories	883,310.42	372,990.99	-	1,256,301.41
12,078,542	motor vehicles	12,078,541.67	4,185,000.00	-	16,263,541.67
98,295	Machinery, equipment and office furniture	98,294.89	150,583.03	-	248,877.92
741,638	Tools and equipment	741,638.00	345,502.42	-	1,087,140.42
14,605,785		14,605,784.98	5,322,076.44	-	19,927,861.42
14,507,617	Value written off as at 31.12.2010			-	9,656,419.19

Stock accounts		Note 02
136,054	Stocks of operationa division	136,004
82,319	Stocks of head office	72,036
263,281	Office supplies stocks	262,463
481,654	Gratuity allocations investment	470,504

Trade creditors, employee loans, and receivable balances		Note 03
250,134	Trade debtors and various deposits of other receivables	Schedule 01 248,990.24
18,558,155	Client creditors	Schedule 02 19,142,318.38
3,156,503	Staff loan and advances	Schedule 03 3,841,923.29
386,920	Mobilization advances	Schedule 04 -
22,351,712		23,233,231.91

Other receivables		Note 04
46,093	Withholding tax	127,501.79
46,093		127,501.79

Advance payments		Note 05
42,000	Fuel allowance	56,865
39,684	Vehicle registration fees	41,153
81,684		98,018
Short term investments		Note 06
758,506	Savings deposit -People's Bank	2,120,845.98
6,751,832	Investment from the sinking fund of Edmonton government housing scheme	7,079,043.40
1,015,068	Gratuity allocation investment	1,297,780.81
8,525,406		10,497,670.19
Cash and financial items		Note 07
2,064,506	Bank and cash in hand	Schedule 05 7,015,002.78
2,064,506		7,015,002.78
Payable		Note 08
_	Office rent	344,332.80
421,477	Payable to contractors	10,150,458.50
455,229	Accrued liabilities	Schedule 06 486,477.52
499,514	Payment for supplies	793,231.56
266,432	Cash withheld	1,159,087.83
95,000	Refundable tender fees	173,100.00
300,916	Safe deposits	Schedule 07 1,315,120.78
2,038,568		14,421,808.99
Creditors and advances		Note 09
2,671,307	Advances from clients	Schedule 08 2,854,729.13
34,765,079	Miscellaneous creditors	Schedule 09 39,298,312.64
37,436,386		42,153,041.77
Provisions		Note 10
1,765,639	Provision for audit fees	2,115,639.00
17,282,147	Provision for gratuity	18,102,965.74
156,673	Provision for employee compensation	65,986.33
3,578,719	Provision for bad and doubtful loans	3,857,864.28
	Provisions for the preparation of project reports for redevelopment of Bambalpitiya housing scheme	3,500,000.00
22,783,178		27,642,455.35
Operational Income		Note 11
857,073	Service charge income	Schedule 10 7,089,261.16
46,384,269	Income from issuing certificates for condominium property	Schedule 11 27,712,898.27
6,817,808	Income from repairs and maintenance	Schedule 12 7,038,210.36
2,395,332	Income from miscellaneous projects	Schedule 13 678,755.64
56,454,482		42,519,125.43

Employee wages and allowances		Note 12
9,000	Income from tender applications	40,500.00
387,723	Registration fees	Schedule 14 759,609.80
82,000	Application fees	74,550.00
168,000	Mediation charges	647,000.00
157,090	Seminar income	-
14,825	Condominium publication income	2,550.00
30,350	Condominium journal income	1,050.00
-	Receipts from advertisement sponsorship	66,500.00
-	administrative charges	24,100.00
-	Income from removing unauthorized structures	233,240.40
848,988		1,849,100.20

Non-operational income		Note 13
3,200	Fines and other recoveries	4,000.00
126,636	Interest for employee loans	109,047.21
150,000	Dividends	150,000.00
28,044	Interest for savings	35052.55
-	Income generated from issuing condominium information lists	19376.75
211,918	Interest for seven-day deposits	-
519,798		317,476.51

Employee emoluments and allowances		Note 14
350,000	Chairman's allowance	630,000.00
285,000	Chairman's housing rental	330,000.00
25,281,626	Salaries and wages	30,085,607.28
2,370,149	Employees' Trust Fund	2,676,052.21
593,817	Employees Trust Fund	669,013.32
6,763,607	Overtime and holiday payments	5,933,331.05
518,983	Bonus	102,400.00
1,842,520	Gratuity	2,492,793.99
75,000	Board allowances	261,000.00
5,000	Healthh risks and inconveniences	-
90,420	Employee welfare	-
-	Employees' Trust Fund	64,000.00
-	Employee compensation	20,000.00
38,176,122		43,264,197.85

Supply and Consumable used		Note 15
671,389	Printing and stationary	1,234,127.51
614,598	Tea expenses	787656.43
1,073,094	Fuel for vehicles	1,079,896.50
439,000	Fuel allowances	614,535.00
249,375	office supplies	231,069.05
49,000	Purchsing software	-
58,080	Charges for internet connections	-
3,154,536		3,947,284.49

Maintenance		Note 16
2,414,181	Vehicle repairs and maintenance	3,437,841.63
111,474	Computers repairs and maintenance	89,110.40
289,175	Maintenance of Kataragama circuit bungalow	149,098.55
246,951	Maintenance of furniture accessories, machinery and equipment	239,120.00
1,590,414	Office building maintenance	439,119.61
110,715	Office maintenance	129,843.70
<u>4,762,910</u>		<u>4,484,133.89</u>

Financial Expenses		Note 17
387,791	Electricity	360,391.08
936,917	Telephones	917,539.15
218,753	Insurance	203,749.58
244,028	Water bills	252,932.18
57,464	Vehicle permit charges	17,027.00
96,481	Postal and telegram charges	133,476.00
18,850	Lawyers fees	635,277.40
174,468	Advertisement fees	139,012.00
30,406	Transit money insurance charges	28,148.17
3,080	Publicity expenses	108,936.50
161,806	Rates and taxes	-
61,775	Newspapers	72,545.00
307,440	Office lease	307,440.00
51,850	Translation fees	63,952.01
-	ICTAD registration fees	40,470.00
<u>2,751,110</u>		<u>3,280,896.07</u>

Non operational expenditure		Note 18
250,290	Expenditure for issuing certificates	119,745.00
339,470	Expenditure for repairs and maintenance	Schedule 15 481,678.52
319,425	Mediation charges	103,722.80
<u>909,185</u>		<u>705,146.32</u>

Project Expenses		Notes 19
-	Janasevana Project	368,860.00
143,025	Expenditure for seminars	83,554.40
-	Management Corporation expenditure	173,036.15
<u>143,025</u>		<u>625,450.55</u>

Other operations expenditure		Notes 20
2,100	Removal of unauthorized structures	378,915.40
<u>2,100</u>		<u>378,915.40</u>

Financial expenditure		Notes 21
275,000	Audit fees	350,000.00
7,822	Debit taxes	8,790.29
395	Bank charges	4,397.40

6,000	Procurement expenditure	5,000.00
413,135	Procurement expenditure	-
556,744	Bad and doubtful loans	279,145.64
6,618	Stocks adjustments	54,195.28
92,825	PAYE Taxes	26,921.00
	Nation Building Taxes	7,941.49
	Bank loan interest	151,958.90
<u>1,358,539</u>		<u>888,350.00</u>

Non-operational expenditure		Notes 22
55,468	Entertainment allowance for the visitors of the Chairman	3,085.00
89,733	Sundry expenses	117,986.20
250,000	Deyata Kirula exhibition	-
297,677	World Habitat Day Celebration- 'Thunkal Dekma'	-
143,025	Seminar expenses	-
8,150	Nagamu Purawara	-
	Expenditure for obtaining brand names	20,563.20
<u>844,053</u>		<u>141,634.40</u>

Miselleneous deposits		Schedule 1
75,655	Employee safe deposit investments	79,511.24
100,000	Fuel deposit	100,000.00
5,000	Procurement deposit	
	Telecom deposit	
69,479	Charges for electricity supply	69,479.00
	Deposit for Lanka Oxygen cylinder	
	Depositi for use of postal seal	
250,134		248,990.24

Debtors		Schedule 2
502,513	Parliamentary Secretariat , Madiwela	1,005,697.88
1,722,027	Udumulla ancient temple	1,722,026.75
1,170,295	Gampaha Hospital	1,704,632.63
807,187	Lanka Net (Pt) Ltd	807,187.50
881,465	Wildlife Conservation Depatment	881,464.65
189,129	Car park (Maligawatta)	189,129.28
72,192	Belihulouya Project	-
1,139,481	Summerland Property Developers	-
3,875,150	NHDA	-
	Maintaining housing schemes in Gampaha, NHDA	147,811.80
2,439,871	Fatignam Realty Investment	2,439,871.50
556,529	Mediation fees	924,228.00
48,000	Decentralised and provincial council funds	5,025,053.70
10,868	Booking Kataragama circuit bungalow	-
714,523	Electricity bills of Jalthara public employee housing scheme	545,773.07
502,623	Negambo Hospital, Pump House maintenance	278,771.89
96,858	State Engineering Corporation	-
316,021	Himbutu Uyana	-
2,416,719	L.H.P. Property Developers (Pvt) Ltd	2,416,718.94
63,027	Seegull Property Developers (Pvt) Ltd	63,026.67
785,335	Suncity Property Developers (Pvt) Ltd	785,334.74
248,342	Hezanite Property Developers (Pvt) Ltd	-
	J.Guruge	8,556.56
	R.H.S.Wijepala	11,890.78
	K.H.T.C.Silva	182,784.54
	Piyota Motors	2,357.50
18,558,155		19,142,318.38

Loans and advances		Schedule 3
7,753	T.P.Siriyawthi	7,752.96
25,955	Advances for purchases	13,455.00
-	Special advance	200,000.00
2,818,694	Distress loan	2,896,548.63
192,500	Special distress loan	101,666.70

111,600	Festival advance	107,500.00
	Special loans	515,000.00
3,156,502		3,841,923.29
<b>Mobilization advance</b>		<b>Schedule 4</b>
386,920	Nelu's Consstructions	-
386,920		-
<b>Bank and cash in hand</b>		<b>Schedule 5</b>
1,292,546	People's Bank-Account No- 204-1-001-0081817	5,141,464.22
-	People's Bank-Account No- 204-1-001-0081817	39,087.00
771,960	Bank of Ceylon Account No. - 0000351042	1,834,451.56
2,064,506		7,015,002.78
<b>Accrued liabilities</b>		<b>Schedule 6</b>
361,779	Payable EPF funds	409,992.96
5,307	Stamp fees	5,575.00
37,278	Third party deductions	-
1,531	Payable withholding tax	13,692.40
49,334	Payable EPF	55,908.16
	Payable PAYE tax	1,309.00
455,229		486,477.52
<b>Security deposits</b>		<b>Schedule 7</b>
225,261	Contractors' security deposits	1,235,609.54
75,655	Employees' security deposits	79,511.24
300,916		1,315,120.78
<b>Advances to be received from clients</b>		<b>Schedule 8</b>
981,540	Decentralized/provincial council funds	-
104,453	Ceylon Electricity Board	104,452.67
603,814	Maligawatta emergency repairs	
981,500	Nagamu Purawara	1,144,729.41
-	National Housing Development Authority	1,229,973.78
-	Removing unauthorized structures	375,573.27
2,671,307		2,854,729.13
<b>Sundry creditors</b>		<b>Schedule 9</b>
9,575,215	Ministry of Housing and Common Amenities	9,350,215.29
15,733,971	Goods and services taxes	15,733,970.68
1,991,305	Value Added Tax	2,647,661.25
406,543	Nation Building Tax	519,327.19
1,024	Sundry advances	3,369.72
223,014	Department of Fisheries	223,014.18
81,850	Thanuja Dineshika	
6,751,832	Sinking fund of the Edmonton government servant housing scheme	7,079,043.40
325	National Machinery Institute	
-	Maintenance fund of Serpentine Government Housing Scheme	919,831.18
-	P.M.K.Dinesh Asanka	7,770.55

_	B.M.G.R.K. Banagetenna	1,300,000.00
_	S.P.C.K. Fernando	1,400,000.00
_	Aurore	94,980.00
_	Swayan Saviya- "Soyzapura Housing Scheme"	5,131.40
_	McCarthy Tower	6,572.80
_	Lunawa Samudra Shakthi Management Corporation	7,425.00
34,765,079		39,298,312.64

Service charge income		Schedule 10
_	Project service charges	5,043,841.06
857,073	Decentralized/ provincial council project service charges	1,786,371.86
_	Other service charges	259,048.24
857,073		7,089,261.16

Issuing certificates for condominium property		Schedule 11
37,330,049	Certificates issued for property of which construction has been completed	15,010,243.05
5,237,320	Certificates issued for property of which construction has commenced	12,214,067.72
3,816,900	Certificates issued for partial constructions	144,855.00
	Certificate of compliance issued for the layout	343,732.50
46,384,269		27,712,898.27

Repairing and maintenance income		Schedule 12
2,491,288	Maintenance income of MP's housing scheme, Madiwela	2,658,036.75
1,471,929	Maintenance income -Pump house, Negambo Hospital	1,618,465.30
1,820,916	Maintenance income- pump house, Gampaha Hospital	1,971,028.55
307,042	Emergency repairs	-
_	Emergency repairs income of management corporations	-
726,633	Maintenance income of Elvitigala housing scheme, Gampaha	776,322.48
_	Hilda Flats- repairs of F building	14,357.28
6,817,808		7,038,210.36

Miscellaneous income		Schedule 13
333,550	Kataragama circuit bungalow income	353,939.95
1,770,854	Other income	117,684.66
158,888	Insurance compensation	147,225.00
132,040	Vehicle rental income	59,906.03
2,395,332		678,755.64

Registration Fees		Schedule 14
6,000	Contractor registration income	24,000.00
90,650	Income from the registration of private management corporations	123,000.00
250,173	Income from the renewal of the registration of private management corporations	376,849.80
9,000	Income from the registration of management corporations of government housing schemes	32,000.00
14,000	Income from renewal of registration of management corporations of government H.S	25,250.00
200	Income from renewal of registration fees of Tsunami housing schemes	410.00
10,500	Income from the registration of private management corporations	15,750.00
5,500	Income from renewal of the registration of private management corporations	28,850.00

450	Income from registration of management committees of government housing schemes	1,250.00
1,000	Income from renewal of registration of management committees of government housing schemes	1,750.00
250	Income from registration of management committees of Tsunami housing schemes	1,000.00
_	Suppliers' registration income	129,500.00
387,723		759,609.80

Profits from the sale of fixed assets and store items		Schedule 15
3,842	Repairs and maintenance income of Elvitigala H.S.,Gampaha	18,718.00
13,675	Maintenance expenditure -Pump house, Negambo Hospital	215,666.50
305,999	Maintenance expenditure of MP's housing scheme, Madiwela	231,636.80
10,184	Maintenance expenditure- pump house, Gampaha Hospital	5,700.22
5,770	Maintenance expenditure of Jalathara Housing Scheme	_
_	Hilda Flats-renovation expenses of F building	9,957.00
339,470		481,678.52

Nagamu Puravara advances		Schedule 16
1,500,000	Money received for Nagamu Puravara project	2,491,071.43
518,500	Less-work value	1,346,342.02
981,500	Balance as at 31.12.2011	1,144,729.41

Project service fee		Schedule 17
_	(1) Preparing project reports on redeveloping condominium property unsuitable for living	1,196,883.76
_	(2) Essential and urgent repairs in Serpentine National Housing Scheme	3,531,174.94
_	Awareness program for residents of condominium property and individuals associated with the sector	315,782.36
		5,043,841.06

Capital projects carried out with treasury provisions		Schedule 18		
	Treasury provisions	42,000,000.00		
	Less-Project expenditure			
_	(1) Preparing project reports on redeveloping condominium property unsuitable for living	13,803,116.24		
_	Service charge of the Authority	Schedule 17	1,196,883.76	15,000,000.00
_	(2) Essential and urgent repairs in Serpentine National Housing Scheme	21,468,825.06		
_	Service charge of the Authority	Schedule 17	3,531,174.94	25,000,000.00
_	Organizing awareness programs for residents of condominium property and individuals associated with the sector	1,684,217.64		
_	Service charge of the Authority	Schedule 17	315,782.36	2,000,000.00
_	Total			42,000,000.00

## Condominium Management Authority

### Cash flow statement as at 31.12.2011

Cash flow for operational activities		41,988
Net loss before income tax and specialized items		(18,952,421)
Adjustments		
Depreciation allocations		5,322,076
Investment income		(294,100)
Interest expenditure		151,959
Operational profit /(loss) before change in working capital		(13,772,486)

#### Change in working capital

Stock decrease	11,149	
Debtor increase	(881,520)	
Increase in other receivable balances	(81,409)	
Increase in payments made in advance	(16,334)	
Increase in payable balances	12,383,241	
Increase in accrued expenditure	32,924	
Increase in creditors	4,716,656	
Increase in provisions	4,859,277	21,023,984
Operating Activities		7,251,498
Interest		151,959
Incometax		-
Net cash flow		7,099,539

#### Cash flow on financial activities

Investment	(1,972,264)	
Purchasing fixed assets	(470,879)	
Sale of fixed assets		
Interest receipts	144,100	
Dividends receipts	150,000	
Net cash flow channeled for investment activities		(2,149,043)
Cash flow on financial activities		
Long term loan receipts	-	
Payments for financial leasing	-	
Dividend payments	-	
Money channeled for financial activities	-	
Net cash flow for cash and cash equivalents		4,950,496
Starting balance- cash and cash equivalents		2,064,506
Closing balance- cash and cash equivalents		7,015,002

**Condominium Management Authority**  
Statement of Change of Equity for the year ended 31/12/2011

Description	Capital	Statutory Reserves	Revaluation Reserves	Common Reserves	Accumulated fund	Total
	Rs '000	Rs '100	Rs '100	Rs '100	Rs '100	Rs '100
Balance as at 01st January 2011	3,000	2,262	22,309	1,350	(41,763)	(12,842)
Added- Net profit for the year					(18,952)	(18,952)
Adjustments Previous Years						
Balance as at 31st December 2011	3,000	2,262	22,309	1,350	(60,715)	(31,794)

**Condominium Management Authority**  
Statement of income and expenditure (2005-2010)

	2005	2006	2007	2008	2009	2010
Income	97,589	35,404	72,351	66,813	38,630	57,823
<b>Treasury Allocation</b>						
Salary and emoluments	-	-	-	34,000	-	-
Capital Projects	-	-	-	-	-	-
	97,589	35,404	72,351	100,813	38,630	57,823
Salary and Allowances	50,152	56,140	68,151	70,776	38,287	38,176
Other recurrent Expenses	33,384	11,722	14,025	23,467	17,111	19,605
Capital Project Expenses	19,925	542	9,091	-	-	-
	105,461	68,404	91,267	94,243	55,398	57,781
Profit / (Loss )	(7,872)	(33,000)	(18,916)	6,570	(16,768)	42



**විගණකාධිපති දෙපාර්තමේන්තුව**  
**கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம்**  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය }  
 My No } විච්චිසි/සිච්චෙප්/  
 2011/ච්චෙප්

මගේ අංකය } 29 AUG 2012 } දිනය  
 உமது இல } } திகதி  
 No. } } Date } 2012 අගෝස්තු 24 දින



සභාපති  
 සභාධිපතය කළමනාකරණ අධිකාරිය

සභාධිපතය කළමනාකරණ අධිකාරියේ 2011 දෙසැම්බර් 31 දිනෙන් අවසන් වර්ෂය  
සඳහා වූ මූල්‍ය ප්‍රකාශන පිළිබඳ 1971 අංක 38 දරන මුදල් පනතේ 14 (2) (සී) වගන්තිය  
ප්‍රකාර විගණකාධිපති වාර්තාව

යටෝක්ත වාර්තාව මේ සමඟ එවා ඇත.

එච් ඊ එස් සමරවීර  
 විගණකාධිපති

- පිටපත් - 1 ලේකම්, ඉදිකිරීම් ,ඉංජිනේරු සේවා, නිවාස හා පොදු පහසුකම් අමාත්‍යාංශය  
 2 ලේකම් , මුදල් හා ක්‍රමසම්පාදන අමාත්‍යාංශය

අංක 306/72 පොල්ලුව පාර,  
 බත්තරමුල්ල , ශ්‍රී ලංකාව

இல. 306/72, பொல்துவ வீதி,  
 புத்தரமுல்லை இலங்கை

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# Report of the Auditor General

**Report of the Auditor General on the financial statements of Condominium Management Authority for the year ended 31 December 2011 in terms of Section 14(2)(c) of the Finance Act No. 38 of 1971.**

**The audit of the consolidated financial statements of the Condominium Management Authority for the year ended 31 December 2011 comprising the consolidated balance sheet as at 31 December 2011 and the consolidated Income Statement, statement of changes in equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka that should be read together with Section 13(1) of the Finance Act and Section 21 of the Common Amenities Law No. 10 of 1973.**

**My observations which I consider should be published with the annual report of the Authority in terms of section 12 (2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (I) of the Finance Act was issued to the Chairman of the Authority on 09th May 2012.**

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Audit Report	Response of the Authority	Response of the Audit and Management Committee
<b>1.2 Management's Responsibility for the Financial Statements</b>		
<p>Management is responsible for preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements.</p>		
<b>1.3 Auditor's Responsibility</b>		
<p>My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.</p> <p>An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of the material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of Accounting Policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. 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.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.</p>		
<b>Basis for the Qualified Audit Opinion</b>		
<p>I qualify my opinion on the basis of matters referred to in paragraph 2.2 of this report.</p>		

Audit Report		Response of the Authority	Response of the Audit and Management Committee
<b>2. Financial Statements</b>			
<b>2.1 Qualified Opinion</b>			
I am of the opinion that except for the effects on the financial statements for the of the matters referred to in paragraph 2.2 of this report, the Condominium Management Authority had maintained the financial statements for the year ended 31 December 2011 in accordance with Sri Lanka Accounting Standards and the financial statements give a true and fair view.			
<b>2.2 Comments on Financial Statements</b>			
<b>2.2.1 Sri Lanka accounting standards</b>			
The following observations are made.			
Accounting standard	Non-compliance		
SL Accounting Standard 09	Though all cash inflows and outflows should be recorded, a sum of Rs 42 million had not been brought to the cash flow statement.	Action was taken to correct in the year 2012.	The Audit and Management Committee accepted the submission.
SL Accounting Standard 16	Though an allocation of Rs.18,102,966 had been made for the payment of gratuity at the end of the year under review, no investment had been made to cover the liability as per the standard and only an investment of Rs. 1,297,780 had been made.	Although provisions for gratuity have to be invested separately, the total amount could not be invested due to the financial difficulties of the institute. However, action has been taken to invest a sum of Rs.1,297,780 by now as per the instruction given by the Board of Directors in year 2010.	The Committee instructed to invest Rs. One Million subject to the approval of the Board of Directors.
<b>2.2.2 Accounting Deficiencies</b>			
The following accounting deficiencies were observed.			
(a) A stock balance amounting to Rs. 54,195 between the stock ledger and the main ledger had been credited to the profit and loss account through stock adjustment account without being identified.		A document pertaining to the value transferred to stock adjustment account is submitted herewith.	The Audit and Management Committee accepted the submission.
(b) VAT amounting to Rs 190,433 received for the construction completed under provincial council funds and for unpaid amounts to contractors had been accounted as a service charge income.		Action had been taken to correct under Journal 108.	The Audit and Management Committee accepted the submission.

Audit Report	Response of the Authority	Response of the Audit and Management Committee
<p>(c) As per the notes to accounts No. 7, the policy on the allocation of bad and doubtful debt had been changed during the year under review and sufficient allocations for bad and doubtful debt for debtors of Rs. 7, 253,690 belonging to the 1-4 years period had not been allocated.</p>	<p>The policy on bad and doubtful debts had been amended by the Board of Directors in the year 2011 and instructions had been issued to make allocations for bad and doubtful debt only for debtors exceeding 4 years. Having identified the shortcoming thereof, action is being pursued to seek the approval of the Board of Directors to amend the policy of making allocations for bad and doubtful debt to cover 1-4 years.</p>	<p>The Committee acknowledged that this had been amended once again in the year 2012.</p>
<p><b>2.2.3 Institution as a going concern</b></p>		
<p>under review and two immediately preceding years had been of minus value as Rs. 31,794,284, Rs.12,841,863 and Rs. 12,869,156 respectively and since net assets depreciated by 147% in comparison to the previous year and as current assets had respectively being 1:2.07, 1:1.9, 1:2.8, the going concern of the Authority is questionable without the financial assistance of the Treasury.</p> <p>The General Manager of the Authority has informed me that this situation had changed with action taken to send 125 employees on voluntary retirement using provisions from the Treasury and that the situation would change further with the possibility of receiving provisions from the Treasury for the salaries of the year 2012.</p>	<p>The main reason attributable to the depreciation of net assets by 147% in comparison to the previous year was the increase of payable liabilities by approximately Rs 10 million, miscellaneous debtors by Rs. 5 million and the provisions by Rs 5 million. The major reason for the growth in payable liability by Rs. 10 million is the increase in items such as the payment of contractors, security deposits and held-over money. The increase in provisions by Rs 5 million was due to the increase in allocations for bad and doubtful debt, provisions for gratuity and the cost for the preparation of the project reports.</p> <p>Similarly, the delay in settling loans to creditors owing to financial constraints and the delay in receiving the approval for writing off payments too have contributed to the depreciation of current ratios in comparison to previous year.</p> <p>A reversal in this situation could be expected in the year 2012 as funds are due to be received from the Treasury for salaries.</p>	<p>The Audit and Management Committee accepted the submission.</p>

Audit Report		Response of the Authority		Response of the Audit and Management Committee
<b>2.4 Unexplained Changes</b>				
The following account balances could not be accepted at the audit as they did not match with evidence of external parties.				
Accounting item	Account balance as at 31 December 2011 Balance as per external evidence	Balance as per external evidence	Evidence	Impact of the Authority
<b>Client debtors</b>				
NHDA	-	1,910,914	NHDA- Final accounts -2011 (draft)	Debtors understated by Rs. 1,910,914
<b>Client advances</b>				
NHDA	1,229,974	8,863	NHDA Final accounts 2011 (draft)	Creditors overstated by Rs 1,221,111
<b>2.2.5 Accounts Receivable and Payable</b>				
Following observations are made.				
(a) The sum total of the balances receivable from 05 debtor clients which had been brought forward for five years was Rs. 3,643,158 and the Authority has not taken effective steps to recover these loans.		(a)The approval of the Board of Directors to write off this receivable value of Rs.3,643,158/- and has been referred to the approval of the Treasury.		The Audit and Management Committee accepted the submission.

Audit Report		Response of the Authority	Response of the Audit and Management Committee
(b) The Authority has not taken measures to settle advances of Rs.104, 453 obtained from clients and brought forward for over 5 years and Rs. 9,122,215 payable to the Ministry of Construction, Engineering Services, Housing and Common Amenities, miscellaneous advances amounting to Rs. 223,014 and Goods and Service Taxes of Rs. 15,733,971.		(b) Owing to the financial situation of the Authority, settling creditor balances has to be delayed and more time needed to settle these amounts. An appeal has been made to the Department of Inland Revenue in connection with the settlement of Goods and Service Tax payable and it is expected to settle this by the end of the current year.	The Audit and Management Committee accepted the submission.
<b>2.2.6 Lack of evidence for audit</b>			
Four account balances amounting to Rs 41,497,720 could not be satisfactorily verified at the audit owing to the absence of confirmation of balances.		Though letters have been sent for the confirmation of balances, no response has been received confirming balances.	The Audit and Management Committee accepted the submission.
<b>2.2.7 Non-compliance with laws, rules and regulations</b>			
The following instances of non-compliance were observed.			
<b>reference to laws, rules, regulations and management decisions</b>	<b>non-compliance</b>		
Common Amenities Law No.10 of 1973 and Common Amenities Board (Amendment) Act No.24 of 2003 –Section 5 (e)  Paragraph (g) of section 5	Though it is the responsibility of the Authority to ensure that the management corporation of the condominium property or Semi Condominium property are properly functioning and to manage and administer the activities of such management corporation, during the period from 2005 to 30 June 2012, 555 condominium certificates had been issued while the number of management corporations registered was only 204.	Though it was indicated that the number of management corporations established was 204 against the 535 management certificates issued, these include 278 condominium properties with less than 05 units.	The Audit and Management Committee accepted the submission.

Audit Report		Response of the Authority	Response of the Audit and Management Committee
Paragraph (g) of section 5	Action had not been taken to transfer the maintenance of common amenities to local government authorities.	During the year under review, the local government authorities have refused to accept the maintenance of common amenities of the Maligawatta, Jalthara, Homagama housing schemes. However at the discussions held following the renovation of the Maligawatta H.C., the Colombo Municipal Council had agreed to accept the maintenance work from the year 2013.	The Audit and Management Committee accepted the submission.
(b) Section 114 of Tax Act No 10 of 2006.	During the first quarter of the year under review, instead of recovering PAYE tax amounting to Rs. 26,921 from officials, the Authority had settled it.	b) In pursuance of the approval granted by the Board of Directors at its meeting held on 30.12.2006, steps had been taken to pay the PAYE Tax by the Authority. However, this was rectified from April,2011 and PAYE tax was levied from the employee concerned.	The Audit and Management Committee accepted the submission.
<b>2.2.8 Transactions of contentious nature</b>			
The following observations are made.			
a) Though a sum of Rs. 6,751,832 was received on 08 January 2010 from the National Housing Development Authority as management corporations funds to carry out maintenance activities, action had not been taken to establish management corporations even by 31 December 2011. This amount had been deposited in a fixed account in 2010 and at the end of the year under review; its balance was Rs. 7,079, 432.		Due to the non-registration of the condominium property in Land Registry and non-disposal of ownership to the owners, the Management Corporation could not be registered and this is the reason for not releasing this amount.	The Audit and Management Committee accepted the submission.
b) The Authority had spent Rs. 142,475 for repairing Double Cab 253-5727 which had met with an accident on 19th February 2011, however Sri Lanka Insurance Corporation had only reimbursed Rs. 95,450 causing a loss of Rs 47,025 and an investigation had not been conducted to identify the officials responsible for this loss.		b) Action was taken to appoint a committee to look into this matter and deal with officials responsible for the loss.	The Audit and Management Committee accepted the submission.

Audit Report	Response of the Authority	Response of the Audit and Management Committee
<b>3 Financial review</b>		
<b>3.1 Financial results</b>		
<p>As per information presented for audit, the deficiency of the Authority for the year ended 31 December 2011 was Rs 18,952,421 and conversely there was a surplus of Rs. 27,293 in the preceding year. In comparison to previous year, the net surplus had depreciated by Rs. 18, 979,414.</p>	<p>In the year 2011, the loss/profit situation of the Authority was not satisfactory. Due to a host of reasons beyond the control of the Authority, the total turnover of Rs. 57.82 million in 2010 had declined to Rs 44.7 million which is a drop of 22.6%. The total expenditure during the said period was Rs. 63.8 million and in the year 2010 it was Rs. 57.78 million. Increase in the salaries of entire staff, recruitment of new employees for essential services, increase in working expenditure by 10% owing to the corresponding rise in goods and services, were the major contributors to the increase in expenditure in the current year. Further, the income from issuing certificates which was Rs. 46.4 million in the year 2010, dropped to Rs. 27.7 million in 2011 and this too can be attributed to the decline of net profit by 695%.</p>	<p>The Audit and Management Committee accepted the submission.</p>
<b>3.2 Analytical Financial Review</b>		
<p>As per the accounts presented, the following observations are made having compared the financial results of the Authority as at the end of the year under review with the previous year.</p> <ul style="list-style-type: none"> <li>i) Compared to the previous year, the service charge expenditure had registered an increase of 727% and a sum of Rs. 42 million had been received from the Treasury for the completion of three projects and the service income received for carrying out these projects was the reason for this increase.</li> <li>i) Income from the issuance of certificates which is the main source of income of the Authority has declined by 40% compared to previous year.</li> <li>ii) Project expenditure had increased by 337% in comparison to the previous year owing to the expenses incurred on Janasevana project and the establishment of management corporations.</li> </ul>	<p>The service charge received in the year 2011 for carrying out capital projects has mainly contributed to the increase in the service charge income. Similarly, due to the impact of external factors beyond the control of the Authority, the certificate income has declined by 40% and as the establishment of management corporations has been made mandatory in order to achieve objectives set out by the Act, an additional expenditure has to be borne in the year 2011 in comparison to the previous year. Consequently, the trend in establishing management corporations has seen a 100% growth compared to preceding years.</p>	<p>The Audit and Management Committee accepted the submission.</p>

<b>Audit Report</b>	<b>Response of the Authority</b>	<b>Response of the Audit and Management Committee</b>
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**3.3 Working capital management**

<p>As the current ratio and the quick asset ratio were 1:2.07 and 1:2.09 respectively during the year under review, and as those ratios stood at 1:1.90 and 1:1.93 last year, the Authority had encountered issues related to working capital.</p>	<p>Since no fund or provisions were allocated as per section 18 of the Act at the time of the incorporation of the Authority, an additional group of employees had to be maintained from the year 2003 to 2009. Against this backdrop, salaries of employees were paid while recovering loans receivable while deferring the settlement of creditor balances. Though the institutional working capital ratio dwindled on account of the above reasons, an improvement in the working capital ratio is shown in the year 2011 in comparison to year 2010.</p>	<p>The Audit and Management Committee accepted the submission.</p>
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**4 Operational Review**

**4.1 Performance**

The performance of the Authority as against the targets is given below.

Subject	Targeted	Performance	Percentage of Progress as per action plan		
Establishment, registration and renewal of management corporations	240	184	77	<p>The management corporation is the regulatory unit for administration and management of condominium property and management committees are established only as an alternative solution in condominium properties where the ownership had not been transferred as a result of not being able to have the building plans and deeds approved. Accordingly, even though the establishment of management corporations is of pivotal importance, same cannot be said about management committees. Mediation depends on the number of complaints received and the reason for the decrease of progress up to 16% was the non-receipt of complaints in expected numbers.</p>	<p>The Audit and Management Committee accepted the submission.</p>
Condominium regulatory, mediatory and operational activities	160	25	16		
Issuance of condominium certificates	80	72	90		

Audit Report	Response of the Authority	Response of the Audit and Management Committee
The progress of condominium regulatory, mediatory and operational activities was as low as 16 % of the targets.		
<b>4.2 Management Inefficiencies</b>		
The Authority has, in contravention of its objectives, has undertaken the operation of sewerage systems of Negambo and Gampaha General but it had not entered into agreements for this purpose. During the year under review, the Authority had submitted bills amounting to Rs 1,971, 028 and 1,618,465 to the two hospitals respectively and Rs 1,449,653 from the Gampaha Hospital and Rs. 802,749 from the Negambo hospital remain outstanding. arrears.	Though the Authority has forwarded an agreement to the Gampaha and Negambo hospitals for operating water and sewage systems, the hospitals have not returned the agreements. A part of the outstanding amount has now been received and a further sum of Rs. 1,611,358.76 from Gampaha hospital and Rs. 802,749 from Negambo hospital is yet to be received. The hospital authorities have agreed to settle this amount as soon as possible.	The committee instructed to enter into agreements as regards these contracts in the future.
<b>4.3 Staff Administration</b>		
The approved cadre for the year under review was 132 and actual staff at the end of the year review was 110. Though 24 officials had been recruited during the year under review, the non-filling of vacancies in the upper management cadre had directly impacted on the performance of the institution.	As per the approved cadre estimates, 24 vacancies remain to be filled in the staff grade and the primary grade at present. However though the role of the Authority has been expanded, the filling of vacancies had been deferred due to the prevailing uncertainty over the revenue sources and allocation of treasury provisions in the future. Though applications were called for the said posts through a newspaper advertisement, the vacancies could not be filled as there were no applicants meeting the necessary qualification criteria. Further it is intended to fill the post of Assistant General Manager (Regulatory) under contract basis.	The Audit and Management Committee accepted the submission.

Audit Report	Response of the Authority	Response of the Audit and Management Committee
<b>4.4 Utilization of vehicles</b>		
<p>The Authority is in possession of 09 vehicles and Rs. 1,694,432 had been spent on fuel and Rs 3,437,841 on repairs and maintenance during the year under review. As the result of very high repairs and maintenance value, the average running cost per kilometer was in the range of Rs 27- Rs.34.</p>	<p>All the vehicles of the Authority are more than 10 years old. As a result an upward trend is seen in maintenance cost. Having studied this situation, the Board of Directors has granted approval to sell 04 old vehicles and procure 4 new vehicles on lease. According the vehicles have been purchased through the Ministry and with the approval of the Treasury and the Public Enterprises Department.</p>	<p>The Audit and Management Committee accepted the submission.</p>
<b>5 Accountability and Good Governance</b>		
<b>5.1 Corporate Plan</b>		
<p>he following criteria that should be adopted in preparing the Corporate Plan of the Authority as per Public Administration Circular PED/12 dated 02 June 2003 had not been taken into consideration.</p> <p>Operational activities during the past 03 years. The amount of work to be performed annually.</p>	<p>These criteria were given due consideration when the Corporate Plan was amended for the next 05 years and the Corporate Plan has now been finalized. .</p>	<p>The Audit and Management Committee accepted the submission.</p>
<b>5.2 Action Plan</b>		
<p>A significant variation was observed in the targets of the annual plan and their achievement. In achieving the targets, the management had not paid due attention to the timely review of situations to identify shortcoming and address them. This had directly impacted on the weak financial position as well as sustainability of the Authority.</p>	<p>The management is currently taking action to identify existing shortcomings by reviewing action plans and reports on monthly progress and to address these shortcomings. Similarly, the reason for the decline in condominium certificate targets was studied and action was taken to hold discussions with the relevant institutions.</p> <p>Action has been taken to conduct monthly meetings of executive officers and technical officers for the review of the above matters and to follow-up decisions taken therein.</p>	<p>The Audit and Management Committee accepted the submission.</p>

Audit Report	Response of the Authority	Response of the Audit and Management Committee
<b>5.3 Composition of the Management Corporation</b>		
<p>Though the Board of Management should consist of 09 ex-officio members and 06 members appointed by the Minister as per the Common Amenities Board No 24 of 2003, the membership of the Board of Management during the year under review was limited only to eight ex-officio members and two members appointed by the Minister.</p>	<p>Of the x-officio members appointed to the Board of Management, the Director General of Sri Lanka Public Utilities Commission established under the Public Utilities Commission Act No.44 of 2002 has been serving in the Board since December 2011.</p> <p>In appointing the following officials out of the 06 members to be appointed by the Minister to the Board of Management, the appointments have been delayed due to difficulties experienced in specifically identifying the organizations pertaining to them.</p> <ol style="list-style-type: none"> <li>1. A representative of the Housing Mortgage Lenders Association</li> <li>2. A representative of the Private Property developers Association .</li> <li>3. A member of the Management Corporation</li> <li>4. A representative of the Chamber of Commerce.</li> </ol> <p>Action has been taken in the year 2012 to appoint the officials of the above associations as the members of the Board of Management.</p>	<p>The Audit and Management Committee accepted the submission.</p>
<b>6 Systems and Controls</b>		
<p>Shortcomings in systems and controls observed during the audit were brought to the notice of the Chairman from time to time.</p>		
<p>1) Vehicle utilization</p>	<p>Vehicle utilization</p> <p>Action has been taken by now to rectify the shortcomings in maintaining the log book.</p> <p>Fuel test reports have now been obtained in respect of all vehicles.</p>	<p>The Audit and Management Committee accepted the submission.</p>
<p>2) Issuance of condominium certificates</p>	<p>Issuance of condominium certificates</p> <p>As the issuance of condominium certificate applications and issuance of certificates have to be carried out by the certificate division, field inspections are carried out by engineers and engineering assistants.</p>	<p>The Audit and Management Committee accepted the submission.</p>

# **ANNUAL REPORT**

# **2011**

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