

THE VISION

To be the foremost Housing Developer to Support Housing Initiatives.

THE MISSION

To be the premier organization to help the poor with housing.

To be the provider of housing for the homeless.

To propagate the message amongst the society and the employees that housing is the entry point for total development and that all other human aspirations can be achieved through housing.

To develop housing with regional /national integrated development plans to ensure that the individual beneficiaries live a sustainable life.

To lessen the dependency on Treasury for funds and to build up a healthy relationship with our customers and improve the quality of life of employees, providing an excellent working environment.

MEMBERS OF THE BOARD OF MANAGEMENT

01. Mrs E D G Calyanaratne - Chairperson
02. Mr E A Meththananda - Vice Chairman
03. Mrs Asoka Gunawardena - Working Director
04. Mr U T Mohamed Anver - Director
05. Mrs A G H B Attanayake - Director

Mrs C Ellawala - Secretary to the Board.

NAME & DESIGNATION OF THE EXECUTIVE STAFF

<u>Designation</u>	<u>Name</u>	
General Manager	- Mr S Arumeinathan	- upto 24.01.2002
	- Mr C Wijeweera	- from 24.01.2002 to 12.08.2002
	- Mr G A P H Ganepola	- from 12.08.2002
Dy General Manager-	Mrs A Krisnakumar	
	- Mrs C Ellawala	
	- Mrs N P Gunasekara	
	- Mr U A Weerakkody	
	- Mr L S Palansooriya	
	- Mr Jak Kulasinghe	
	- Mr W L G W W Wijerathne	
	- Mr D J Domingo	
	- Mr H M Dayananda	
	- Mr R A D N Chandrasiri	
	- Mr B G P De Silva	
	- Mr S W A Jayathilake	
- Mr P H S De Silva		
Actg.Dy.General Manager	- Mr H S R Perera	
	- Mr A K Jinadasa	
	- Mr.W K Piyasena	
	- Mr E L Ediriwickrama	
	- Mrs P K Thanthirige	
-		
Chief Internal Auditor	- Mr A A Milton	

RURAL HOUSING

1. Model Village / Reawakened Village Programme

Above programme was started in year 2002. Under this programme 247 projects (villages) identified and 10474 families have benefited. In the meantime 10 housing projects out of these villages were ceremonially opened by the Hon.Ministers.This programme was implemented in all Districts except Kilinochchi and Mulativu. During the year 9162 houses were commenced and 2758 houses out of them were fully completed. The expenditure of Rs.194.8 M. was incurred for this programme.

2. Pradeshiya Gamudawa Programme

Above programme was started in the year 2002 in five districts.(Nuwaraeliya, Kalutara, Hambantota, Anuradhapura and Batticaloa) 15 number of new and reawakened villages commenced under the Pradeshiya GamUdawa Programme. 583 houses were commenced and 163 completed. The expenditure of Rs.8.403 M. was incurred for this programme.

3. Scattered Loan Programme

Under this programme loan and material grant were released to the families islandwide who were unable to get any assistance through MVV/ RAVV programme, to construct their own houses.

Accordingly loan and roofing materials were granted for the families after considering their living conditions and family income and repayment capabilities. 2012 houses were commenced and 806 houses were completed during this year. The expenditure of Rs.11.30 M. was incurred for above programme.

4. Roofing Sheets Programme

G.I. roofing sheets, received under JICA programme to be issued to the low income families in island wide, were distributed in rural, urban and state sectors. 182636 roofing sheets (corrugated and non corrugated) were issued to the 7694 needy families including north and east.

5. Houses for Displaced families

During last five years this programme has been implemented with financial assistance of Ministry of Rehabilitation & Reconstruction (REPPIA & RRAN) for the people who are displaced due to terrorist disturbances and civil activities in north & east. However 285 houses were commenced 237 were completed (new and carryovers). An expenditure Rs.1109 M. was incurred for this programme.

6. Best Village Competition

With the view of motivation for house builders in hamlet level best village competition aiming was held successfully after lapse of 10 years. This programme covered all the districts including North and East. Winners were gifted with cash prizes.

7. Re - organization of housing development societies

During this year all the Housing Development societies were activated and district conventions were held with active support from beneficiaries in village level. Thorough this peoples participatory programme, upliftment of living conditions of people are being implemented.

URBAN HOUSING

The Present official urban share of the total population is 22%. However the actual percentage is considered to be approximately 30% which is also characterized by uneven distribution of urban settlements. According to the census 75% of the Sri Lanka's urban population is concentrated in south western region where six big cities out of seven with population over 100,000 are located.

As per the existing urban housing sector is concerned, there is severe shortage in total number of houses where the national figure is very minimal. In addition it is also necessary to consider the issues, quality of structure, insufficient floor area of the units, tenure insecurity, shortage of affordable land etc.

The present housing policy advocates sustainable human settlement development In this context the state should facilitate the individual house builders as well as private sectors to construct more and more houses.

Taking into consideration of the urban housing issues, the government policy and the urban development scenario, the urban housing programme focuses on the provision of housing facilities to the low and lower middle income families and other target groups such as families living in slums and shanties in the urban areas. The areas covered under the urban housing programme are the Municipal Council areas, urban council areas and UDA declared in urban areas. The Urban Housing Programme implemented in the year 2002 consisted of several sub programmes and the progress made during the year as follows.

Empowerment of Urban Poor through Shelter Upgrading and Offering out Right ownerships

This programme is implemented to address the issue of unhygienic conditions of the existing urban low income areas of which continuing the existing can be permitted within the urban development plans. In many such project implemented during the recent past where land regularization has already taken place needs strengthening tenure rights by offering outright ownership. A policy decision has been taken on issuing the out right ownership for the families already allocated plots in such projects and preliminary works have been attended.

The completion and consolidation of such partly assisted under served settlements for the purpose of building the self confidence and determination of the people living there has been undertaken in collaboration with urban local authorities.

Public Utilities Programme

Considerable number of under served settlements suffer from inadequate basic infrastructures and social facilities in urban areas. This programme has been developed by the National Housing Development Authority in collaboration with the urban local authorities with the objective of providing temporary relief until these communities come to the main stream of the development.

Activities are limited for improving readily available facilities and providing temporary facilities where the available ones are inadequate. Strengthening the capacity building of poor communities are also included in this programme.

10 Municipalities and 9 Urban Councils have been identified to be assisted under this programme and Rs.3.39 million have been granted for works already undertaken by them as part of the NHDA's share during the year.

Relocation Housing Programme

There are substantial number of low density dilapidated underserved settlements in smaller pockets but still need to be developed, located within the inner-city areas where the development potentials are very high. Major portions of those lands could be recovered for appropriate developments only by relocating them in alternative houses built within either on the same land or reasonable distance from their present locations.

274 Housing units were able to be completed during the year and there has been 132 Housing units which were under construction during the year and the total expenditure for the programme was Rs.55.180 M.

The liberated lands after resettling the families in the completed Housing Units have also been utilized for new housing development. Accordingly 204 houses were allocated during the year for the families who were temporarily resettled.

Urban Renewal Programme

Government owned low and middle income housing schemes / apartments and public servants quarters of Railway Department, Irrigation Department etc. which had been constructed prior to 25 years, and are now in dilapidated conditions and under utilized in terms of housing density. Have been identified for redevelopment to achieve high density housing and commercial developments. This programme is being implemented in collaboration with the private sector. Through this process the existing families get better standard apartments. Once the existing apartments are replaced with new ones using treasury allocations, the balance land is made available to construct commercial housing for the middle income category.

There has been 352 units under construction and were able to complete 132 units during the year. The total expenditure which was incurred during the year is Rs. 6.87 M.

Public Servants Housing

In view of meeting the shortage of affordable housing for public servants living the urban areas, this programme is carried out with funds provided by the Treasury. Under utilized state or private lands are used for this programme. As a policy, in recovering the cost, land cost is excluded and only the development cost is recovered in installments. Absolute ownership is offered after recovering the full payment. During construction 25% of the total estimated cost could be recovered through pre-sale process from the prospective buyers. Rs. 36.18 M. was spent during the year and there has been 272 Housing units in under construction.

Pre Sale Housing Programme

The Pre sale housing programme is targeted at housing needs of middle income families in the country. Under this programme, housing units are built by NHDA in lands located in areas with urban potential and sold to the middle income families on easy payment terms. The process of marketing commences on completion of the design stage and the selected beneficiaries are allowed to fund the project in stages. The total investment for this programme in the year 2002 was Rs.91.11 M. and 1171 houses were under construction during the year.339 houses were able to be completed at end of the year.

Conversion of Rental / Leased Properties to Outright Ownership

This programme is mainly aimed at the Housing units in condominium flat allocated on rental basis and leased shop units in and around Colombo City owned by NHDA and Dept.of National Housing. The exercise of conversion of rent payers to outright ownership basis has been commenced on a policy decision taken by the NHDA, certain concession have been granted to the original tenants / lessees for their period of occupation from the present valuation when purchasing the unit occupied.

680 rental housing units were converted in to the outright ownership during the year. Special attention also been given to the management functions to these Housing Schemes and the action programme has been worked out for removal of unauthorized structures in these Housing schemes.

Private Sector Participatory Housing Programme

Under this programme it is envisaged to obtain the private sector participation in NHDA housing projects. The aim is to put together the different abilities, expertise and resources of both the public and private sectors to achieve the goals of the government in the provision of housing for the people. Selection of sites have already been done in and around Colombo to be offered to the private sector developers.

HOUSING CONSTRUCTION

Direct Construction of Houses under Relocation Programme

This programme is targeted at shanty dwellers living in lands where living conditions are unsatisfactory. These shanties are located in haphazard manner with no proper access, water supply or sanitary facilities.

The relocation programme envisage construction of Walkup Apartments with all infrastructure facilities to accommodate the shanty dwellers with a view to improve their living standards and environment.

Implementation of this programme have to be in stages as the entire land occupied by shanties cannot be cleared at once.

Families from selected locations are relocated temporarily at NHDA expense in order to clear the land for construction of new flats.

These new houses comprise of at least one bed room, living, kitchen and individual toilet with bathing facilities. Water and electricity services within the houses and main supply lines up to the door steps are also provided. Proper access roads storm water and sewerage disposal networks are also provided. Open spaces are allocated within the settlements to be utilized as children play area, while a community center is constructed to meet the needs of the community.

Construction of these Walkup Apartment is carried out by contractors selected through open Tender Procedure.

In the year 2002 construction of 406 houses were in progress including the projects carried over from the year 2001.

During the year 2002, 274 housing units were completed.

Construction of balance 132 housing units are at different stages varying from 70% to 80% of completion.

Total expenditure incurred during 2002 was Rs.34.73 M.

The progress of work was hampered due to non availability of sufficient funds.

It is expected to complete balance 132 housing units during the year 2003.

Direct Construction of Houses under Pre Sale Programme

This programme has been launched to construct houses in Colombo and suburbs for the needs of Middle/ Upper Middle Income group of families.

Funding of this programme is by presale of houses to prospective purchasers.

Construction is carried out by contractors selected through open tender procedure.

In the year 2002 construction of 497 houses were in progress including the projects carried over from the year 2001.

During the year 2002, 113 houses were completed. Construction of balance 384 housing units are at different stages, varying from 60% to 80% completion.

Total expenditure incurred in the year 2002 for constructing these houses was Rs.14.757 M. It is expected to complete all 384 housing units in the year 2003. Progress of construction of Pre Sale houses was very badly affected due to non availability of sufficient funds.

Summary of Direct Construction Work 2002

No.of Houses under construction	903
No.of houses completed	387
Progress on balance houses under construction 70% average	49.49

SPECIAL PROJECT

URBAN RENEWAL AND REDEVELOPMENT PROGRAMME

Catering of the ever-increasing demand for new houses and upgrading the standard of the existing housing stock in the urban areas of the country is a sheer need. This is acute in the case of Colombo. Further the lands available for housing in the city of Colombo is limited to the state and private sector owned lands presently occupied by slums and shanty dwellers.

This situation necessitated the formulation of a housing strategy, which could take care of the liberation of urban lands for housing speedily and redeveloping such unencumbered lands for housing and other important urban land uses promptly. Accordingly the Special Projects Division of NHDA was entrusted with the following tasks.

- a. Identification, planning and implementation of housing cum commercial development projects in the form of Urban Renewal Projects in the Urban lands which are presently in an under-developed and under-serviced state.
- b. Promoting local and foreign urban property developers/ investors to undertake the financing, design and implementation of Urban Renewal Projects and carrying out the necessary co-ordination work.
- c. Introducing and promoting the use of pre-fabricated technologies and new materials in the construction of urban housing projects.
- d. Carrying out re-development housing projects in the existing state sector staff quarters schemes in dilapidated and under-utilized state and in housing projects belonging to the NHDA which are more than 20 years old and in a poor state of maintenance.
- e. Planning and implementation of Housing Projects for the employees in the public sector.

Projects Completed

- I. Redevelopment of Railway Land at Maligawatta, Stage I - 100 units
- II. Housing Projects at Louisawatte, Yakkala Stage I - 132 units

Projects under Construction

- I. Redevelopment of Railway Land at Maligawatta, Stg II - 162 units
- II. Redevelopment of Irrigation Land at Ratmalana, Stage I - 32 units
- III. Redevelopment of Sumitnhamithudampura at Soysapura, Ratmalana, Stg I - 8 units
- IV. Commercial cum Housing complex at Park Road, Co.05 - 40 units & 30 shops

PROJECTS UNDER PLANNING

- I. Urban Redevelopment at Darley Road, Stage I - 400 units & 25,000 ft² commercial space
- II. Railway Land at Mt.Mary Dematagoda - 350 units
- III. Irrigation Land at Ratmalana – Stage II & III - 888 units
- IV. Housing Project for Public servants at Edmonton Road, Stage II - 144 units
- V. Housing Project fo Public Servants at Lanka Loha Land,Yakkala - 144 units
- VI. Housing Project Using Advanced Construction Technology - 2000 units / year.

TECHNICAL SUPPORT

A. Staff Details

	Technical Support Services Division	Present	Required	Vacant
01.	DGM Office	03	07	04
02.	Engineering Section	07	10	03
03.	Admit. Section	09	13	04
04.	QS Section	05	08	03
05.	Drawing office	12	14	02
06.	Maintenance Section	12	17	05
07.	Electrical Section	19	19	0
	Total	67	88	21

01. 100 days programme

- Preparation of type plans and Estimates.
- Conducting of Workshop and Training programmes for Technical Officers in all Districts.
- Co-ordination of Renovation work of
 - * Udagam Name Boards
 - * Community Center Buildings
 - * Clock Towers

02. Modification and repairs to VIP Circuit Bungalow at Kandy,

Approx.Cost of Work Done – Rs.2.5 M.

03. Re – Construction of line Houses
Pilot Project at Wanaraja Group – Dickoya – 203 Units

- Preparation of plans and Estimates
- Development of Construction Methodology
- Management of Construction at site.

Total Estimated Cost - Rs.50 M.

Approx.Cost of Work Done - Rs.35 M.

04. Preparation of Development plan for Rositawatta, Kotagala - 64 Houses

- Preparation of lay out plan.
- Preparation of House Type Plans / 03 Types.

05. Repairs & Improvements to Pradeepa halls

- Modara
- Maligawatta
- Gunasinghapura

Approx.Cost of Work Done - Rs.8.0 M.

06. Co-ordination of ETF Housing Programme with DMM & provision of Technical Support for following Projects.

RURAL

- Kurunegala - Dambkandawatta - 121 Plots
- Galle - Sitraswatta, - 156 Plots
Lechchami 'B' watta - 140 Plots
- Matale - Hrtismalewatta - 100 Plots
- Kegalle - Ethnawalawatta - 200 Plots

URBAN

- Kegalle - Athwatewatta - 77 Plots
- Kalutara - Sindurangala - 134 Plots

Total Estimated Cost - Rs. 78.5 M.

Approx.Cost of Work Done - Rs. 7.0 M. (2002)

07. Implementation of water supply project at Ethnawala - 200 Plots.

- Water Tanks
- Pump House
- Distribute network

Total Estimated Cost - Rs. 6.0 M.

Approx.Cost of Work Done - Rs. 1.0 M.

08. Beruwalla Pradesiya GamUdawa - Moressawatta - **98 Plots**

09. Improvements to Head Office Environment.

- Relocation of press
- Refurbishment of Chairperson Office and Board Room
- New VIP Lobby
- Construction of New set of toilets for Housing Ministry at 3rd floor.
- Partition work for ES Division at ground floor.
- Rapiers and colour washing of following Houses.

<u>Floor</u>	<u>Houses Nos.</u>
7	2,6,7,9
8	2,5,9
9	6,9,11

Approx.Cost of Work Done - Rs. 1.5 M.

10. Following major Electrical work at Head Office Building.

- Installation of a high capacity transformer
- Separate CEB connections to
 - * 6th floor
 - * 3rd floor
 - * H D F C

Approx.Cost of Work Done - Rs. 1.8 M.

11. Air –conditioning of following Buildings,using units removed from Unity Plaza.

- Kandy VIP Circuit Bungalow
- Liberty Plaza Circuit Bungalow
- Chairperson Quarters at Tower Building

Approx.Cost of Work Done - Rs. 219,568.25

12. Solar Power Work

- Recovery of 29 No. Solar Power systems from Pansiyagama.

Value of items recovered - Rs.290,000.00

- Installation of solar power systems to following.
 - * Killinochchi District Office
 - * Mullative District Office
 - * Hambe gamme Hospital
 - * 05 No. Temple in Anuradhapura District.
 - * Repair & Maintenance of Uva Province solar power.
 - * Provide solar Power lighting to Kolonnawa Moratuwa Housing scheme security Office.

Approx.Cost of Work Done - Rs. 266984.00

13. Providing temporary illumination to Uda – Gam openings.

14. Repairs and maintenance of Head office Electrical system.

Total value of Work Done in year 2002 - Rs.57.3 M.

ENGINEERING SERVICES

Planning & performance of designs of Architectural, Structural, Electrical & Infrastructure components related to housing projects comprising low to medium rise walk-in apartments and site & services projects in the Urban Sector is the main responsibility of Engineering Services Division with the assistance of in-house staff of professional in Civil Engineering, Electrical and Architectural fields, draughting staff trained for computer aided draughting work and other supporting staff in Engineering Services Division.

In addition to the designs of projects which were included in the AIP, designs of projects listed in the Annexure – 1 were also completed during the year 2002.

The Engineering Services Division caters to the Engineering and Architectural needs of all the housing projects implemented and managed by the NHDA in the Urban Sector. The Division is comprised of Civil Engineering Section, Electrical Engineering Section, Architectural Section.

Activities of the Engineering Services Division are as follows :

- Planning and design housing schemes for pre-sale projects.
- Planning and design of housing schemes for urban housing relocation projects.
- Planning and design of infrastructure services required for urban income settlements.
- Propagation of low cost building technologies by implementing pilot projects.

In addition to the above involvements, the Division provides Architectural and Engineering consultancy services to other organizations.

Projects included in AIP

Projects	No.of Houses	TEC (Rs.M)
Garden No. 797 Maradana	56	25
Idalwatta Housing Scheme	64	44
Mannikkumbura Stg.I, Kandy	32	23
Kammalwatta, Matara	63	50

List of Project Designed by Engineering Services Division

Name of the Project	Category	No.of Units (Approx.)	Cost (Approx./ Min.)	Remarks
(1) Kotagala Roshita Garden Housing Scheme	Pre Sale	64	110	
(2) Mannikkumbura Stg.	Relocation	48	32	
(3) Jalthara Storm Water Drainage System		352	550	
(4) Morrassawatta – Storm Water Drainage System	Site & Services	-	3	
(5) Walowita Housing Scheme	Pre Sale	11	30	
(6) Pilgrim rest for Madu Church		-	2.5	
(7) Madangahawatta Low Income Housing Scheme	Relocation	16	-	Not yet estimated
(8) Waththimirajapura Infrastructure Services	Site & Services	152	2.5	
(9) Kekeribokka High Rise	Pre Sale	-	-	Architectural Drawings in Progress.

VISUAL COMMUNICATION

Design of the exterior and interior of Exhibition Spaces and construction of the same. In addition to the work related to the exhibitions conducted by the NHDA, this Division is entrusted with the design of the exhibitions conducted by the other state organizations too.

List of the Exhibitions participated by Visual Communications Divisions – year 2002

- “JICA – 2002” Exhibition of Japan Overseas Cooperation Volunteers
- World Habitat Day – 2002 (BMICH) Exhibition, Seminar and Child Art Exhibition
- Keheliyagama Housing Scheme opening ceremony
- “Navodha Lanka” Trade Exhibition – Polonnaruwa
- Exhibition of Photo Collection – 9th Anniversary Late President, His Excellency Premadasa
- Gamini Athukoralagama opening ceremony - Beruwala

In addition to the above involvements the Division provides Art Works for Name Boards and Models.

- Name Board for Katharagama
- Housing Project for public servant – Jaltara Homagama (Name Board)
- Ethnawala Estate – Kegalle (Name Board)
- Dahampahanagama – Beruwala (Name Board)

LEGAL

Progress of work during the year 2002.

1. Issue of Deeds

A total numbers of 2141 deeds
(transfer deeds, transfer deeds together with mortgage bonds, deeds of release)
issued throughout the country.

2. Number of cases being handled by Head office

Supreme Court	04
Appeal Court	36
High Court	09
District Court	77
Magistrate Court	34
Labour tribunal	18

3. Number of cases being handled by District Offices

Appeal Courts	02
High Court	01
District Court	1096
Magistrate Courts	19

PERSONNEL & ADMINISTRATION

In the year 2002, staff assigned to Urban Housing Sector were reattached to NHDA according to the policy decision taken by the Government.

Approved cadre in the year 2002 was 2805 in total.

During the year 20 employees were recruited and 251 employees were terminated in 2002.

Seven students of technical colleges were trained during the year.

a. Total amount of Rs.26 M. were granted as housing loans to staff during the year.

b. Library service was carried out during the year to improve the knowledge of the employees.

Disciplinary action was taken against the employees who were accused for various illegal activities.

The security for the staff and the assets were provided by the security division of the institution.

FINANCE

INTRODUCTION

In accordance to the Section 29 of National Housing Development Authority Act No. 17 of 1979, the provisions of Part II of the Finance Act No. 38 of 1971 shall apply to the financial controls of the Authority.

Under the provisions of Section 13 (6) of the Finance Act No.38 of 1971, the accounts of the Authority has to be forwarded to the Auditor General.

The transactions of the National Equipment & Machinery Organization (NEMO), a project that was formed by an administrative arrangement under the National Housing Development Authority (NHDA) in April 1992, to manage the machinery and equipment mainly for provision of infrastructure facilities in the Janaudana Villages apart from the various assignments given by other institutions are also included in the accounts of the NHDA.

Also in accordance with the approval of the Cabinet of Ministers dated 17.02.94, a Joint Venture Company by the name of Ocean View Development Co.(Pvt) Ltd (OVDC (Pvt) Ltd) was incorporated by NHDA and Urban Development Authority on 13.07.94 treating the sum of Rs 212 M incurred as development expenditure by NHDA and UDA as issued share capital in the following manner :-

- i. NHDA Rs 120 M
- ii. UDA Rs 92 M

In accordance with Sri Lanka Accounting Standard No.26, consolidated financial statements of OVDC (Pvt) Ltd along with NHDA are herewith forwarded.

CAPITAL

The Treasury has contributed an initial capital of Rs 40 M in the year 1979 as against the authorized capital of Rs 50 M.. During the year review, there was no change in the capital.

i. Revenue

The total revenue for the year 2002 amounts to Rs 2019.059 M the details which are given below :-

	<u>Rs in M</u>
i. Government Grant	389.250
ii. Internal Generation	<u>947.403</u>
	<u>1336.653</u>

i. Government Grant

Although a sum of Rs 553.500 M was voted by the Government from the Consolidated Fund during the year 2002, a sum of Rs 389.250 M was released to this Authority.

	<u>Rs in M</u>		
	Revised Allocation <u>2002</u>	Released <u>2002</u>	Released <u>2001</u>
1. Urban Housing Programme	16.250	16.250	-
2. Rural Housing Programme	72.000	72.000	125.000
3. Grant Programme in Janaudana			
Villages – Sevena Programme	120.000	120.000	36.498
Institutional Development Programme	0.500	0.500	5.000
5. Public Servants Housing Programme	78.500	64.250	-
6. Loan interest reimbursement	-	-	75.095
7. Land Plots services	26.250	26.250	5.706
8. Duty for roofing sheets	75.000	75.000	45.000
9. Reimbursement of compensation of Properties	-	-	3.288
11. Commodity Grant	15.000	15.000	40.000
12. Foreign Grant	<u>150.000</u>	<u>-</u>	<u>-</u>
	<u>553.500</u>	<u>389.250</u>	<u>331.699</u>

	<u>Rs in M</u>	
	<u>2002</u>	<u>2001</u>
ii. Internal generation		
Income for the year		
Loan Recovery	401.725	351.985
Sales	226.477	53.160
Rent & Others	<u>319.201</u>	<u>147.359</u>

947.403 552.484

2. Disbursements

i. Housing Loans & Development Expenditure

The total Development Expenditure and Housing Loan disbursement during the year under review was Rs 579.999. M. The details are given below :-

	<u>Rs in M</u>	
	<u>2002</u>	<u>2001</u>
Loan Programme – Rural Housing, Urban Housing	271.450	251.800
Fisheries Housing	0.025	0.061
Urban Housing Programme	197.417	49.463
Land Compensation	6.475	0.540
Infrastructure for 100 Houses Programme	10.337	15.171
Commodity Grant	15.000	-
Roofing sheets disbursement	79.295	-
	<u>579.999</u>	<u>317.035</u>

ii. Recurrent Expenditure

As per the approved Budget for the year 2002, the recurrent expenditure was Rs 722.556 M.. The actual and budgeted expenditure are given below :-

Comparative Recurrent Expenditure Budget v/s Actual 2002 v/s Actual 2001

	<u>Actual 2002</u>	<u>Budget 2002</u>	<u>Rs in M</u> <u>Actual 2001</u>
Board Fees	0.031	0.025	0.007
Staff remuneration	409.390	474.551	309.360
Other staff expenses	37.654	28.417	34.941
Establishment & Administrative Expenses	127.450	113.808	87.604
Financial Expenses	118.749	39.825	95.153
Miscellaneous Expenses	<u>144.341</u>	<u>65.530</u>	<u>71.376</u>
	837.615	722.556	598.441
Add: <u>Book Entries</u>			
Depreciation of Fixed	43.414	53.317	43.188
Gratuity	17.373	4.025	17.397
Provision for bad & Doubtful debtors	<u>29.071</u>	<u>-</u>	<u>24.964</u>
	<u>927.473</u>	<u>779.898</u>	<u>683.990</u>

The major items of expenditure are Staff Remuneration, Establishment Administration Expenditure and Financial Expenses.

The total staff remuneration paid during the year under review was Rs 409.390 M in comparison with the budgeted figure of Rs 474.551 M as opposed Rs 309.360 M paid in the year 2001.

Rs 29.345 M overtime has been paid in 2002 as against Rs 21.777 M in 2001. This works out to 7.16% of the total staff remuneration in 2002 as against 7% in the previous year.

The Establishment & Administration expenditure was Rs 127.450 M in the year 2002 as opposed to an amount of Rs 87.604 M in the year 2001.

The financial expenses for the year 2002 is Rs 147.870 M compared to Rs 137.514 M for the year 2001.

Working Capital

The working capital in the year 2002 is Rs 2735 M as opposed to an amount of Rs 2922 M in the year 2001. The working capital has decreased by Rs 187 M during the year 2002.

Excess Expenditure over income

The excess expenditure over income for the year 2002 is Rs 264.990 M as opposed to Rs 160.738 M in the year 2001.

3. Cash Flow

Given below are the major items of inflow and outflow for the year 2002.

<u>Inflow</u>		<u>Rs in M</u>
A. Opening Cash & Bank Balances		77.750
B. Government Grant	389.250	
C. Internal generation	947.403	
D. Others	19.953	
	<u>67.250</u>	<u>1,423.863</u>
		1,481.660
<u>Outflow</u>		
A. Development Expenditure	579.999	
B. Recurrent Expenditure	837.705	
C. Increase / decrease on assets	27.297	<u>1,445.001</u>
Closing Cash & bank Balances		<u>36.659</u>

NATIONAL EQUIPMENT & MACHINERY ORGANIZATION (NEMO)

The summary of the financial results are given below :-

		<u>Rs in M.</u>
<u>Revenue</u>		
Hire charges	110.188	
Others	<u>7.447</u>	117.635
Less : <u>Expenditure</u>		
Staff remuneration	100.878	
Establishment & Administration	36.956	
Repairs & Maintenance	36.002	
Finance and others	<u>14.081</u>	<u>187.837</u>
Net income before depreciation		(68.771)
Less – depreciation for the year		<u>82.004</u>
Net loss after depreciation		<u>150.775</u>
		=====

4. Net financial results

Excess expenditure over income.

	<u>As at 31.12.2001</u>	<u>During the year</u>	<u>As at 31.12.2002</u>
NHDA	(4,404.683)	(264.990)	(4,659.629)
NEMO	(579.702)	(151.576)	(731.278)
OVDC	51.130	10.045	51.130
Adjustments in respect of previous year (NHDA)	<u>(64.008)</u>	<u>(5.512)</u>	<u>(69.520)</u>
	<u>(4,997.263)</u>	<u>(412.034)</u>	<u>(5,409.297)</u>

ACCOUNTING POLICIES

NOTE [01]

1. Accounts have been prepared on an accrual basis.

2. DEPRECIATION

2.1 No depreciation is provided on fixed assets in the year of purchase, Construction or Acquisitions.

2.2 Provision for depreciation is made on cost in the following percentage.

2.2.1 Land & Building 2.5% on Cost

2.2.2 Furniture, Fittings & Semi permanent structures 20% on Cost

2.2.3 Equipment & Machinery 20% on Cost

2.2.4 Motor vehicles
Head Office & District Offices 20% on Cost
for vehicles which have been fully depreciated, Rs. 1000 has been fixed as residual value.

3. RENT

Rent derived from rental schemes are treated as income. According to the SLAS 18, these assets are depreciated. A policy decision has been taken to sell rental houses.

4. STOCK

The closing stock is based on physical verification and the valuation is done in FIFO method. The shortages and damages are based on actual cost basis.

5. PROVISION OF BAD AND DOUBTFUL DEBT

The following provisions have been made in the accounts.

a. Rural Housing Rent Recoveries	10%
b. Million Housing & 1.5 Million Housing Loan Recoveries	10%
c. Urban Housing Rent Recoveries	10%
d. Urban Housing Installment Recoveries	02%
e. National Housing Department	10%

6. INTEREST PAYMENT

Interest payment on delayed land compensation is treated as revenue expenditure.

7 APPORTIONING OF OVERHEADS

Direct overhead expenditure incurred on account of presale, relocation and coastline projects of the Urban Housing Construction Programme is apportioned to the projects from the year 1997 on the basis of the actual expenditure.

8 NATIONAL HOUSING DEPARTMENT

Functions of National Housing Department were transferred to the NHDA (commencing from the year 1990), as per the decision of the Cabinet of Ministers, dated 13th September 1989.

9 VEHICLES LOST

Following vehicles were lost during the past years in the North & East provinces.

Items No.	Description	Purchase Price Rs.
08	Motor Cycles	400,000.00
<u>01</u>	Jeep	<u>112,864.26</u>
09		512,864.26
==		=====

Adjustments could not be done in the accounts due to the non availability of relevant documents.

10 National Equipmehnt Machinery Organization

In terms of cabinet decision of 22nd April 1992 the National Equipment & Machinery Organization NEMO was established as a project under the NHDA. The accounts of the NEMO for the period ended 31st December 2002 have been incorporated in the Accounts.

11 Group Accounts- OVDC Ltd.,

In Accordance with SLAS 26, the accounts of the OVDC Ltd, as at 31st December '2002 has been consolidated with that of the NHDA.

12 BONUS SHARES – HDFC

a) Two million seven hundred five thousand no. of bonus shares were received by NHDA from HDFC during year 2002.

12 HDFC declared dividends in the year 2002 and the NHDA received dividends amounting to a some of Rs. 16,590,000.

Note of the Auditor General

The accounts of the National Housing Development Authority for the year ended 31 December 2002 were audited 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 observation on these accounts that should be published in terms of Section 14 (2) of the Finance Act are contained in my report of even date addressed to the Chairman of the Authority.

Sgd. S C Mayadunne
Auditor General
20 April 2003
Auditor General's Department
Colombo 07.

The Chairman,
National Housing Development Authority.

**Report of the Auditor General on the accounts of the
National Housing Development Authority for the
year ended 31 December 2002 in terms of Section 14 (2) (c)
of the Finance Act No. 38 of 1971**

The audit of accounts of the National Housing Development Authority for the year ended 31 December 2002 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 14 (2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (a) of the Finance Act will be furnished to the Chairman of the Authority in due course.

1 : 2 **Scope of Audit**

Audit opinion, comments and findings in this report are based on a review of the financial statements presented to audit and substantive tests of samples of transactions.. The scope and the extent of such review and tests were such as to enable as wide and audit coverage as possible within the limitations of staff, other resources and time available to me. 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 judgements 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 sections (3) and (4) of Section 13 of the Finance Act No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

2. Accounts

2.1 The Board of Directors is responsible for preparing and presenting the financial statements in accordance with Sri Lanka Accounting Standards. My responsibility is to express an opinion on the financial statements presented to audit.

2,2 Opinion

In view of my comments appearing in this report, I am unable to express an opinion on the accounts presented for audit. Major deficiencies observed in this connection are given below.

<u>Deficiency</u>	<u>Reference to paragraph In this report</u>
a) Accounting Standards	2.4.1
b) Accounting Deficiencies	2.4.2
c) Inappropriate Disclosures	2.4.3
d) Omissions in the Accounts	2.4.4
e) Unidentified Transactions	2.4.5
f) Unreconciled Control Accounts	2.4.6
g) Accounts Receivable and Payable	2.4.7
h) Fictitious Assets	2.4.8
i) Lack of Evidence for Audit	2.4.9
j) Non Compliance with Laws, Rules, Regulations and Management Decisions	2.4.10
k) Unreliability of Financial Results and Financial Position	3.1
l) Weakness in Systems and Controls	4

2.3 Financial Results

Revenue and expenditure of the Authority had been brought to account under three activities namely Development Activities, the National Equipment and Machinery Organization (NEMO) and subsidiary company. According to the accounts rendered for audit the financial results of each activity for the year under review and the previous year are given below :

	<u>2002</u> Rs.(M)	<u>2001</u> Rs.(M)
(a) Surplus or (Deficit)from Development Activities		
i Net income after charging Direct expenditure	662.835	523.252
ii Less : Indirect expenditure	<u>(927.825)</u>	<u>(683.990)</u>
	(264.990)	(160.738)
(b) Surplus or (Deficit) from Operations of NEMO	(151.576)	(116.917)
(c) Share of Profit from subsidiary, Ocean View Development Co.	<u>10.044</u>	<u>9.780</u>
	(406.522)	(267.875)
Less : Adjustments in respect of Previous years	<u>(5.212)</u>	<u>(64.008)</u>
	<u>(411.734)</u>	<u>(331.883)</u>
	=====	=====

The above mentioned indirect expenditure figures were comprised as follows

	<u>2002</u> (Rs.M)	<u>2001</u> (Rs.M)
Staff Remuneration	426.763	309.359
Other Staff Expenses	37.653	34.941
Board Expenses	0.031	0.007
Depreciation on Fixed Assets	43.414	43.187
Establishment and Administration Expenses	127.450	87.604
Audit Fees	0.533	0.545
Interest	66.177	65.397
Others	<u>225.804</u>	<u>142.950</u>
Total	<u>927.825</u>	<u>683.990</u>

2.4 Comments on Accounts

2.4.1 Accounting Standard

- a) No proper accounts had been prepared for housing stocks in conformity with Sri Lanka Accounting Standard 5
- b) Adopted policy in making the sale of houses in the previous years was to collect 25% of the total sales price as a down payment, another 25% when the housing unit is ready for occupation and the balance 50% to be collected within 20 years in installments.
2In the year 2002 this policy had been changed by allowing to pay 25% of the sale price as a down payment and the balance to be paid in 30 years in installments. This change had an impact on the income statement as regards its comparability with the financial statements of previous period . However, the relevant disclosures as required in Sri Lanka Accounting Standard 10 had not been made.
- c) Contingent liabilities that would arise in view of court cases filed against Authority demanding compensation had not been disclosed in the accounts in conformity with the SLAS 12.
- d) The income and expenditure of hiring contracts of NEMO had not been accounted in conformity with SLAS 13.

- e) NEMO had got revalued its motor vehicles, plant and machinery and tools and equipment in the year 2001. However, the relevant information had not been disclosed in the accounts, in conformity with SLAS 18 .
- f) Sale of houses and lands are ordinary activities of Authority . However, in preparing the income statement only the profit or loss on sale of houses and lands had been shown without disclosing in the relevant details as usually made in the notes to the financial statements in conformity with SLAS 10.
- g) As to depreciation of fixed assets, whether the provision is made or not as regards the depreciation on assets disposed in the year of disposals had not been stated in conformity with SLAS 18.

2.4.2 **Accounting Deficiencies**

- a) No proper accounts had been maintained to show the profits or losses made from sale of lands and houses as disclosed in the income statement.
- b) Even though fines and surcharges income had been shown in the accounts, details regarding fines from rent, loans and other recoveries had not been shown in accounts.
- c) Land and buildings value at cost as at the balance sheet date was Rs 1,511,612,548. However, only in respect of land and buildings to the value of Rs 900,669,428, land and building values had been shown separately. In all other cases as the total value of land and buildings had been shown as a single item, it could not be ascertained whether the depreciation on buildings had been calculated by considering the land value as well.
- d) Of the fixed assets of land and buildings for “Rental Urban Scheme” valued at cost as at 1 January 2003 at Rs 941,566,912, a portion costing at Rs 41,626,800 had been disposed during the year 2002. However, even after the disposal , cost of land relating this item had remained unchanged at Rs 55,317,190 .
- e) Current year depreciation on buildings of the Ocean View Development Company had been understated by Rs1,007,623. However, it is not known whether this was due to the inclusion of its land value in the cost of buildings.

- f) For Government Grants under reserves , the closing balance as at 31.12.2001 was Rs 10,664,065,798 . However, the opening balance based on this as at 1 January 2002 was Rs 10,620,065,798. As a result, opening balance of this reserves had been understated by Rs 44,000,000 . Similarly the opening balance of other grants under reserves had been understated by Rs 41,678,096 .
- g) Other grants balance under the heading of reserves had been reduced by Rs 11,678,246,988 in 2002 , without stating the reason for the movement.
- h) Government Grants balance under reserves had been increased by making an adjustment for Rs 112,609,447 . However the nature of this adjustment is not stated in the financial statements to ascertain its validity.
- i) Assets value of “ 100 Thousand Housing” programme in model villages prevailed as at 31 December 2001 at Rs 34,803,600 had been restated as Rs 34,810,063 in the balance sheet as at 31 December 2002 in its note 6-D
- j) Following differences were observed in taking the Ledger balances for the preparation of the Trial Balances as at 31 December 2002.

Account Code	Name of the Account	Ledger Balance Rs.	Balance as per Trial Balance Rs.	Difference Rs.
1302/	Distress Loan &	26,071,443	25,949,742	121,701
7303	Distress Loan Granted	(Dr)	(Dr)	
1311	Imprest to District Administration Overheads & Development Expenses	6,547,444,869 (Dr)	6,546,790,404 (Dr)	654,465
1801	Payments of Sevana Media Center	18,715,910 (Dr)	17,914,105 (Dr)	801,805
6109	Sevana Account	78,166,452 (Cr)	78,516,849 (Cr)	350,397

-

- k) As regards imprest accounts maintained by the district offices, balances of the last year had been incorrectly carried forward as opening balances of the year under review as stated below.

	Rs.
Total value of imprest account closing balances as per district account trial balances as at 31.12.2001	- 6,024,527,953
Total value of opening balances of imprests of the district ledgers as at 1.1.2002	- <u>5,840,459,676</u>
Difference	- <u><u>184,068,277</u></u>

2.4.3 **Inappropriate Disclosures**

- a) Creditors aggregating Rs 965 million which remained unsettled for over 5 years had been shown in the accounts under current liabilities.
- b) As per age analysis furnished debtors amounting to Rs 1,355,375,605 had been remaining outstanding for over 5 years. However, no provisions had been made in the accounts for bad and doubtful debts, as disclosed in the adopted policy for making provisions for such bad debts, in view of the details given below.

Name of the Debtor	Debt Amount	Amount of the bad debt provision in the accounts	Value of the Debtors more than five years old as per age analysis
	Rs.	Rs.	Rs.
i) Rural and Urban Rent .	284,983,597	28,159,511	238,700,331
ii) National Housing Department Rent	34,900,918	28,385,526	34,330,630
i) iii) One Million and 1.5 Million Housing Programme .	1,354,428,762	249,026,131	1,001,252,739
iv) New Housing Finance System Programme .	464,527,821		
v) New Loans Programme .	856,234,897		
vi) Fisheries Loan Programme .	43,526		
vii) National Housing Development . Loans .	81,091,906		
	<u>3,076,211,427</u>	<u>1,854,022</u> <u>307,425,190</u>	<u>81,091,905</u> <u>1,355,375,605</u>

2.4.4 **Omissions in Accounts**

- Custom duty payable for import of G.I, Sheets amounting to Rs 224,185,543 had not been taken into account.
- Interest receivable at Rs 25 Million for Rs 100 Million loan given to Housing Development Finance Corporation had not been taken in to account.
- Fuel expenditure amounting to Rs 178,048 incurred for Housing Ministry had not been recovered or taken in to account.
- Although the floor area of square feet 111,436 in the third and sixth floor of the main building of the Authority had been given to the Housing Ministry, no rent had been charged and taken in to account.
- Insurance claims receivable for 07 damaged vehicles amounting to Rs 191,033 had not been taken in to account.
- Salary paid for 37 officers who had been seconded to other institutions amounting to Rs 3,518,570 had not been taken in to account and no action taken to recover this amount.
- Repairs and maintenance expenses incurred by the Authority for vehicles released to other institutions had not been taken in to account separately.
- Gamudawa buildings and shops which had not been transferred to the Local Authorities had not been shown in the accounts.
- Motor vehicle purchased for Rs 2,225,000 had not been taken in to account as an asset.

2.4.5 Unidentified Transactions

- a) Transactions aggregating Rs 2,424,220 and Rs 412,239 had not been identified and therefore not appropriately brought to account by the Authority and the National Equipment and Machinery Organization (NEMO), but had been shown as items in suspense.
- b) It was observed in audit that suspense account balances transferred from National Housing Department in 1989 amounted to Rs 1,201,432 had been transferred to the sundry income account by the Authority during the year.

2.4.6 Unreconciled Control Accounts

- (a) Current accounts maintained for District Offices had not been reconciled with the Head Office current account maintained in District Offices. Such differences observed in respect of all District Offices and total of the current accounts were as follows .

	Rs
Total balance of the current accounts (debit)	6,310,880,647
Total balance of the corresponding current accounts Maintained by District Offices (credit)	<u>6,390,878,020</u>
Difference	<u>79,997,373</u> =====

- (b) NEMO had not reconciled its control account balance of Rs 475,870 with the subsidiary records.

2.4.7 Accounts Receivables and Payables

It was not possible to satisfy in audit as to the correctness of the balances aggregating Rs 3,330,129,727 in respect of debtors and advances in view of the following observations.

- (a) Subsidiary accounts had not been maintained properly by the District Offices in respect of Rural Housing Loans. Audit test checks revealed that personnel ledgers had not been updated and individual accounts had not been reconciled with control accounts.
- (b) Action had not been taken to recover debtor balances remaining outstanding for over a long period, as stated below.

	<u>Amount</u> Rs.	<u>Period Outstanding</u>
Loss of Cash Recoverable	1,150,630	Over 5 Years
Supply of Security Services	5,718,364	- do -
Common Amenities Board	83,192,595	- do -
Purchase Advances	12,633,982	- do -
Gamudawa Advances	12,451,935	- do -
UNICEF Balance	<u>16,291,467</u>	- do -
Total	<u>131,438,973</u>	

- (c) Of the staff housing loans given for 18 employees, installments of Rs 360,404 due for 2002 had not been recovered during the year.
- (d) NEMO had debtors valued at Rs 81,559,324 outstanding for over 3 years. Further it was observed that Rs 22,574,152 being balances of 45 depots are not recoverable.
- (e) Confirmations had not been called for from creditors amounting to Rs 900,590,190 and Rs 22,105,149 respectively by the Authority and NEMO.
- (f) Creditors aggregating Rs 1,914,254,822 which represents 50.4% of total creditors had remained outstanding over 5 years.

2.4.8 Fictitious Assets

Cash and bank balances amounting to Rs 36,658,676 shown in the accounts includes a substantial amount of cash in transit which had never been received or identified, as stated below .

<u>Year of Accounts</u>	<u>Cash and Bank Balance as at end of the Year</u>	<u>Amount of Cash in transit Included in the Cash and Bank Balance</u>	<u>Cash in transit as a Percentage of the Cash and Bank Balance</u>
	Rs.	Rs.	
1998	91,164,432	45,272,970	60%
1999	85,293,577	52,045,557	61%
2000	93,417,579	39,479,118	42%
2001	77,749,899	37,013,620	48%
2002	36,658,676	20,348,032	55%

In the circumstances it can be stated that, year end cash balances had been overstated by the amounts as stated above.

2.4.9 Lack of Evidence for Audit

In respect of following items of transactions, no evidences were made available for audit.

<u>Item</u>	<u>Value</u> Rs.	<u>Lack of Evidence</u>
Land Acquired	191,796,499	Detailed Schedules
Housing Stocks	942,730,358	Physical Verification Reports and Detailed Schedules

Details of lands from 10 District Offices and details for court cases from 12 District Offices were also not available for audit.

2.4.10 **Non-compliance with Laws, Rules, Regulations and Management Decisions**

Following instances of non compliances were observed in audit.

Reference to Laws, Rules, Regulation etc.

Particulars

1.a) **National Housing Development Authority Act.No.17 of 1979**

i. Section 10

It was observed that flats, houses or buildable lands sold by the Authority had been transferred contrary to relevant provisions .

ii. Section 72 (1)

Sums due to the Authority from public officers and employees of corporations and the private sector had not been recovered from their salaries and not remitted to the Authority in conformity with the relevant provisions.

(b) **Finance Act No. 38 of 1971**

(i) Section 8 (1)

The budget for the year 2002 had been approved by the Board only in May 2002 after a lapse of 8 months.

ii) Section 13 (8)

The detailed audit report issued in terms of Section 13(7)(a) for the year 2001 had not been reviewed by the Board of Directors of the Authority.

iii) Section 14 (3)

Annual report of the Authority for the year 2001 had not been tabled in Parliament.

c) **Financial Regulations**

- (i) F.R.272(3) Authority and NEMO had not furnished the paid vouchers for audit, as specified in financial regulations.
- (ii) FR 343 Action had not been taken for lost , unused an used receipt books by the Authority and NEMO.
- (iii) FR 371(2)b Ad-hoc advances amounting to Rs 1,781,040 obtained in 12 instances (over Rs 25,000 each) had not been settled up to 31 December 2002. Delay for settling them ranged from 01 month to 10 months.
- (iv) F.R.393 Bank reconciliation statements had not been prepared as stipulated, by certain district offices.

d) **Establishment Code Provisions**

- (i) Section 27.6 and 27.7 of Chapter XIV Travelling advances amounting to Rs 314,500 were remaining as unsettled over 1 year.
- (ii) Section 4.5 and 4.6 of Chapter XXIV. Steps had not been taken to recover the following loan balances as specified.
- | <u>Type</u> | <u>Period not recovered</u> | <u>Value</u>
Rs. |
|-------------------|-----------------------------|---------------------|
| Distress Loans | Over 5 years | 602,566 |
| Festival Advances | Over 3 years | 2,319,086 |
| Special Advances | Over 3 years | 44,125 |

e) **Treasury Circulars**

(i) No 58 of 6 May 1969

Assets taken over from the Department of National Housing had not been valued and brought to account as required.

(ii) No 842 of 19 December 1978

A Register of Fixed Assets had not been maintained by the Authority, to maintain the accountability on fixed assets.

(iii) No 1191/2002/01 of
28 November 2002

A Register of Fixed Assets had not been maintained for computers and their accessories and software.

f) **No PED 52 of 16 June 1989**

(i) Paragraph 3.16

Delegation of authority had not been updated by the authority.

(ii) Paragraph 3

Annual budget had not been properly prepared as required by the Circular.

(g) **Guidelines on Government
Tender Procedure**

Section 624

(i) Mobilization advances exceeding 20% of the construction costs had been granted for contractors

(ii) In some instances, the mode of payment and recovery of mobilization advances had not been included in the contract agreements.

h) **Public Finance Circular**

(i) No 364(1) of
01 June 1999

A copy of the monthly return on G.S.T. had not been furnished to the Auditor General as specified

(ii) No.PF/PE/14 of
28 February 2001

- i.) Maximum limit of the fuel allowance had been exceeded by 15 officers and they had been reimbursed a sum of Rs. 2,115,793 in exceeding of their entitlement.
- ii) It was observed that officers assigned with motor vehicles had used other motor vehicles in addition to their assigned motor vehicles.
- iii) No proper control measures had been taken to control the usage exceeding the limits of telephone charges, as required by the
- iv) circular.

i) **Public Administration Circulars**

(i) No 27/96 of 30 August 1996

Extension is not given over 55 years age limit. As no action had been taken as per said Circular, 6 employees had filed cases in the Human Rights Commission and got themselves re-employed and got Rs 1,370,550 paid as arrears for half pay salaries and allowances for the lapsed period.

j) **Office Circulars**

i) Finance Circular
No 4/16/32/2002
of 30 September

Most of the District Offices had not completed the annual verifications as at the end of December 2002.

ii) No 4/14/01/2002
of July 2002

Board of Survey reports had not been submitted to the Accountant(Stores) before 16th January 2003.

iii) No 97/07 of
9 April 1997

Salary conversions had been made against the Circular instructions in respect of 18 officers and as a result Rs 183,600 had been over paid by the Authority.

k) **Office Circulars – NEMO**

No 61/95 of 05.10.1995
No 37/96 of 23.09.1996
No 43/93 of 27.07.1993

No credit facilities to be given for hiring of machine private sector. However, audit checks revealed that contrary to the circulars provisions, Hiring facilities had been provided to the private sector and as a result Rs 11 Million had been outstanding.

1) **Management Services Circulars**

Circular No.14 of 03 January 2002

Authority and NEMO respectively had been created 8 and 2 new posts as co-ordinating officers and salaries amounting to Rs 1,219,200 and Rs 161,658 respectively had been made contrary to the provisions in the Circular. Further,20 and 2 employees had also been recruited contrary to the above provisions by the Authority and NEMO respectively.

3 **Financial and Operating review**

3.1 **Financial Results**

Annual financial results appearing in the financial statements rendered for audit had been adjusted for omissions, errors etc. in subsequent years as a regular feature. Such prior year adjustments made during the preceding 4 years are given below.

Year	Brought Forward year Loss	Prior loss for adjustment value	Total loss for the year	Carried forward loss
	(Rs. M.)	(Rs. M.)	(Rs. M)	(Rs. M.)
1999	(3,637.745)	(52.095)	(226.196)	(3,916.038)
2000	(3,916.038)	(204.600)	(405.981)	(4,526.620)
2001	(4,526.620)	(106.528)	(267.875)	(4,901.024)
2002	(4,901.024)	(101,750)	(406.522)	(5,409,296)

Following observations are made in this connection.

When prior year adjustments are effected to the total loss for the year, the actual financial results would be reflected as follows .

Year	Total loss including prior year Adjustments
	(Rs. M.)
2000	(610.581)
2001	(374.403)
2002	(508.272)

3.2 **National Equipment and Machinery Organization**

The Cabinet had given approval to establish the National Equipment and Machinery Organization (NEMO) on 22 April 1992 . There was no proper legal existence for this organization and it had been created only as a project under the Authority.

NEMO has five work shops and forty depots in island wide. All depots incurred losses during the year under review and the previous year. Total value of losses incurred by the 40 depots was Rs 112,275,452 .

3.3 **Uneconomic Transactions**

(a) **Dompe Medalanda Watta Housing Project**

The construction of 42 houses at a cost of Rs 23.805 Million within a period of 10 months had been entrusted to the Common Amenities Board on 05th March 1998 . However only 40 houses had been completed by May 1999 at a total cost of Rs 28.170 Million.

The following observations are made.

- i) The estimated cost of construction of two houses was Rs 1,133,271.
- ii) The actual cost had exceeded the estimate by Rs. 5,498 million and even in that context only 40 houses had been completed.
- iii) The selling price of a house had been fixed at Rs. 730,000. Although the sale had been advertised, only 4 houses had been sold at the end of the year 2002, apparently that Rs 730,000 even was fairly a high price.
- iv) Five security officers had been employed to look after the project and a sum of Rs 450,000 had been spent for salary, overtime and travelling to these officers for the last 3 years.

(b) **Maintenance of Circuit Bungalow at Nawalapitiya**

This bungalow had been taken over by Authority from the Department of Buildings in April 1991 at a cost of Rs 1,290,000. The Authority had not taken any action to rent out this building eventhough the Nawalapitiya Urban Council , Ceylon Electricity Board, some Government Ministries and Private Companies had requested to rent out this bungalow. Therefore, no income had been yielded from this building since 1991 while a further sum of Rs 1,665,442 had been spent on account of maintenance of this building.

(c) **Purchase of Finger Mark Time Record Machine**

Eventhough the Authority had time record machines, it had purchased new 5 Nos time record machines of finger mark at a cost of Rs 967,500 and Rs 483,500 had been paid on 30.08.2000. These 5 machines were received on 3 August 2000. It was observed that these machines had not been working properly and therefore former time record machines had been taken back for use.

(d) **Circuit Bungalow Income and Expenses**

The Authority has 06 circuit bungalows at Kataragama, Bandarawela, Nuwara Eliya, Kandy (Hantana), Bulutota and Anuradhapura. The total income of the bungalows during the year 2002 amounted to Rs 336,621 as against the expenditure of Rs 1,139,367. Therefore, the expenditure had exceeded the income by 238 %. The income had shown a decreasing trend while the expenditure had shown an increasing trend over the years showing a continuous loss making situation.

e) **Unsold Houses**

Audit test checks revealed that construction of the following houses had been completed and no action had been taken to sell these houses.

Name of the Housing Scheme	No. of houses in the scheme	Unsold houses	Due date for completion	Period of delay		Sale Value for Houses
				Year	Mon.	
Kelaniya-Polhena Stage – I	94	01	32 houses 1998	04	06	1,200,000
Kelaniya-Polhena Stage – II	50	37	Oct. 1998	04	03	970,000
Dompe Medalandawatta	40	36	May 1999	03	06	730,000
Diulapitiya Wevasiriuyana	27	05	July 2001	01	05	875,000
Anderson – Stage II	01	01	Mar. 2001	01	09	2,575,000
Ranala Walauwatta Shopping Complex – 1 st floor	02	02	Oct. 2002		02	330,000
2 nd floor	04	04	Oct. 2002		02	275,000

3.4 **Apparent irregularities**

a) **Investment in subsidiary company**

A Joint Venture by the name of Ocean View Development Company (Private) Ltd. (OVDC (Pvt) Ltd.) had been formed by the Authority with the Urban Development Authority (UDA) on 13 July 1994 for the purpose of managing the Tower Building at Bambalapitiya and carrying out such activities as may be included in the Memorandum and Article of Association of the Company in accordance with the approval of the Cabinet of Ministers dated 17 February 1994.

The development expenditure incurred by both Authority and UDA for the construction of the Tower Building amounting to Rs. 212 Million had been treated as initial investment of the said company and shares had been issued in the following manner.

Share holder	Total expenditure incurred	No.of shares issued	Value of shares covered by equity shares	Expenditure not covered by equity
	Rs.		Rs.	Rs.
NHDA	120,520,369	12,000,000	120,000,000	520,369
UDA	92,572,321	9,200,000	92,000,000	572,321
	<u>213,092,690</u>	<u>21,200,000</u>	<u>212,000,000</u>	<u>1,092,690</u>

Following observations are made in this connection.

- i) No dividend had been received for the investment from the inception of the company.
- ii) Shares had not been issued to cover the expenditure incurred amounting to Rs. 520,369.
- iii) The Authority had no representation on the board of directors of the company.

b) **Maintenance of Pradeepa Halls**

Authority has 4 Pradeepa Halls within the Colombo city, given to the Common Amenities Board (CAB) on rental basis on a Management agreement dated 01 October 1999. The monthly rental payable to the Authority by the CAB amounted to Rs 110,000.

Following observations are made in regard to the repairs made to those Halls through the State Engineering Corporation for Rs 22,000,000 in March 2002.

- i. Tender Procedure in terms of Public Finance Circular No 99/10(1) of 01 August 1999 and Section 69.1.2 the guidelines in Government Tender Procedure had not been followed .
- ii. Neither the Board approval nor the Budgetary provisions was available for the purpose. An agreement had also not been signed with the SEC.
- iii. The CAB had to refund clients deposits already made amounting to Rs 600,000 as the Halls had to be closed for 06 months from March 2002.

c) **Purchase of a Motor Vehicle**

A motor vehicle with a capacity of 1800 CC had been purchased for Rs 2,225,000 during the year under review contrary to the approval of the Committee on Public Expenditure granted for the purchase of a motor vehicle below 1500 CC for Rs 1,400,000. No provision for the purchase of a motor vehicle was available in the budget for the year 2002. Approval of the Board also had not been obtained for the purchases.

Further to that these vehicles had not been taken into account in reporting assets of the Authority.

(d) **117 Watta Housing Scheme – Stage IV**

Audit test checks carried out regarding the construction of 28 houses revealed the following observations.

- i. Tenders had been called for the construction of only 16 houses and the award was made to a private company for Rs 16,604,495.
- ii. Only 08 houses had been completed by December 2002, though the construction should have been completed by 13 September 2001.
- iii. Audit checks revealed that only about 70% of the balance 08 houses had been completed.
- iv. Despite all that 23 houses under this scheme had already been allocated as follows and collected cash for 23 houses amounted to Rs 23,932,989 as follows:

<u>Allotted Party</u>	<u>Number of houses</u>	<u>Money Received on</u>	<u>Amount Received</u> Rs.
Ministry of Foreign Affairs	20	2001.01.23 } 2001.06.21 } 2002.05.13 }	23,567,000
Sale basis	01	2001.11.19	346,250
Rent basis	02	2001.11.26 } 2002.03.22 }	19,687
	<u>23</u>		<u>23,932,937</u>
	=====		=====

In view of the total value of this 28 house project it needed Cabinet Approval and relevant Tender Board Approval. However it is observed that having splitted the project into two components and taking one of the component as a sub project for 16 houses had been handled by a Ministry Tender Board taking its value as Rs 16,604,495/-.

3.5 Delays in Projects

(a) Edmonton Road Government Servants Houses

The Authority had failed to fully utilise the Treasury grants aggregating Rs. 395,520,000 released to meet expenditure of this project, as shown below .

Year	Fund released by Treasury	Expenditure incurred on the project	Amount unutilised but used for some other purposes
	Rs.	Rs.	Rs
1998	13,200,000	13,345,955	(145,955)
1999	120,000,000	33,073,387	86,926,613
2000	115,000,000	62,793,582	52,206,418
2001	100,000,000	88,340,979	11,659,021
2002	47,320,000	21,194,918	26,125,082
	<u>395,520,000</u>	<u>218,748,821</u>	<u>176,771,179</u>

The following observations are made in this connection.

- i) In addition to the Treasury grants, down payments on sales of houses amounting to Rs 163,715,646 and Management Fees amounting to Rs 170,390,646 had been collected by the Authority from allottees.
- ii) The housing scheme comprised of 272 houses in 12 blocks. The estimated Cost of Construction was amounted to Rs 309,045,483.
- iii) Date of completion had been extended from July 2001 to June 2003 and the progress up to July 2002 had been as follows .

Completion Stage	Number of blocks	Number of Houses
Up to roof level	9	216
Up to Third Floor	1	24
Foundation Level	2	32
	<u>12</u>	<u>272</u>
	===	=====

b) Delays in the completion of Housing Project

There were delays in completion of construction of houses as shown below.

Name of the Housing Scheme	No. of Houses	Name of the Contractor	Date of Commencement	Due date of completion	Delay in Completion as at 31.12.2002	Contract Value Rs.	Present Status
					Month		
a) Ranpokunagama Stage II	86	SEC	17.09.1998	16.11.1999	38	103,500,000	Fitting not Installed
b) Mulleriyawa Himbutu Uyana	248	SEC	Aug. 1998	Dec. 1999	36	180,000,000	80 houses are occupied illegally, painting and fitting work not completed. Electricity and water connection not provided.
c) Awissawella Manikkawatta	100	Union Con. Eng. Co.	30.06.1999	31.12.2000	24	80,788,060	Construction work completed only up to 83%
d) Edmonton Rd.	272	SEC	July 1999	July 2001	17	309,045,000	Block XA and XA2 up to foundation level. Block XB up to 3rd floor slab level. Other Blocks completed up to 70% extension given up to June 2003
e) Pohenawatta Stage II (Suspended)	20	K.D. Erbert M/S Briens Engineering	25.01.2000 30.07.2002	24.11.2001	13	17,603,000	Construction work Completed up to 75%
f) Kandy-Mahaiyawa	32	Dharmadasa & Company	22.03.2000	22.12.2000	24	14,674,000	Out of 32 houses. 3 houses not Constructed, 4 houses completed up to 65%
g) 117 watta Stage II	28	SEC	02.02.2001	15.10.2002	02	16,604,495	Constructed only 8 houses completed up to 40%
h) Piliyandala Symondale	48	SEC	Nov. 1998	Nov. 1999	37	34,800,000	Electricity and water connection not provided.

(c) **On Going Projects**
Houses for Government Servant
Jalatarra Housing Scheme

Authority had entered into an agreement with South Korea to construct 352 houses at Jalatarra for Government Servants, on 29 February 2003

Following observations are made in this regard :

- (i) It was expected to start this housing scheme in 1995 but it was started in 2001.
- (ii) For this project Board had purchased a land in extent of 24 Acres 3 Roods 18 perches at a value of Rs 52 million in 2001. Although this land was purchased by the Authority only for this project, it was observed that 10 Acres had been subsequently allocated for other purposes.
- (iii) Estimated cost for this project was Rs 708.8 million. Of this amount South Korean loan provides Rs 555.63 million and the balance is contributed by the Sri Lanka Government.
- (iv) However, foreign funds allocation of Rs 150 Million made for the year 2002 had not been utilized at all.
- (v) Accordingly only the following amounts received from the consolidated fund had been spent for this project.

	2001 Rs.(Million)	<u>2002</u> Rs.(Million)
Estimated Amount	51.000	28.500
Funds received from Treasury	51.000	14.250
Expenditure for the Project	40.000	7.136
Funds not Spent	11.000	7.114

3.6 Recovery of Rent -Urban Houses

Audit test checks carried out revealed the following instances of failures to recover rents amounting to Rs 18,733,717 for the year.

District	Number of Housing Schemes	Number of Houses Rent Arrears	Rent in Arrears Amount Rs.
(a) Colombo	11	351	7,189,003
(b) Kandy	03	56	3,078,040
(c) Kandy Housing Secretariat	01	03	117,937
(d) Gampaha	02	76	<u>8,348,737</u>
			<u>18,733,717</u>

3.7 Utilization of Lands

It was observed that in respect of unused lands belonged to the Authority; no proper registers had been maintained to identify the vacant lands. As per information received from 17 districts, 364.7339 hectares had been remaining unused..

In respect of following lands sold ,dues had not been recovered even by the end of the year 2002 as follows :

Name of the Land	Quantity	Sale Value of Land Rs.	year sold	Dues Rs.	Remarks
Land in Independent Avenue	1 R.32.46 Perches	79,706,000	2001	55,750	50 years rent.
Park Road Land	4 Acres	30,000,000	1998	10,000,000	Rs 275 Million valued land given at Rs 30 Million as per Cabinet Decision.
Jayantha Weerasekara Mawatha	14.05 Perches	6,600,000	2000	5,100,000	Agreement had not been signed
				<u>15,155,750</u>	

3.8 Audit and Management Committee

Authority and NEMO had held only six audit and Management Committee meeting during the year 2002 .

Following observations are made .

- i) No evidence for the participation of the Internal Auditor at the meetings of the Authority.
- ii) Although the Auditor General's Report issued in terms of Section 14(2)(c)of the Finance Act was available on 14 October 2002, it had not been furnished to the Committee up to 31 January 2003.
- iii) None of the 52 Audit queries issued for the year 2001, as well as the Internal Audit Queries had been taken up for the discussion at the Committee by the Authority and NEMO.

3.9 Vehicle Utilization

Following observations are made in this regard.

	<u>NHDA</u>	<u>2002</u> <u>NEMO</u>
Number of vehicles in the fleet at the end		
Of the year	130	20
Number of vehicles disposed of during the year	06	02
Number of vehicles released to other institutions	18	-
Number of vehicles obtained on hire	12	07
Amount paid for hiring of vehicles (Rs)	1,244,747	2,135,190
Repair and maintenance expenses (Rs)	12,011,011	3,435,013
Expenditure for fuel and lubricants (Rs)	6,458,910	1,193,986

- i. Twenty nine vehicles met with accidents during the year. Estimated damage was amounting to Rs 769,035 and the Insurance Corporation had agreed only for nine vehicles amounting to Rs 260,482. Further it was observed that insurance claim had been received for two vehicles amounting to Rs 69,449 during the year under review.
- ii Further it was observed that letters had been issued to responsible drivers to repair such sixteen vehicles.
- iii. Losses had not been valued for 5 vehicles.
- iv. Of those vehicles, eighteen vehicles had been released to the other institutions and the Authority had spent Rs 1,392,377 for repairs, maintenance and fuel.

3.10 **Budgetary Control**

Major variations were observed between budgeted figures and their actuals thus indicating that the budget does not appear to have been made use of as an effective instrument of control.

4. **Systems and Control**

Special attention is needed in respect of the following areas of control.

- (a) Fixed Assets
- (b) Housing Programmes
- (c) Stocks
- (d) Debtors
- (e) Sale of House
- (f) Rent Collection
- (g) Vehicle Utilization
- (h) Issuing of Deeds
- (I) Expenditure Control
- (j) Construction contract
- (k) Sevana Activities
- (l) Issuing of G.I.Sheets
- (m)Collection of Information
- (n) Accounting

(S.C.Mayadunne)
Auditor General

OBSERVATION ON AUDITOR GENERAL'S REPORT 2002

2.4 Comments on accounts

2.4.1 Accounting Standard

- a) As per SLAS 5 stock should be valued at cost or net realizable value whichever is less. Housing stock of NHDA is valued at cost which is the lowest. A proper accounting system has been implemented.
- b) This policy change is disclosed under the accounting policies.
- c) Contingency liabilities are disclosed under the accounting policies.
- d) Action has been taken to prepare accounts in conformity with SLAS 13.
- e) Revaluation of Fixed Assets is disclosed under the Accounting policies.
- f) Action has been taken to disclose the details.
- g) The method of depreciation is disclosed in Note 1 in the Accounts.

2.4.2 Accounting Deficiencies

- a) Action has been taken to submit the details with the final accounts.
- b) Noted to comply from the Year 2003
- c) Of the 26 buildings, 24 buildings have been constructed in the crown land. Hence these land values have not been shown in the accounts.
- d) In the year 2003 this will be corrected.
- e) This is being analyzed.
- f) Rs 44,000,000 is shown under the Coastline Project.
- g) Opening balance of other Grant is Rs 933,533,972.50 and Grant received during the year is Rs 15,604,169.50 Accordingly closing balance is shown in the accounts correctly.
- h) This was adjusted through a journal entry.
- i) Adjustment has been made for Rs. 6965.69 to correct the opening balance.
- j) These have been corrected.
- k) The opening balances have been adjusted by journal entries.

2.4.3 Inappropriate Disclosures

- a) These are the amounts payable to Public Institutions. Due to the utilization of more funds for development activities in the previous years, it was unable to settle these amount. Now these are being paid.
- b) Various strategies have been launched for the recovery of outstanding balances.

2.4.4 Omission in accounts

- a) This amount to be received by the Treasury and payable to customs.
- b) Interest receivable has been taken to accounts.
- c) &
- d) Action has been taken to recover all dues
- e) This amount will be taken to the accounts in the year 2003.
- f&g) Action has been taken to recover the amount.
- h) All buildings and shops have been transferred to Local Authorities.
- i) Advance for purchase was paid in 2002 and it was settled in 2003. Accordingly it was taken to accounts.

2.4.5 Unidentified Transactions

- a) These balances are being identified and will be corrected in the year 2003.
- b) This amount has been identified as rent income.

2.4.6 Unreconciled Control Accounts

- a) These balances are in respect of the loan programme and reconciliation will be effected with the automation of the accounts.

2.4.7 Accounts receivable & payable

- a) Subsidiary accounts are being updated through a computer programme.
- b) Action has been taken to recover the balance.
- c) &
- d) The outstanding balances are being recovered.

2.4.8 Fictitious Assets.

The unreconciled amounts will be corrected in the year 2003.

2.4.9 Lack of evidence for Audit

Details of lands and Housing stock are being updated.

2.4.10 Non compliance with laws, rules, regulations and management decisions

- a) National Housing Development Authority Act No. 17 of 1979
 - i. Section 10

According to the provision of the Act any transfer is to be informed to the NHDA, but this provision is not applied by the tenants.

However all the transfers are null and void contradictory to the Act.

- ii. Section 72 (I)

Regarding the defaulters, NHDA has taken action to recover the amount due.

- b) Finance Act No. 38 of 1971

- i. Section 8 (1)

Budget 2002 was submitted to the Board on 26.11.2001 However, National Budget for the year 2002 was tabled in Parliament in the year 2002. Accordingly the amended budget was approved by the Board on 06.05.2002.

- i. Section 15(8)

This has been reviewed by the Board of Directors.

- ii. Section 14(3)

Annual Report 2001 have been tabled in Parliament in May 2003.

- c) Financial Regulations

- i. F.R.272(3)

Noted for compliance

- ii F.R 343

Necessary action has been taken with regard to receipts book.

- iii. F.R 371(2)b
All advances have been recovered.
- iv. F.R 393
Bank Reconciliations have been prepared on stipulated dates.
- d) Establishment Code Provisions
 - i. Section 27.6 and 27.7 of Chapter XIV
These advances are being recovered.
 - ii. Section 4.5 and s.6 of Chapter XXIV
Most of these amounts will be recovered in year 2003.
- e) Treasury Circulars
 - i. No. 58 of 6 May 1969
Noted for compliance.
 - ii. No. 842 of 19 December 1978
A proper Fixed Assets Register has been introduced.
 - iii. No. 1191/2002/01 of 28 Nov. 2002
The Register has now been maintained.
- f) No. PED 52 of 16 June 1989
 - i. Paragraph 3.16
It has been updated.
 - ii. Paragraph 3
Noted for compliance.
- g) Guidelines on Government Tender Procedure
Section 624
 - i. Mobilization advances had not exceeded 20% of the construction cost.
 - ii. Contract agreements have been properly prepared.
- h) Public Finance Circular
 - i. No. 364 (1) of June 1999
Monthly returns on GST have been furnished

- ii No PF/PE/14 of 28 February 2001
 - i) All those expenses were incurred considering the duties done by those officers.
 - ii) In extreme urgencies and when assigned vehicles were under repairs another vehicle was given.
 - iii) Due to the volume of work it has been exceeded the limits of telephone charges
- i) Public Administration Circulars
 - i) No. 27/96 of 30 August 1996
The Commission on Human Rights had given the decision to work after age of 55.
- j) Office Circulars
 - i Finance Circular No. 4/14/32/2002 of 30 th September
Annual Verification has been completed
 - ii No 4/14/1/2002 of July 2002
Due to the new system introduced it was delayed.
 - iii No 97/7 of 9 th April 1997
Action will be taken to recover the over payments
- k) Office Circulars NEMO
 - No 61/95 of 05-10-1995
 - No 37/96 of 23-09-1996
 - No 43/93 of 27-07-1993

Action had been taken to recover from the officers and disciplinary action has been taken against the officers.
- l) Management Services Circulars
 - Circular No 14 of 03 January 2002
 - Appointments were done according to the Ministry direction

3 Financial and Operating review

3.1 Financial Results

The proper approvals have been obtained over the prior year adjustment

3.2 NEMO

Due to high price of fuel and hire rates of the Machinery in the market are lower than that of NEMO. The NEMO has made substantial losses in this year 2002.

3.3 Uneconomic Transaction

a) *Dompe Medalanda watta Housing Scheme*

I Estimated cost had increased due to the additional works such as,

- Construction of roads, drains and retaining walls.
- Extending roof for kitchen

II Prices had been fixed by a committee

III Security staff had been employed in the scheme to avoid unauthorized occupation and protect fixtures and other movables.

b) *Maintenance of circuit bungalow at Nawalapitiya*

This circuit bungalow tendered to lease out, but it was not successful .

c) *Purchase of finger mark time record machine*

Did not suit our requirement

d) *Circuit bungalow income and expenses*

Circuit bungalows are not run on a commercially viable basis and upward increase of room charges has not been done as it is maintained to provide accommodation for officers who leave their home station on duty whereas the maintenance expenditure has increased due to the spiraling inflation.

e) *Unsold houses*

Action is being taken to sell these houses.

3.4 Apparent irregularities

a) *Investment in subsidiary company*

- i Dividends have not been declared by the company
- ii The value of net assets was more than the cost when issuing the shares
- iii The authority have been represented as at the Board of Directors.

b) *Maintenance of Pradeepa Halls*

- i There were urgent repairs needed at the Pradeepa Halls. It was decided to repair through SEC.
- ii Agreement has been signed with SEC and Ministry approval has been obtained.

c) *Purchase of Motor Vehicles*

Advance for the purchase Motor Vehicle was paid in 2002 and it was settled in 2003 accordingly it was taken to the Accounts

d) 117 watte Housing Scheme Stage IV

- I Even though tenders were called for 16 houses subsequently limited to 8 due to the site could not be cleared for balance 8 houses.
- II Contract period had been extended as per the reasons submitted by the contractor which was reasonable.
- III Those 8 houses have been fully completed.
- IV Total No of 28 houses are expected to complete in stages.

3.5 Delays in Project

- a Edmonton Road Government servants houses
 - (i) Treasury grants received as at date is Rs.328.2M and down payment recovered on sale of houses is Rs.4.838M only. The Management co-operation funds can not be utilized for construction activities.
 - (ii) The TEC is Rs.393.045M and not Rs.309.045M
 - (iii) Revised target dates of completion are from 31st August 2003 to 30th April 2004.
- b Delays in the completion of Housing Projects.
The projects were staggered for want of funds.
- c On Going Project
Houses for Government servant
Jalthra Housing Scheme
With regard to the foreign funds since the construction could not commence in the year 2002 the foreign fund allocation had not been utilized in the same year. TEC report on the Tender given on August 1st 2002 and CATB decision on the award of the Contract was given on September 12,2002. The Cabinet decision to award the contract to m/s Keangnam Enterprises Ltd., was received in December 2002.
Fund received in 2001 was utilized to purchase the Land.
Reasons for under spending in the year 2002 are due to following delays.
 - (a) Finding a proper water source.
 - (b) Establishing a project office .

3.6 Recovery of Rent - Urban Houses

There is no foolproof system to maintain 100% recovery

3.7 Utilization of Land

Action has been taken to utilized the unused land

3.8 Audit & Management Committee

Internal Auditor was summoned to the committee as and when required . The Audit queries will be taken up for discussion at the committee meeting.

3.9 Vehicle Utilization

Vehicles have been obtained on hire for development activities.

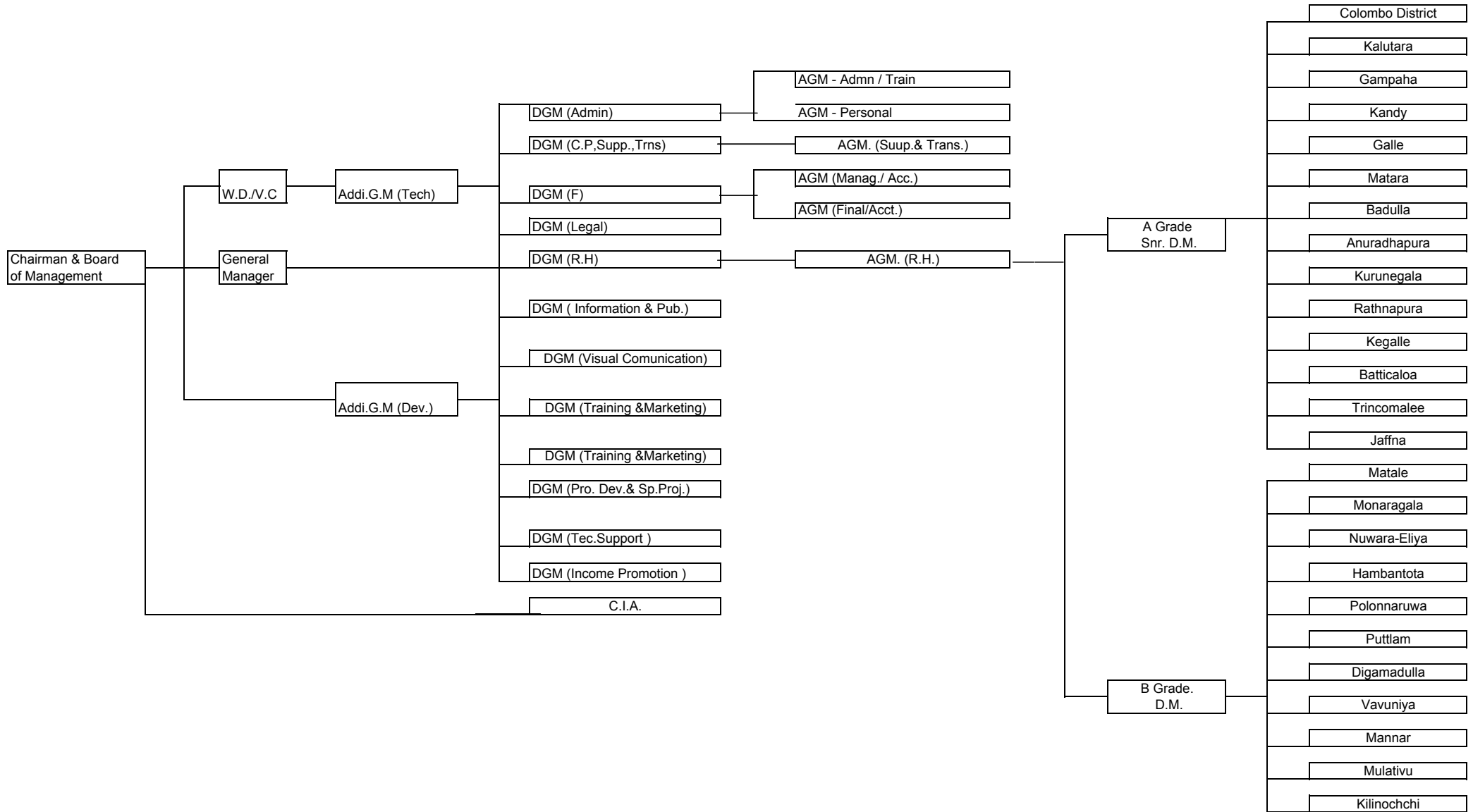
3.10 Budgetary control

Major variations occurred due to unforeseen activities which have been subsequently included in the Revised Budget. A proper Budgetary control system has been implemented.

4 System and Control

Action has been taken to strengthen the accounting system through better financial discipline and automated accounting system

ORGANISATION STRUCTURE - 2002



NATIONAL HOUSING DEVELOPMENT AUTHORITY AND SUBSIDIARY COMPANY
INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2002

2001		Rs. Cts.	2002
	[A] INCOME		Rs. Cts.
9,875,037.95	Profit/Loss on sale of houses	4,665,705.59	
13,383,915.61	Profit/Loss on sale of Land	17,589,025.64	
32,325,796.81	Rent Income [24]	49,616,231.99	
362,647,366.62	Interest Income [25]	377,082,342.46	
1,518,323.19	Income from Hiring of Vehicles	979,564.65	
783,278.22	Income from Hiring of Plant & Machinery	317,619.08	
2,521,278.14	Fines & Surcharges	4,979,671.47	
2,002,430.00	Profit on sale of vehicles	1,974,320.50	
22,893,768.14	Miscellaneous [26]	66,946,889.18	
205,630.00	Non-refundable deposits [27]	395,670.00	
75,095,000.00	Custom Duty and Comodity Grant Re. From Try.	138,288,000.00	
			662,835,040.56
	[B] INDIRECT DEVELOPMENT EXPENSES		
7,200.00	Board Expenses	31,500.00	
309,359,721.35	Staff Remuneration [28]	426,763,921.83	
34,941,001.58	Staff Expenses [29]	37,653,786.99	
87,604,100.82	Establishment & Admn Expenses [30]	127,450,136.66	
137,514,494.10	Financial Expenses [31]	147,820,424.25	
71,375,994.98	Miscellaneous Expenses [32]	144,691,914.00	
43,187,756.42	Depreciation on Fixed Assets	43,413,971.75	
			927,825,655.48
	[C] Excess Income / Expenditure		
(160,738,444.57)	for the year [A - B]		(264,990,614.92)
(465,019,963.00)	Profit / Loss of the NEMO		(151,576,658.00)
51,131,068.79	Share of Profit OVDC Subsidiary		10,044,669.72
(64,008,166.95)	[D] Adjustment in respect of Previous Years		(5,212,455.43)
(4,526,620,321.96)	[E] Net Income / Expenditure		
	- Brought Forward		(4,997,562,824.15)
	[F] Net Income / Expenditure		
(4,901,024,263.38)	- Carried Forward		(5,409,297,882.78)