

Condominium Management Authority - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Condominium Management Authority for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Authority is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Authority.

1.4 Audit Scope (Auditor's Responsibilities for the Audit of the Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Authority, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority;
- Whether the Authority has performed according to its powers, functions and duties; and
- Whether the resources of the Authority had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standard

Non-Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) Instances where the Authority did not comply with Sri Lanka Public Sector Accounting Standard No. 02 in preparing its cash flow statement are as follows		
(i) Provision for contingent liabilities amounting to Rs.1,647,054 has been adjusted twice under operating activities in the cash flow statement.	Steps will be taken to prepare the cash flow statement correctly from 2025 so that this error does not occur.	The operating activities of the cash flow statement must be properly adjusted.
(ii) The motor vehicle worth Rs.1,400,000 which was recorded as income received as a grant to the Authority, was not deducted when calculating the cash flow generated from operating activities.	Action will be taken to prepare and present an accurate cash flow statement from 2025.	The operating activities of the cash flow statement should be properly adjusted.
(iii)The investment of Rs.85,970,456 made in cash by the Authority during the year under review was not included in the cash flow statement.	Action will be taken to correct the error and prepare the Cash Flow Statement for the year 2025.	The investing activities of the cash flow statement should be properly adjusted.

(iv)	Although the value of cash and cash equivalents as at 31 December 2024 was Rs.89,710,739, it was stated as Rs.564,621,668 in the cash flow statement.	Steps will be taken to prepare the cash flow statement correctly from 2025 so that this error does not occur.	The cash and cash equivalent of the cash flow statement should be properly adjusted.
(b)	Although in accordance with paragraph 54 of Sri Lanka Public Sector Accounting Standard No. 07, gains and losses arising from the revaluation of assets belonging to the same class should be offset, the loss incurred on revaluation of machinery and equipment amounting to Rs.659,672 had been recorded as expenses during the year under review without offsetting the gain on revaluation.	This error was corrected in 2025 through journal entries.	Financial statements should be prepared accurately.
(c)	Although Paragraph 132 of Sri Lanka Public Sector Accounting Standard No. 01 states that an entity must disclose a summary of significant accounting policies in the financial statements, the accounting policies adopted by the Authority regarding revenue were not disclosed.	It will be presented under the notes to the financial statements for the year 2025.	A summary of accounting policies used in preparing financial statements should be disclosed.

1.5.2 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) An amount of Rs.1,195,295 paid for saved leave for the year 2023 was accounted for as an expense in the year under review. This resulted in the understatement of the Surplus for the year by that amount.	Since the benefit on the saved leave will have to be paid in the next year, the allowance on the saved leave has been included in the upcoming budget. In preparing the 2025 revised budget, steps have been taken to align this expenditure with the relevant year.	Expenses must be accurately accounted for when preparing financial statements.

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| (b) | When calculating Contingent Liabilities for the year under review, the Rs.785,783 in arrears of salaries and incentives for employees whose service had been suspended was not accounted for under Contingent Liabilities and this resulted in the Contingent Liabilities being understated by that amount. | Not answered. | Contingent liabilities should be properly accounted for when preparing financial statements. |
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1.6 Accounts receivables and Payables

1.6.1 Receivables

Audit Observation	Management Comment	Recommendation
(a) Out of the Authority's total outstanding balance of Rs.10,661,760 as of 31 December 2024, Rs.9,450,486 were outstanding balances exceeding 05 years, which included Rs.5,940,769 and Rs.421,634 respectively due for the maintenance of pumping stations at Negombo and Gampaha hospitals, which are outside the Authority's scope of activities.	Regarding the outstanding amount due from Negombo Hospital, a committee has been appointed by the Director of the Western Provincial Health Services, and further steps are to be taken based on the committee report. Further steps are to be taken based on the report of the committee appointed to write off the amount shown in the books as receivable for reconciliation. The amount due from the residents of the Jalthara Government Housing Scheme will be recovered after the establishment of the Joint Management Corporation.	Action should be taken to recover the receivables promptly.
(b) Due to the resignation of three officers of the Authority, the staff loan of Rs.685,766 given to them had not been recovered.	This staffs has been notified in writing to pay the loan and legal action is expected to be taken depending on the response received.	Immediate action should be taken to settle the loan balance.

1.6.2 Payables

Audit Observation	Management Comment	Recommendation
Among the balance of Miscellaneous Creditors of Rs.21,414,931 at the end of the year under review, a balance of Rs.13,660,874 had been included which was over 5 years and this balance had not been settled up to the date.	The relevant amount will be credited to the account after the Joint Management Corporation is activated.	Immediate action should be taken to settle outstanding balances.

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

	Reference to Laws, Rules and Regulations	Non-compliance	Management Comment	Recommendation
(a)	Section 5(2) of the Apartment Ownership Law, No. 11 of 1973.	Although compliance certificates and final certificates should be obtained to occupy a condominium property, 699 owners had settled without obtaining them, making it impossible to establish corporations and grant title deeds. Therefore, the Authority was unable to take action on maintenance matters and the problems of the housing property owners.	As mentioned here, it has not been possible to carry out maintenance work and issue deeds only due to the failure to obtain final certificates. However, the final certificate from the Authority can only be obtained after the properties have been granted compliance. The developers have been informed about this during the follow-up process.	Occupation of a condominium property should be permitted for the owners only after the certificate of compliance and the final certificate have been issued.
(b)	Section 05 (h) of the Public Utilities Board (Amendment) Act, No. 24 of 2003	Although the maintenance of Maligawatta and the Jalthara should be entrusted to the local government institutions, failure to do so resulted in the destruction of the Jalthara system's sewage treatment plant, causing a foul odour throughout the area, and the release of wastewater into the environment and into the public water system, which could have health impacts on the public. Also, an environmental protection permit had not been obtained for the disposal of waste.	The common access roads and component properties of the Maligawatta housing scheme are still remain under the ownership of the National Housing Development Authority (NHDA), which is the developer. The Environmental Protection License (EPL) should be obtained by the National Housing Development Authority (NHDA), which is the developer of both these condominium properties.	The developer should be immediately instructed to obtain an Environmental Protection License, and actions should be taken to prevent adverse health impacts on the public.

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| (c) | Section 13.3 of Chapter II of the Establishment Code of the Democratic Socialist Republic of Sri Lanka | The Authority had been making acting appointments for more than a year for 06 vacant senior and tertiary level posts. | Interviews were conducted in the year 2024, however, since there were no qualified applicants for those positions, a request has been submitted to obtain approval for the recruitment to essential positions. Until then, a few acting appointments have been made for a few essential positions, based on service necessity and with the approval of the Board of Directors, which is the appointing authority. | Steps should be taken to improve the performance of the Authority by appointing officers to essential positions on a permanent basis in accordance with the Establishments Code. |
| (d) | Paragraph 2.3 of the Guidelines on Corporate Governance introduced by Public Enterprises Circular No. 01/2021 dated 16 November 2021 | Although a strategic plan should be prepared for public enterprises in line with the national economic policy to achieve the objectives of each institution, the Authority had not prepared a strategic plan to address the changes occurring in the business environment. | The 2025 - 2029 Strategic Plan has been forwarded to the Secretary of the Ministry of Urban Development, Construction and Housing. | Action should be taken to prepare a strategic plan. |
| (e) | Public Administration Circular No. 30/2008 dated 31 December 2008 | In addition to the general distress loan scheme, a special distress loan was paid to the employees of the Authority subject to a maximum of Rs.30,000 only on the decision of the Board of Directors. The general distress loan balance and these special distress loans taken together had exceeded the maximum limit set out in Public Administration Circular No. 30/2008. | Not answered. | Action should be taken according to circular instructions to recover the excess payments and to ensure that such incidents do not occur in the future." |
| (f) | National Budget Circular No. 01/2024 dated 10 January 2024 | Although various allowance payments made at the Ministry or Institutional level, without Cabinet approval, should be suspended and new | Although the Authority's total cadre is 137, the actual staff strength is only about 89. Therefore, in order to achieve the Authority's | The instructions in the circular should be followed and |

commitments should not be entered into for various welfare grants, subsidies, or development programs, the Authority only obtained Board of Directors' approval to pay a productivity allowance of Rs.6,500 per month to the entire staff, and consequently paid Rs.4,673,100 during the year under review. objectives with a minimum number of employees, they are providing a maximum service and based on the Authority's total staff requirement, provisions were allocated in the annual budget, and the productivity allowance of Rs.6,500 was paid, also based on employee attendance. unauthorized payments should be recovered.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs.85,051,178 and the corresponding surplus in the preceding year amounted to Rs.154,849,367. Therefore an deterioration amounting to Rs. 69,798,189 of the financial result was observed. The reasons for the deterioration were decrease in non-operating income by Rs. 76,599,246 and increase in operating expenses by Rs. 20,475,338.

2.2 Trend Analysis of major Income and Expenditure items

- (a) Although the operating income in the year 2024 increased by Rs.22,711,658 compared to the previous year, non-operating income decreased by Rs.76,599,246.
- (b) Employee salaries and other operating expenses increased by Rs.16,481,129 and Rs.5,079,919 respectively in the year 2024.

2.3 Ratio Analysis

The Authority's current ratio and quick ratio at the end of the year under review were 0.6:1, while in the previous year it was 1.2:1. Accordingly, the Authority's liquidity remained at a low level during the year under review compared to the previous year.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Management Comment	Recommendation
(a)	Out of the complaints received by the Authority, 55 remained unsettled as at 31 December 2024. Out of these, 4 complaints had been pending for over 7 years, 15 complaints had been pending for between 3 to 7 years, and 22 complaints had been pending for between 1 to 3 years. Among	The officer conducting the investigation will take the necessary steps to obtain the necessary evidence and documents accurately, considering the provisions of the Act and common law, and	A program should be implemented promptly to investigate the complaints.

these complaints 20 complaints related to unauthorized constructions, 10 complaints related to water leakages, and 14 complaints related to the non-registration of property plans. will make an accurate decision based on that. This will also take time to properly investigate the facts and consider objections.

- (b) Although it was expected to conduct an investigation and take legal action against 09 developers in the public and private sectors who had not registered their condominium plans, only 03 of them, i.e. only 33 percent, could be completed by the end of the year under review. Investigations are conducted on properties where a condominium plan has not been registered to allow the property developer to register the plan for that condominium. If the condominium plan is not registered, legal action will be taken against the property. It may take some time to investigate the facts. Investigations should be conducted as targeted, and action should be taken in accordance with the legal provisions.
- (c) Although Management Corporations should be established within 3 months from the date the Condominium Plan is registered and the Authority had targeted to establish 4 Management Corporations in the public sector and 35 in the private sector during the year 2024 but by the end of the year under review, not a single Management Corporation was established in the public sector, and only 3 Management Corporations were established in the private sector. The progress of this target stood at 9 percent. In order for the first annual general meeting of the management corporation to be held within 03 months from the date of registration of the condominium plan, the developer or the relevant party must have issued the deeds to the homeowners. It has been observed that various factors have led to the delay in issuing the deeds by the developer of the relevant property. The Authority should take the necessary steps to establish management corporations as per the target and carry out the relevant functions.
- (d) Although the targets for the renewal of Certificates and Preliminary Clearance Letters included renewing 13 Preliminary Clearance files, 72 Provisional Condominium files, and 35 Semi Condominium files, by the end of the year under review, only 14 renewals were achieved, reaching only 12 percent of the targeted amount. Although the developers have been informed about the semi and provisional properties mentioned here, they have not applied for renewal. Efforts should be made to plan the goals as accurately and realistically as possible and to enhance the performance of the Authority.
- (e) Although it was expected that three (03) new regulations would be drafted, prepared, and gazetted during the year based on timely requirements, no new regulations had been introduced even by All proposals submitted for the Act from each division must be documented separately, and a selected survey board must analyze the facts and ascertain Action should be taken to introduce regulations.

the end of the year under review.

which points are compliant. Only thereafter should steps be taken to gazette them. Inevitably, this process will take some time.

- (f) Although the Condominium Management Authority had spent a sum of Rs.5.9 million during the year under review to establish a Document Management System (DMS) for digitizing records in the certificate division, the system had not been practically utilized in a manner that allows its use.
- The records from the certificate division covering the period 2005-2023 will be scanned and installed in the Document Management System in phases. 205,889 records have been scanned as at 22 May 2025.
- The scanning should be carried out promptly and the system should be put into practical use by the Authority.

3.2 Human Resource Management

Audit Observation	Management Comment	Recommendation
(a) The Authority had not appointed permanent staff for a period of 17 years and had recruited legal advisors and investigation officers on a temporary basis, and had paid Rs. 2,242,218 and Rs. 916,500 as legal fees to external parties in the year 2024.	Applications were invited and interviews were held by publishing newspaper advertisements on 21 January 2024. Approval had been received to fill only one vacancy. The Board of Directors, as the appointing authority of the Authority, decided that it would be problematic to appoint a practicing lawyer with the minimum qualifications as the Head of the Legal Department of the Condominium Management Authority, and therefore, since it was not possible to fill that vacancy, the legal advisory service has been further obtained.	Urgent action should be taken to fill vacancies in essential positions.
(b) An officer was recruited on an assignment basis due to service requirement, and continued to receive service extensions for a period exceeding 3 years from 01 October 2021, to 31 December 2024, as an Authorized Surveyor	There is no authorized surveyor position in our authority and it was confirmed that an authorized surveyor with professional skills is required to compare and analyse the building plan and condominium	Steps should be taken to revise the approved cadre and recruitment for essential posts should be expedited.

without an approved post and an amount of Rs.603,300 had been paid during the reviewed year.

plan during regulatory activities. Furthermore, we hope to make amendments to the scheme of recruitment of the authority in the future and hope to include the relevant position there.

- (c) Although the approved cadre of the Authority was 137 posts and the actual number of posts at the end of the year under review was 89. Accordingly, the relevant posts had not been updated in line with the current requirements and 48 posts remained vacant. Out of these, 08 were senior management level posts.

It has been directed to obtain approval to make recruitments for essential posts. Amendments to the Authority's scheme of recruitment are scheduled to be made in the future in accordance with the requirements.

Steps should be taken to revise the approved cadre and recruitment for essential posts should be expedited.