

Annual Report

2018



Urban Settlement Development Authority
Ministry of Housing, Construction & Cultural Affairs



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Chairman's Review



The prime objective of the Urban Settlement Development Authority (USDA) is the development of housing and physical environment of the low-income communities residing in urban areas under a holistic urban and habitat development approach in order to uplift their living standard and to empower the target group socially, economically and culturally.

With this objective to the fore, the USDA plans and executes programmes under a two-fold development approach as physical and human and by the end of the year 2017, the Authority marked its 11th anniversary.

Under the physical development approach, construction activities of the Lunawa Urban Housing Project were carried out this year as projects continued from the previous year. This project being constructed at Thanayamwatta, Lunawa Moratuwa with 356 housing units in 12 stories (G+11) at a financial estimate of Rs. 1,369.316 is implemented with the objective of offering housing solutions to underserved urban communities. The State Engineering Corporation is in charge of the construction activities and the project management is handled by the State Development and Construction Corporation.

Though it was planned to complete the housing project during this year and vest in the people, as a result of several new additions to the project in order to establish a highly conducive residential environment within the project site equipped with all facilities, the vesting of the project in the people upon the completion of all construction activities of the project is expected to be carried out in the year 2019.

In addition, the Mahaiyyawa housing project-Kandy was planned a new housing project in the year 2018 and this is a housing project designed by the Urban Settlement Development Authority for the re-housing of low income community residing in the Kandy town including those of the 'MC settlement'. It is proposed to be implemented as a private-public partnership.

The responsibility of implementing the "Swashakthi" human development programme geared towards the empowerment of communities living in underserved urban settlements for their economic, social and cultural advancement which is a role assigned to the Authority by the Urban Settlement Development Authority Act No. 36 of 2008 as well as guiding their children towards a positive approach in regard to knowledge, attitude and skills, at the settlement level has been entrusted to this Authority.

"Swashakthi" human development programme was launched in the year 2011 for the implementation of the above activities and in the year 2018 too, diverse programmes were enacted to achieve this primary objective.

To coincide with World Habitat Day-2018, a festival of arts comprising drawing and drama competitions was held for 8th successive year for children of underserved settlements paving the way for them to showcase their innate artistic talents.

Children's savings programme implemented by the USDA is aimed at inculcating the savings habit amongst children from a very young age. Accordingly, in collaboration with Bank of Ceylon, this programme was successfully implemented in the year 2018 too for children of housing projects within the Colombo urban zone as well as outside it where human development programmes were implemented.

Many women in underserved settlements are engaged in self-employment to ease the economic burden of their families and the Authority extends a loan facility subject to a ceiling of Rs. 25,000 with a concessionary repayment scheme under the "Swashakthi Kantha Saviya" programme to such women committed to uplift the living standard of the family.

In the year 2018, this loan was granted to 74 self-employed women on a concessionary interest rate and action was also taken to provide 65 sewing machines to self employed women and expected beneficiaries.

In addition, concurrent to the vesting of 'Shelter for All' model villages implemented island-wide in the people, 93 eye clinics were conducted free of charge for the low income community covering the Divisional Secretary Divisions to which such villages belonged and in the year 2018 spectacles were provided to 13,336 beneficiaries.

Ranjith Shantha Kahawala

Chairman

Urban Settlement Development Authority

Report of the Board of Directors

The Board of Directors of the Urban Settlement Development Authority as at 31.12.2018 is as follows.

Mr. Ranjith Shantha Kahawala
Chairman

Mr. M.K. Pradeep Kumara
Member of the Board of Directors

Mrs. K.A.S. Walpola
Member of the Board of Directors

Mr. K.A.D. Chandradasa
Member of the Board of Directors

Mr. L.S.Palansuriya
Member of the Board of Directors

Dr. Mahim Mendis
Member of the Board of Directors

Mr. E.L.W. Samarasinghe
Member of the Board of Directors

Mr. W.M. Gunaratne
Member of the Board of Directors

Mr. A. Santiyago
Member of the Board of Directors

Mr. A.K.P. Vijith Chandima
Member of the Board of Directors

Mr. D.A. Gamini
Member of the Board of Directors

Mr. Y.R. De Silva
Acting Director General (From 18.12.2017 to 01.10.2018)
(Secretary to the Board)

Mrs M.S.V.Vipulaguna
Director General
(Secretary of the Board)

During the year under review, 10 meetings of the Board of Directors were held. The Audit and Management Committee which functions as a subcommittee of the Board of Directors held 03 meetings during the year 2018. The following members of the Board of Directors serve as the members of the Audit and Management Committee.

Mr. M.K.Pradeep Kumara –Chairman

Dr. Maheem Mendis

Mr. Mr. A.K.P. Vijith Chandima

While providing housing solutions to people living in underserved urban settlements, the Urban Settlement Development Authority seeks to collectively upgrade the condition of houses in urban areas which are unsuitable for living. Concurrently, the Authority has launched a human development programme to uplift socioeconomic status of people residing in urban settlements.

As per sections 12 and 13.6 of the Finance Act No. 38 of 1971, the Board of Directors of the Urban Settlement Development Authority is responsible for ensuring the keeping of proper accounts of the income and expenditure and other transactions and the preparing of financial statements that reflect a true and fair view of the accounts and of the surplus/ deficiency for the relevant year.

Accordingly, the Board of Directors has directed the Authority to maintain account books in good order and to review the method of financial reporting at meetings that are held regularly and through the Audit Committee.

In preparing the financial statements submitted through this annual report, the Board of Directors has sought to comply with accepted accounting standards and to substantiate such statements through fair and prudent judgments and estimates.

The Board has taken all possible measures that they could have practically taken to protect the assets of the Authority and to prevent frauds and other irregularities. The Board of Directors have put in place an effective and efficient internal control system comprising of internal audit and financial and other controls which is required for the delivery of the service of the Authority in a systematic manner and to protect the assets of the Authority and to ensure to fullest degree possible the accuracy and reliability of its reports.

By order of the Board of Directors,

Secretary to the Board of Directors

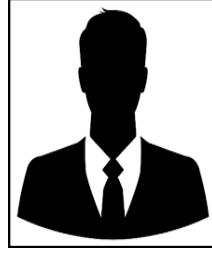
Director General

Urban Settlement Development Authority

Chairman and Board of Directors



Mr. Ranjith Shantha Kahawala
Chairman



Mr. M.K. Pradeepa Kumara
Member of the Board



Mrs. K.A.S. Walpola
Member of the Board



Mr. K.A.D. Chandradasa
Member of the Board



Mr. L.S.Palansuriya
Member of the Board



Dr. Mahim Mendis
Member of the Board



Mr. E.L.W. Samarasinghe
Member of the Board



Mr. W.M. Gunaratne
Member of the Board



Mr. A. Santiyago
Member of the Board



Mr. A.K.P. Vijith Chandima
Member of the Board



Mr. D.A. Gamini
Member of the Board



Mr. Y.R. De Silva
Acting Director General
(Secretary to the Board)
From 18.12.2017 to 01.10.2018

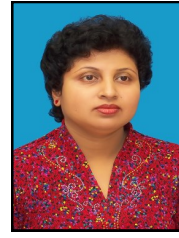


Mrs. M.S.V. Vipulaguna
Director General
(Secretary to the Board)

Senior Management



Mr. Ranjith Shantha Kahawala
Chairman



Mrs. M.S.V. Vipulaguna
Director General



Mr. Y.R. De Silva
Director (Social Mobilization)
Up to 01.10.2018
Acting Director General
From 18.12.2017 to 01.10.2018



Mrs. A.G.N.S. Nishanthi
Director (Finance)



Mrs. K.K.W.T.P.De Silva
Director (Planning & MIS)



Mrs. D.A. Devika Dissanayake
Asst. Director (Legal)



Mr. A.M.K. Bandara Athauda
Asst. Director (Finance)



Mr. M.A.S.S. Munasinghe
Asst. Director (Engineering)



Miss Anusha Rajapaksa Asst.
Director (Architecture)



Mr. A.P.R. Gnanapriya
Asst. Director (Admin)



Ms. W.P.U.K.Perera
Asst. Director (Lands)



Mr. R.D.S. Susantha Fernando
Asst Director (Procurement)



Mr. L.R. A. Shantha
Internal Auditor



Mr. A.L. Harsha Dilankara
Asst. Director (Social Mobilization)

Note:

From 09.11.2018 to 19.12.2018
Chairman – Dr. Sumith Wanniarachchi

From 09.11.2018 to 19.12.2018
Director General – Mr. M.D.K.Chandrasena

Introduction



Urban Settlement Development Authority

Urban Settlement Development Authority was established

by the Urban Settlement Development Authority Act

No. 36 of 2008.

USDA

The main objective of establishing the Urban Settlement Development Authority was to formulate a national policy on urban settlement development, to uplift the living standard of people living in underserved urban settlements in order to ensure a sustainable urban development and to upgrade the existing housing units by providing access to minimum urban facilities to such people or to design and implement programs to make available better housing facilities for them.

Vision

To ensure enhanced life-style within sustainable urban human settlements

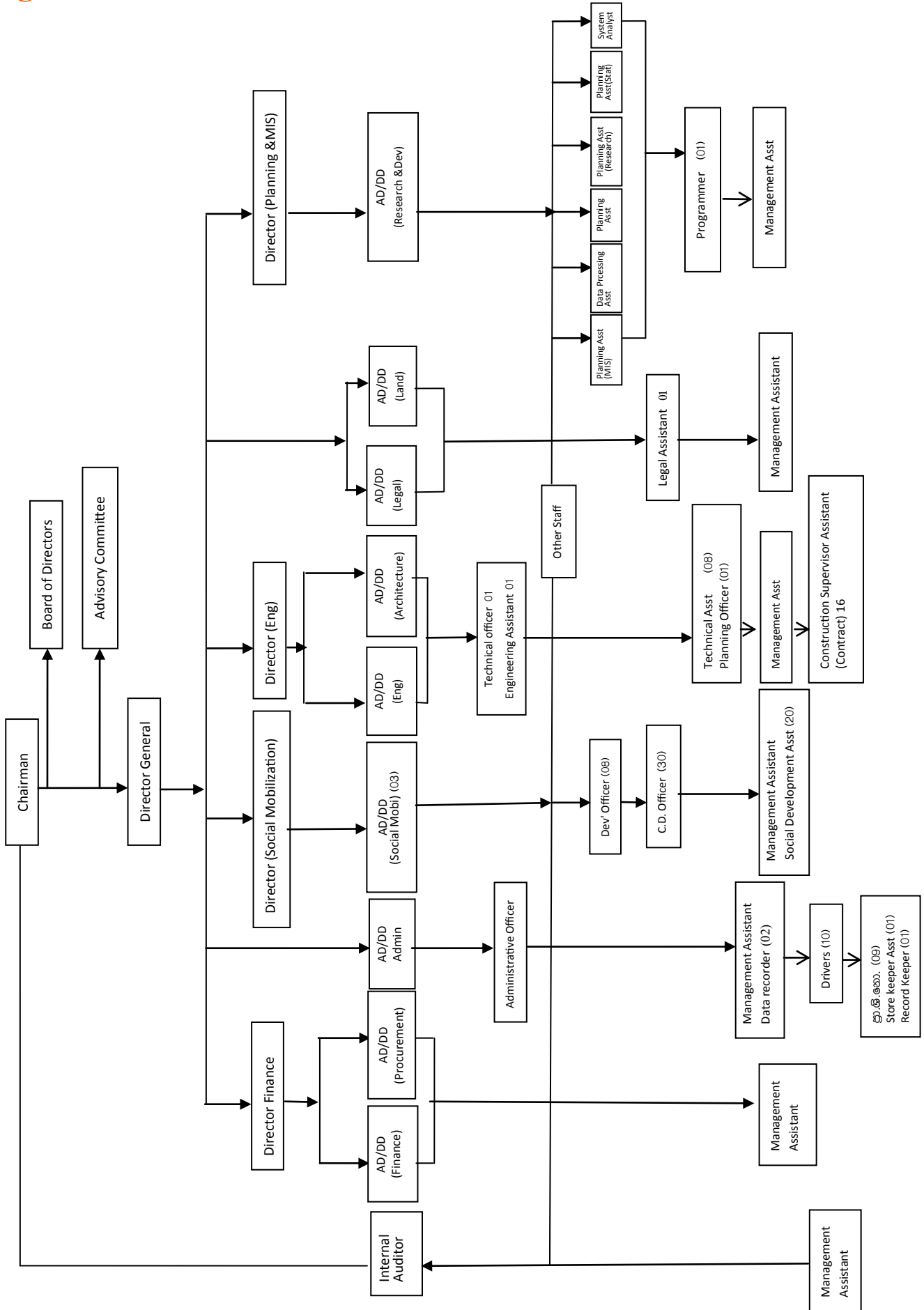
Mission

Offering solutions to housing problems of residents of underserved urban settlements and urban zones in compliance with a holistic urban development plan and concurrently empowering them socially, economically and culturally.

Values

- We value social integrity and harmony in all our endeavours minimizing disruption to people's livelihood and social network.
- We are always alive to the needs and aspirations of communities we serve by encouraging participatory decision making resulting in clear benefits to the community.
- We treat all our team and the members of the community we serve, the way we would like to be treated.
- We encourage innovation, teamwork, partnership and maintain ethical and professional standards in all our endeavours.

Organizational Structure



Staff of the Urban Settlement Development Authority

As at 31.12.2018

#	Position	Approved Number	Currently available		Vacancies
			Permanent	Contract	
01	Director General	01	01	-	
02	Director (Social Mobilization)	01	-	-	01
03	Director (Planning & MIS)	01	01	-	
04	Director (Finance)	01	01	-	
05	Director (Engineering)	01	-	-	01
06	Internal Auditor	01	01	-	
07	Asst Director (Finance)	01	01	-	
08	Asst Director (Procurement)	01	01	-	
09	Asst Director (Engineering)	01	01	-	
10	Asst Director (Architecture)	01	01	-	
11	Asst Director (Social Mobilization)	03	-	-	03
12	Asst Director (Legal)	01	01	-	
13	Asst Director (Land)	01	01	-	
14	Asst Director (Research & Dev.)	01	-	-	01
15	Asst Director (Admin)	01	01	-	
16	Administrative Officer	01	01	-	
17	Technical Officer	01	-	-	01
18	Engineering Assistant	01	-	-	01
19	Development Officer	08	04	-	04
20	System Analyst	01	01	-	
21	Planning Assistant	01	01	-	
22	Data Processing Assistant	01	01	-	
23	Planning Assistant (MIS)	01	01	-	

#	Position	Approved Number	Currently available		Vacancies
			Permanent	Contract basis	
24	Planning Assistant (Research)	01	01	-	
25	Planning Assistant (Statistics)	01	01	-	
26	Legal Assistant	01	-	-	01
27	Community Development Assistant	30	17	-	13
28	Technical Assistant	12	10	-	03
29	Draughtsman	01	01	-	
30	Programmer	01	01	-	
31	Management Assistant (N.T.)	20	27	02	01
32	Data Entry Operator	02	02	-	
33	Social Development Assistant	20	10	-	10
34	Drivers	10	11	-	
35	Primary Non Technical/ Karyala Karya Sahayaka	09	13	-	
36	Record Keeper	01	01	-	
37	Store Keeper Assistant	01	01	-	
38	Construction Supervisor Assistant (Contract)	16		15	01
	Total	158	116	17	41

Audit and Management Committee Report

Necessary powers for reviewing and monitoring have been vested in the Audit Committee for ensuring the existence of an appropriate financial reporting system and ensuring that such system is efficiently managed enabling the provision of accurate, appropriate and timely information to the management and the relevant authorities and for managing the accounting and internal controls so as to be compliant with the laws and policies of the Authority and statutory and corporate administration.

The Audit Committee comprised the treasury representative and two (02) members of the Board of Directors. In keeping with the guidelines for state enterprises, Mr. M.K.Pradeep Kumara, the treasury representative of the Board and Senior Assistant Secretary-Procurement Monitoring Unit served as the Chairman of the Committee in the year 2018. Dr. Mahim Mendis and Mr. A.K.G. Vijith Chandima functioned as the committee members.

An audit superintendent of the government and the Chief Internal Auditor of the line Ministry attended the committee meetings as observers and a number of officials of the USDA participated in the proceedings of the committee as and when necessary. The Director General of the USDA served as the secretary of the Committee. The audit programme prepared for the year 2018 by the internal auditor was considered and approved by the Committee.

During the year under review, the Committee held 03 meetings. The Committee laid emphasis on the improvements to be made including the timely preparation and submission of audit reports, responses to audit queries, observations of internal and external audits, internal control systems as well as the Annual Report. Necessary remedial measures have been taken and the follow-up action in respect of the decisions taken were discussed and reported to the Board of Directors. Minutes of the meetings inclusive of main matters discussed were submitted to the Board of Directors.

I wish record my appreciation regarding valuable contributions made by the members and officers and in particular the invaluable observations made by the Auditor General.

By order of the Audit and Management Committee

Secretary to the Audit and Management Committee

Director General

Urban Settlement Development Authority

Ongoing Programmes | 2018

Physical Development Programme



Lunawa Housing Project

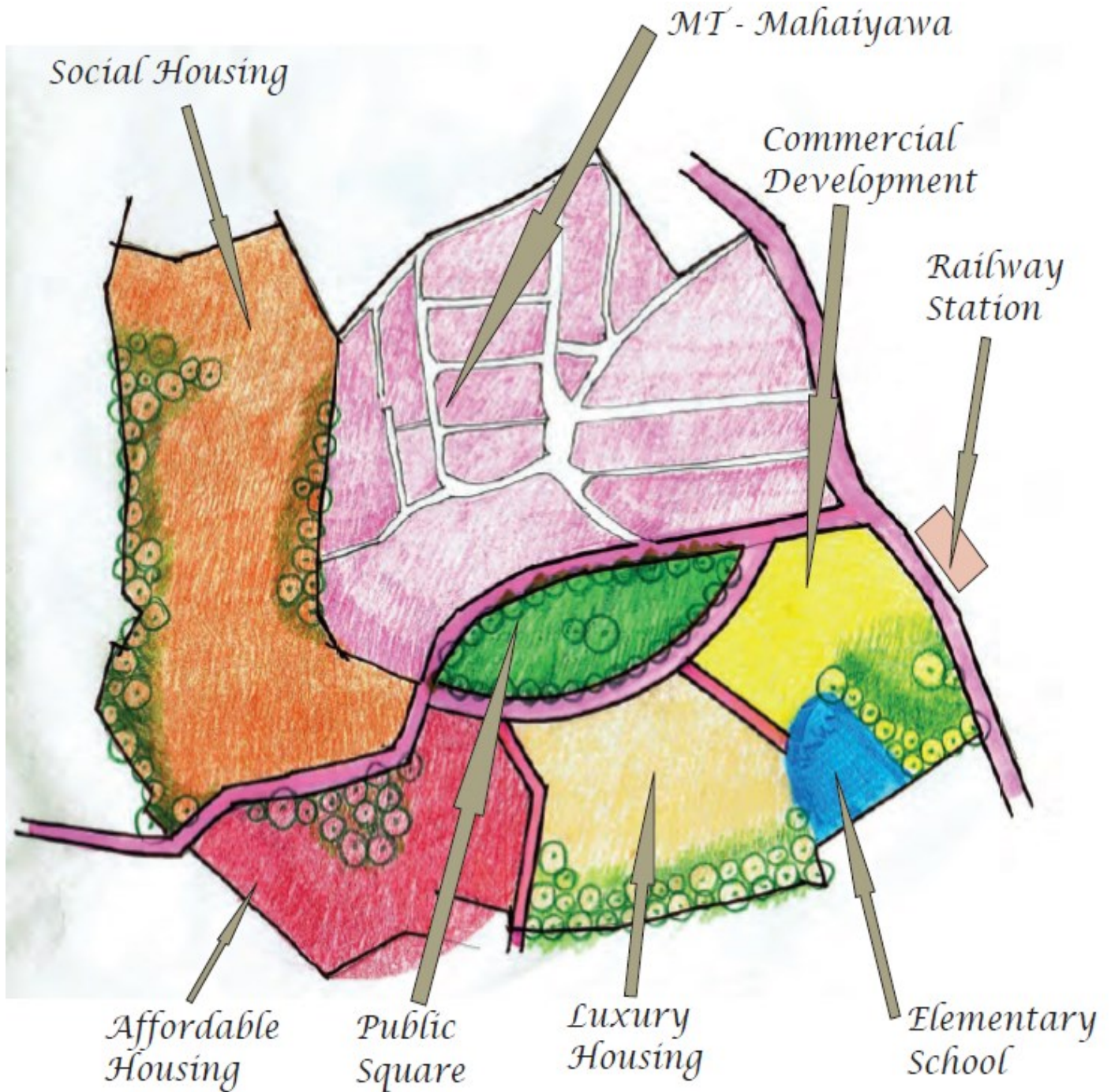


The Lunawa housing project was planned to be constructed at Lunawa Rest House land in Moratuwa with 356 housing units in 12 stories (G+11) with a total financial estimate of Rs. 1,369.316 million with the objective of offering housing solutions to underserved urban community. The State Engineering Corporation is in charge of the construction while the project management is handled by the State Development and Construction Corporation.

For the establishment of a conducive residential environment equipped with all amenities within the project premises additional works such as commercial service centres, recreational facilities, a community hall, parking areas, landscaping, tree planting, construction of boundary wall together with an entry point, connecting sewage line to the sea were added anew to the project and accordingly, the estimated cost of the project too was revised.

The revised cost estimate has been submitted for necessary approvals and consequently, the construction activities of the project are scheduled to be completed and project is due to be handed over to people in the year 2019.

Mahaiyawa Urban Housing Project, Kandy



Mahaiyawa Urban Housing Project, Kandy is a housing project planned by the Urban Settlement Development Authority for the relocation of low income community residing in underserved urban settlements in the Kandy town including those living in 'MC settlement' and is proposed to be implemented as a public-private partnership.

The above conceptual development plan shows the recommended land utilization categories designed for the 14-acre land located at Mahaiyawa, Kandy.

Ongoing Programmes

2018

Human Development Programme

‘Swashakthi’ Human Development Programme

Empowerment of communities living in underserved urban settlements for the economic, social and cultural advancement of such communities and development of knowledge, attitude and skills of children in such settlements is a function entrusted to the Authority under the Urban Settlement Development Authority Act No. 36 of 2008 and for the attainment of this objective, ‘Swashakthi’ human development programme has been launched at the urban settlement level by the Authority.

The following activities were carried out at the urban settlement level under ‘Swashakthi’ Human Development Programme for the execution of above functions.

1. Mobilizing and empowering community
2. Skills development programmes for children
3. Skills development programmes for youth
4. Entrepreneurship and self employment promotional programme
5. General community action programmes

“Swashakthi” Human development programme was launched in the year 2011 for the implementation of programme for improving the living conditions of persons living in urban settlements and in the year 2018 too diverse programmes were implemented for the attainment of this basic objective.

01

Mobilizing and empowering the community

1.1 **Identifying new settlements, conducting socioeconomic researches, creating awareness amongst families, implementing “Swashakthi” human development programmes covering urban areas.**

Registration of families and obtaining information was carried out in new settlements under the ‘Swashakthi’ Human Development Programme and awareness was created amongst the settlement communities about the objectives and functions of the “Swashakthi” Programme.

‘Swashakthi’ Human Development Programme is primarily implemented within the Colombo urban zone and outstations with the participation of dynamic community leaders identified from within that community itself. In the year 2018, nearly 1,700 such community leaders were identified. Similarly, 46 socioeconomic researches were conducted in the Colombo urban zone as well as in urban zones outside Colombo. In pursuance of this objective, 240 community based organizations were established and updated and 67 community based organizations were registered during the year.



Field officers of the Social Mobilization Division conducting research activities



Physical condition of settlements



1.2 Establishing and updating “Swashakthi” community based organizations

Establishing and updating community based organizations within the Colombo urban zone and outstations.

Community based organizations underscores the importance of residents working in unison for the advancement of their settlements. They serve as a countervailing force in meeting diverse challenges encountered by settlement communities.

A meeting was held at the Horana Divisional Secretariat with the beneficiaries of Rosewood Watta, Horana regarding the construction of their homes. The meeting was attended by the Chairman of the USDA, the Chairman and Deputy Chairman of the Horana Urban Council and officials of the Land Reforms Commission, Kalutara.



1.3 Conducting Community Action Programme workshops (CAP Workshop)

With the objective of finding solutions to problems specific to communities of urban settlements who do not receive any assistance from public sector institutions or other responsible entities, community action programme workshops were conducted in the settlements of Colombo urban zone and housing projects wherein human development programmes are being implemented.

Accordingly, community action workshops were implemented covering Colombo urban zones and many are the benefits accrued on the settlement community through these workshops.



Public officials discussing problem of the community

02

Programme for developing skills and attitudes of children

2.1 Gifts, shields and certificates awarded to winners of competitions held to mark World Habitat Day-2018

The awarding of gifts, shields and certificates for the second and third place winners of children's painting, short drama, essay and six-a-side cricket tournament held parallel to World Habitat Day 2017 was held ceremoniously at Pradeepa Hall, Maligawatta on 17.03.2018 under the patronage of Mrs. Jalani Premadasa, the wife of the Minister of Housing and Construction, Hon. Sajith Premadasa and with the participation of the members of the Board of Directors of the USDA and distinguished invitees.



Mrs. Jalani Premadasa presenting awards to winners

2.2 Conducting the first stage of the children's drawing competition held to mark World Habitat Day 2018

Preliminary round of the drawing competitions were conducted at the settlement level mobilizing children in settlements within the Colombo urban zone and outside of it wherein human development programme is in operation in order to bring out and hone the skills of hidden creative skills of children. The number of children who participated in the first round of the competition was 11,450.



Three thousand children selected from the preliminary stage were selected for the final round of the competition held on 22.09.2018 at Vihara Maha Devi Park. The winning drawings were selected by an expert panel.



Registering the children for the competition



Children participating in the competition



Members of the expert panel selecting the best drawings after the conclusion of the final stage at Vihara Maha Devi Park

2.3 Kurunegala- Nikaweratiya children's drawing competition

In pursuance of a proposal made at a meeting held at the Kurunegala District Secretariat with the participation of the Deputy Minister of Housing and Construction, Indika Bandaranayake and the Secretary to the Ministry, a children's drawing competition was held on 22.09.2018 at Nika/Wari/Gnanodaya Central College with the participation of around 500 children from Nikaweratiya Education Zone.



2.4 Children's short drama festival to commemorate World Habitat Day 2018

With a view to improving quality and creativity of the 'short dramas presented by children of settlements at the 'Swashakthi' children's short drama festival concurrent to World Habitat Day Commemoration 2018,

training workshops were conducted in settlements with the involvement of students of the University of Performing Arts.



Rehearsals of "Swashakthi" short drama festival

The first round of the drama competition conducted to mark World Habitat Day 2018 was staged at Pradeepa Hall, Maligawatta on 23,24.08.2019 with 48 dramas vying for honours. The competition showcased undoubted talent of boys and girls from urban settlements. The second round of the competition for which 20 dramas were selected was held at Pradeepa Hall, Maligawatta on 08.09.2018 under the patronage of Mrs. Sajith Premadasa and other distinguished invitees.



Mrs. Jalani Premadasa lighting the traditional oil lamp before the commencement of the programme



Acting skills of children on display

Best Actor

Best Actress



**T.G. Indrajith
Nandiwardana**



K.Pabodi Devika



**First Place
"Surapuraya"**



**Second Place
"Piya Senehasa"**



**Third Place
"Dilindukama Pitudakimu"**

2.5 Gifts, shields and certificates awarded to winners of competitions held to mark World Habitat Day 2018

Awarding gifts, certificates and cups for the first place winners of drawing and short children's drama competitions of children conducted parallel to World Habitat Day 2018 took place at the national ceremony to mark World Habitat Day 2018 held on Monday the 01st of October 2018 under the auspices of the Minister of Housing and Construction Hon. Sajith Premadasa and other distinguished participants. At a parallel ceremony held in Kotavehera in the Kurunegala District, "Jagath Nivahangama" mode village was vested in the people.



Hon. Minister of Housing and Construction awarding certificates to winners

2.6 Children's Drawing Competition of Suriyawewa Education Zone-Hambantotoa

Concurrent to the handing over of the 127th model village 'Right Honourable D.S. Senanayake model village' to the people, a drawing competition was organized amongst children of the Suriyawewa education zone and the winners were awarded certificates and presents.



Winners of the essay and drawing competition receiving their certificates from the Prime Minister

2.7 Programme for developing knowledge, attitude and skills of children of urban settlements at Mahaweli Centre

A programme for the development of knowledge, skills and positive attitudes of children of urban settlements was held at the Mahaweli Centre on 15.08.2015 with the participation of 220 children to mark World Habitat Day 2018.

Resource persons of the programme were from the National Youth Council and Belwood Aesthetic Studies Centre.



Practical activities with children

2.8 Conducting a mentality promotion programme for children who sit Grade 5 scholarship programme

Under the guidance of the veteran Human Skills Promotion Expert Sanath Gamage, scholarship workshops were conducted for 200 children of urban underserved settlements who were due to sit

Grade 5 scholarship examination at New Town Hall, Colombo on 05.05.2018 and for 250 children at Singapore Community Service Centre, Hambantota on 09.06.2018.

A thought provoking lecture focusing on major theoretical and practical aspects of the teaching and learning process was the key component of the session aimed at raising awareness amongst parents and children.



Mr. Sanath Gamage interacting with children during the programme



Demonstrating how human resources can be developed through practical activities

2.9 Establishing and updating children's societies for the promotion of children's leadership qualities and positive attitudes

Children's societies serve as a fertile ground for children of underserved settlements to showcase their talents, skills and attitudes. These societies while bringing out hidden talents of children, add value to such talents of children.

During the year, 289 children's societies were formed and updated through a psychological approach in urban zones within and outside Colombo where human development programme is being carried out.



Children of a children's society displaying their talents



Certificates awarded to children who excelled in competitions held to mark World Habitat Day

2.10 Conducting children's dental clinics parallel to 2018 World Habitat Day

Dental clinics are conducted to ensure a high level of oral health among children of settlements. A dental clinic was conducted for 83 children at Gnanawimala Bodhiraja Dharmayathanaya belonging to Borella zone on 13.08.2018 and another was conducted for 50 children of Kitulwatta settlement belonging to the East/West zone on 05.05.2018.



2.11 Implementing children's savings promotion programmes

Children's savings programme can be cited as a programme implemented by the USDA to promote the habit of saving amongst children from a very young age. The programme is implemented in partnership with Bank of Ceylon throughout the year in settlements in and outside Colombo where human development programmes are carried out and for the opening of the account, the Authority contributes a deposit of Rs. 100.00 and Bank of Ceylon too contributes an opening deposit of Rs. 100.00.



2.12 Conducting tuition classes for children of settlements

There are a large number of children in settlements in which human development programmes are implemented who are unable to pursue school education due to socio-economic deprivation and amongst them are some lacking in even basic literacy. For these children neglected by all, a tuition class programme is conducted by the field officers of our Authority in settlements belonging to the Colombo urban zone and children participate with much enthusiasm.



2.13 Organizing religious programmes

It is the responsibility as well as a duty of parents to inculcate religious values in their children from a very young age. Seeing children who have not been brought up in a religious environment and whose characters have not been moulded by religious values committing various vices is a common sight in urban settlements.

However as a result of social mobilization, more and more children of urban settlements have become inclined towards religion and disciplined and lead harmonious lives. With a view to promoting this development, an ‘Ashirwada Pahan Pooja’ was conducted by Vishwakala Children’s Society, Kesbewa on 27.07.2018 with the participation of the children of the settlement.



A flower procession conducted by children of Torrington settlement of Colombo East/ West Zone.



3.1 Conducting a one-day beauty culture training workshop for young women of urban settlements parallel to 2018 World Habitat Day

A one-day training workshop was organized at Sherri Gunaratne Academy, Colombo 07 on 09.09.2018 for the urban young community of Colombo who intend to pursue a career in beauty culture and those who are already involved in the field and 41 young men and women who participated in the workshop had the opportunity of gathering a host of new experiences and be aware of emerging trends in beauty culture.



Educating participants through practicals

3.2 Conducting youth leadership skills and personality training workshop to mark 2018 World Habitat Day

in partnership with the National Cadet Corps, a leadership skills and personality training programme was organized on 12.08.2018 at Vihara Maha Devi Park, Colombo with the objective of developing leadership qualities, positive attitudes and personality traits of the youth community of Colombo urban zone and young men and women were seen taking part in the programme with great zest. The total number of participants in the programme was 32.



An officer of the National Cadet Corps making a brief introduction to the programme



Young men and women engaged in practical activities

3.3 Implementing vocational training programmes for young men and women

In collaboration with the Organization of Professionals Association, USDA and Galle Technical College, an awareness workshop was conducted at Galle Technical College on 29.07.2018 with the participation of 118 young men and women to raise awareness on opportunities available on vocational training in the field of housing and construction.

The Organization of Professionals Association, USDA and Balapitiya Technical College jointly conducted an awareness workshop at Balapitiya Technical College on 29.07.2018 with the participation of 118 young men and women to create awareness on opportunities available on vocational training in the field of housing and construction.



04

Entrepreneurship and self-employment promotional programme

4.1 Establishing small groups

The small group method is implemented at the settlement level with the aim of improving family economy by instilling financial discipline and a savings culture and the fund built by the small group serves as the preliminary step in uplifting living standard of the community. By meeting and conducting weekly meetings, a conducive environment is created for the members of the group to review their respective problems and find viable solutions thereto, in which the small group method is in operation, members have been able to gain many benefits.

Around 400 small groups are in operation with the participation of 1,700 self employed persons and 206 self employed persons have been identified as in need of self employment financial assistance.



Creating community awareness

4.2 ‘Diriyata Diriyak’ self-employment financial and equipment assistance

It is seen that many women in urban settlements engage in self-employment to prop up family economy and for women thus committed to improve their family economy, sewing machines are provided on a concessionary repayment scheme and a loan subject to a ceiling of Rs. 25,000/- is granted on a highly concessionary interest rate under the “Swashakthi Kantha Saviya” programme.

In the year 2018, action was taken to grant this loan to 74 self-employed and 65 sewing machines were distributed among 36 beneficiaries.



Minister of Housing & Construction Hon. Sajith Premadasa granting loans and sewing machines to beneficiaries

4.3 Follow-up activities on self-employment

Follow-up activities on sewing machines provided by the Authority on concessionary repayment scheme to support women trying to be self-reliant and strengthen their family economy were conducted to ascertain whether they have actually used for improving their economy and have achieved some progress in improving their living standard.



4.4 Conducting a fair for the self employed of Colombo urban zone parallel to 2018 World Habitat Day

With the intervention of the USDA, a fair was conducted at “Sethsiripaya” premises on 29.08.2018 with the involvement of self employed persons with the aim of supporting the endeavours

of low income urban community to be self reliant and strengthening their economy.



Chairman and acting Director General of USDA at the fair



Minister of Housing and Construction Hon. Sajith Premadasa handing over spectacles to beneficiaries

05

General Community Action Programmes

5.1 Conducting eye clinics and distribution of spectacles

Parallel to the vesting “Shelter for All” model villages implemented across the island in the people, 93 eye clinics were conducted free of charge covering the Divisional Secretary Division to which such villages belong to and during the year 2018, spectacles were donated to 13,336 beneficiaries.

5.2 Conducting Ayurveda medical clinics

Free medical clinics for low income urban community are conducted every year and prominent among them are the ayurveda medical clinics. The main objective of this is create awareness among the community about the benefits of traditional ayurveda treatment. Accordingly, 05 ayurveda medical clinics were conducted parallel to World Habitat Day 2018 with the contribution of the Western Province Ayurveda Medical Institute, Indigenous Ayurveda Medical Institute and Colombo Municipal Council.



The reproductive health clinic of the Colombo Central zone was held on 11.08.2018 with the resource contribution of the Family Planning Association at the Navagampura community hall. A dermatological clinic too was conducted by the Community Medicine Department of the Colombo Municipal Council for the detection and treatment of skin diseases and 120 persons sought treatment at this clinic.



5.3 Conducting family health clinics

Reproductive health clinics for improving reproductive health of young and adult women were conducted in partnership with the Sri Lanka Family Planning Association to mark World Habitat Day 2018 covering Colombo urban zones.

A family health clinic centered on the Colombo North Zone was held on 05.07.2018 at Sri Wickramapura Community Hall in liaison with the Sri Lanka Family Planning Association with the participation of 104 members from the community. Amongst the services offered were the instructions on reproductive health, conducting cancer detection tests and testing blood pressure and blood sugar levels.



A family health clinic for the underserved urban community of the Borella zone was conducted on 12.08.2018 with the support of the Sri Lanka Family Planning Association on 12.08.2018 at the 'Aramaya Pedesa' community hall. Around 100 community members received treatment at the clinic.



A kidney care clinic for the urban community of underserved settlements belonging to the Borella zone was held at T-20 community hall on 13.12.2018 with the resource contribution of the Western Province Ayurveda Department and the Community Health Unit of the Thimbirigasyaya Divisional Secretariat. IT was attended by approximately 60 persons.

5.4 Conducting dental clinics

A dental clinic was organized in partnership with Maligawatta Dental Medical Unit on 11.09.2018 at Kadiranawatta community hall to improve the oral health of the urban settlement community. The number of persons attended the clinic was 54.

5.5 Offering a midday meal and conducting an awareness programme for pregnant mothers of the Colombo Central zone concurrent to World Habitat Day 2018

An awareness programme with the aim of uplifting health of 30 pregnant mothers was held on 08.03.2018 at Navagampura community hall and with the financial and material contribution made by officers of our Authority the midday meal was offered to 30 mothers who took part in the programme. “Baby Cheramy” a subsidiary of Hemas Group, donated baby soap, baby cream and baby cologne to the participating mothers.



Hon. Minister of Housing & Construction providing donating chairs to community societies

5.6 Donating chairs to community societies

Absence of a proper place to meet and discuss common issues of settlements is one of the problems faced by settlement communities and taking into consideration the requests made by community societies, our Authority donates chairs free of charge to community societies to address this problem. During the year 2018, 761 chairs were distributed among 24 community societies.

5.7 Conducting religious programmes

Diverse religious programmes are conducted for religious harmony and mental relaxation and relief of the community. As part of this programme, “Arunapura Community Welfare Society” of Ampara, Damana conducted a series of religious observations including the conduct of Buddha statue to the shrine room, pirith chanting pinkama and an alms giving to Maha Sangha.





An officer of the USDA conducting a lecture

5.8 Linking up external organizations with human development programme

On a request made by Senior Lecturer Dhammika Herath of the Social Science Faculty of the University of Peradeniya, a lecture on urban settlement development projects implemented by the USDA and a field visit was held on 18.05.2018 at Sayurupura multi-storey housing complex, Angulana for the third year students of the faculty.

During the lecture Senior Lecturer Dhammika Herath said that it was transpired at a research conducted in the housing projects within the Colombo urban zone that the people living in housing schemes implemented by the USDA lead a happier life when compared to other housing schemes.

Financial Statements

Urban Settlement Development Authority

Income and Expenditure Account

For the year ended 31 December 2018

		Notes	2018	2017
			Rs.	Rs.
Income				
	Treasury Grant- recurrent expenditure		103,650,000.00	90,848,450.00
	Treasury Grant - Human resources programme		19,340,000.00	20,000,000.00
	Interest income	13	8,175,950.98	6,991,619.09
	Other income	14	1,781,345.40	7,523,032.35
Income			132,947,296.38	125,363,101.44
Expenditure				
Administrative Expenses				
	Salaries		4,355,824.75	53,158,043.28
	Salaries (Contract basis)		3,973,714.16	-
	Overtime allowances		3,217,388.47	2,234,178.63
	Other allowances		3,201,538.00	4,507,701.00
	Employee incentives		-	1,507,500.00
	Board allowances		1,501,200.00	1,798,896.00
	Travelling expenses (local)		779,122.19	908,070.51
	Travelling expenses (Foreign)		265,045.37	155,611.18
	Stationary		2,355,513.80	2,887,560.44
	Fuel		5,300,120.73	4,525,382.51
	Welfare expenditure		589,714.30	551,577.94
	Newspapers		49,170.00	50,600.00
	Stamps		402,484.00	366,023.00
	Expenditure for ceremonies		53,000.00	340,421.70
	Bank expenses		16,245.00	34,770.00
	Telephone expenses		1,795,653.90	1,993,049.52
	Office rent expenses		14,401,849.32	14,386,979.29
	Repairs and maintenance Office equipment		448,782.77	579,058.01
	Vehicle repairs and maintenance		2,111,080.21	7,753,788.72
	Buildings repairs and maintenance		175,191.00	52,075.00
	Furniture repairs & maintenance expenditure		-	10,240.00
	Building renovations		-	693,093.13
	Insurance expenses		772,086.91	690,301.58
	Janitorial expenses		1,093,433.55	952,766.81
	Expenditure for training programmes		514,600.00	885,704.61
	Printing expenditure		44,625.00	115,819.07

	Notes	2018	2017
Exhibition fees		-	87,012.00
Purchasing consumer items		-	19,702.36
Publicity		653,501.07	883,750.00
Other expenditure (Supplies)		191,708.86	47,644.00
Other expenditure (Services)		381,458.85	588,995.45
Audit fees		211,735.00	150,000.00
EPF		6,306,876.25	6,221,568.56
ETF		1,596,036.42	1,554,985.61
EPF (Contract)		446,772.56	-
ETF (Contract)		98,814.90	-
Security expenditure		123,890.32	321,200.00
Gratuities payment		2,359,090.50	3,335,479.00
Electricity expenditure		9,805.15	14,641.65
Water bills		34,684.86	20,751.53
Medical expenditure		-	21,718.00
Commission for scattered housing loan recovery		1,176,921.23	1,116,690.05
Donations		-	397,170.00
Legal fees		229,775.00	92,461.31
Withholding taxes		55,807.83	210,454.43
Doubtful debt		202,034.98	269,349.42
Depreciation of fixed assets		4,234,210.65	3,772,788.07
Operating lease rent installments		12,067,850.00	7,629,751.67
Remitting money from sale of vehicles to Ministry of Finance		5,423,025.00	-
Distress loan		5,694,754.65	-
		138,916,137.51	127,895,325.04
Development expenditure			
World Habitat Day Programme		3,239,525.82	5,171,083.44
Transport		12,295.00	96,505.00
Janasevana Swashakthi human development programme		14,024,714.35	7,625,040.60
Angulana maintenance expenditure		3,900,644.00	2,203,520.09
Rajgama housing project		3,780,676.40	-
Hambantota project expenditure		-	1,965,968.49
Anuradhapura maintenance expenditure		-	249,950.00
Sri Wickramapura expenditure		75,855.70	-
		25,033,711.27	17,312,067.62
Total Expenditure		163,949,848.78	145,207,392.66
Surplus/deficit relevant to the period		(31,002,552.40)	(19,844,291.22)

Urban Settlement Development Authority

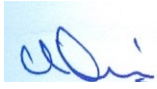
Statement of Financial Position

As at 31 December 2018

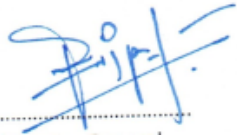
	Notes	2018	2017
Assets		Rs.	Rs.
Current assets			
Cash and bank balance	01	27,782,099.90	74,251,686.45
Resource centres – Inventory	02	872,100.50	946,098.50
Cash advances	03	162,864.50	391,867.82
Festival advances		60,000.00	31,250.00
Staff loans		12,498,859.42	17,664,245.64
Distress loan		7,480,417.94	12,835,371.38
Distress loan (2018)		4,940,300.00	-
Welfare loans		10,000.00	10,000.00
Educational loan		226,187.58	-
Receivable service charges -UDA		207,331,767.00	207,331,767.00
Receivable loans- scattered housing-2018		7,891,445.03	9,070,378.49
Accounts receivable	04	126,528,264.11	64,310,473.50
Contract advances	05	2,855,769.83	2,855,769.83
Angulana housing stock		67,375,000.00	-
Chillaw housing stock		25,804,236.85	-
Anuradhapura (Thuruithurugama) housing stock		6,328,507.81	-
48 watta housing stock		34,500,000.00	-
		532,647,820.47	389,698,908.61
Non –current assets			
Loan stocks	06	481,520,577.08	418,578,818.72
Ongoing projects	07	1,313,178,287.42	1,370,592,291.49
Property plant and equipment	08	21,673,360.35	9,466,352.56
Angulana housing project		-	112,500,000.00
Chilaw housing project		-	52,970,619.10
48 Watta, housing project (housing stock 14)		-	34,500,000.00
Thuruithurugama housing project (housing stock 8)		-	6,328,507.81
		1,816,372,224.85	2,004,936,589.68
Total assets		2,349,020,045.32	2,394,635,498.29

	Notes	2018	2017
Liabilities			
<u>Current liabilities</u>			
Accrued expenditure	09	34,872,333.94	53,934,497.40
Management Corporation Fund –Sayurupura		301,000.00	11,823,000.00
Collection of water bills- Angulana		841,963.86	794,291.86
Retained money	10	1,299,416.89	1,299,416.89
Accounts payable -REEL Company		7,107,859.84	7,107,859.84
Scattered housing loan project – Payments in advance		249,147.42	274,303.72
Thuruithurugama - Payments in advance		138,509.54	105,910.00
Self-employment loan – payments in advance		56,890.68	10,182.83
Chilaw housing loan –payments in advance		20,436.07	461,599.00
Sanitary facility improvement programme – Hambantota		4,514,970.13	4,514,970.13
		49,402,528.37	80,326,031.67
<u>Noncurrent liabilities</u>			
Allocation for gratuity		17,887,921.00	16,488,828.50
		5,694,754.65	-
		23,582,675.65	16,488,828.50
Total liabilities		72,985,204.02	96,814,860.17
<u>Net assets</u>		2,276,034,841.30	2,297,820,638.12
Equity and reserves			
Treasury grants	11	2,083,048,500.13	2,081,868,530.69
Consolidated fund		12,065,000.00	12,065,000.00
Capital reserves	12	66,631,144.64	-
Income reserves		34,500,000.00	93,094,358.50
		2,196,244,644.77	2,187,027,889.19
Income expenditure balance (b/f)		110,792,748.93	130,637,040.15
Surplus/deficit		(31,002,552.40)	(19,844,291.22)
		79,790,196.53	110,792,748.93
Total equity		2,276,034,841.30	2,297,820,638.12

The preparation and presentation of the final account statements is the responsibility of the Board of Directors of the USDA. Approval of the Board of Directors has been received for these financial statements and signed on behalf of them.



Director (Finance)
USDA



Director General
USDA



Chairman
USDA



Member of the Board
USDA

Urban Settlement Development Authority

Cash flow statement

As at 31 December 2018

	2018	2017
	Rs.	Rs.
Cash flow -Operational activities		
<u>Receipts</u>		
Treasury grants (recurrent)	103,650,000.00	90,848,450.00
Ministry of Housing and Construction	427,000.00	
Other income	211,152.02	369,130.20
Interest income	804,279.48	2,767,857.78
Recovery of distress loans	1,741,533.44	8,174,637.34
Recovery of housing loans of USDA employees	4,668,756.26	4,711,045.12
Sinhapura Rent income	350,000.00	431,000.00
Tender deposits	68,500.00	
Reimbursement –building repairs		1,786,059.20
REEL Income		7,107,859.84
	111,921,221.20	116,196,039.48
<u>Expenditure</u>		
Salaries and other allowances	66,230,056.56	70,039,754.54
Travel expenses	4,228,622.27	3,490,190.60
Service expenses	9,502,915.80	15,224,893.57
Contractual services	22,635,410.66	7,314,378.25
Maintenance expenditure	7,705,779.36	5,210,990.91
Commission for collection of loans	1,162,917.05	1,051,711.95
Cash advance	152,314.50	179,243.63
	111,618,016.20	102,511,163.45
Net cash flow for operational activities	303,205.00	13,684,876.03
Investment activities		
<u>Receipts</u>		
Scattered housing loan instalments	6,638,883.94	7,913,222.89
Anuradhapura loan Installments	1,409,038.00	398,775.00
Swashakthi self-employment loan installments	1,507,869.03	787,036.74
Sewing machines loan installments	871,000.81	596,820.00
Angulana loan installments	923,537.00	407,100.00

	2018	2017
	Rs.	Rs.
Sahaspura housing project	693,536.22	549,427.64
Sinhapura housing project	298,022.00	937,409.61
Wadulawatta housing project	208,990.00	1,192,260.00
Sri Wickramapura – Income		
Sanitary project		4,514,970.13
Angulana - initial payments on sale of houses	100,000.00	514,300.00
Chilaw housing loan installments	878,561.00	447,299.00
Educational loan recovery	128,906.18	
Horana housing project –repayments of suppliers	668,200.00	
Rajgama housing project	324,685.00	
Sahaspura deed fee	240,200.00	
Fixed assets sales income	1,438,000.00	4,067,825.00
Loan recovery of welfare association	1,650,000.00	
Ministry of Housing and Construction	619,532.50	
	18,598,961.68	22,326,446.01
<u>Expenditure</u>		
Angulana community hall	2,932,646.63	
Angulana project –Maintenance expenditure	3,993,739.12	2,310,874.09
Lunawa housing project	12,525,442.59	247,612,412.14
Talawakele housing project	1,768,399.98	(7,071,000.11)
Hambantota project		1,965,363.59
Chilaw housing project		3,151.00
Horana project	1,513,786.65	6,314,940.72
Anuradhapura project		243,200.00
Rajgama project	11,850,801.30	52,595,263.00
Mahaiyawa project	871,929.60	997,801.14
Purchasing fixed assets	592,455.00	2,566,555.39
Social mobilization expenditure	20,123,645.95	16,009,094.41
Staff housing loans –USDA		600,000.00
Distress loans	4,940,300.00	11,436,640.00
Educational loans	407,500.00	
Bambarakele project	15,108.24	
Angulana repayments	300,000.00	
Transfer money to the Ministry –(Sales of vehicles)	5,423,025.00	
Loans of Welfare Society	1,800,000.00	
	69,058,780.06	335,584,295.37

	2018	2017
	Rs.	Rs.
Net cash flow for investment activities	(50,459,818.38)	(313,257,849.36)
Financial Activities		
<u>Receipts</u>		
Treasury grants (capital expenditure)	19,340,000.00	299,049,179.39
Angulana management corporation fund	133,000.00	680,480.00
	19,473,000.00	299,729,659.39
<u>Expenditure</u>		
Repayment of annual provisions to the Ministry “Rajgama housing project”	2,536,737.00	
Horana housing project	1,594,236.17	
Angulana management corporation fund	11,655,000.00	
	15,785,973.17	-
Net cash flow generated from financial activities	3,687,026.83	299,729,659.39
Net increase/decrease in cash and cash equivalents	(46,469,586.55)	156,686.06
Cash and cash equivalents at the beginning of the year	74,251,686.45	74,095,000.39
Cash and cash equivalents at the end of the year	27,782,099.90	74,251,686.45

Note – Cash flow statement

Cash book balance as at 31/12/2018

Bank of Ceylon, Battaramulla (Recurrent) -0010004252	6,565,552.32
Bank of Ceylon, Battaramulla (Capital)-00071295541	4,624,447.52
Bank of Ceylon, Battaramulla (Anuradhapura)-0072703594	2,182,571.17
Savings account -72697157	13,480,388.14
Savings account –Management Corporation Fund -76710959	929,140.75
	27,782,099.90

Urban Settlement Development Authority

Statements of changes in equity

As at 31/12/2018

Description	Opening balance		Changes in the current year				Closing balance	
	2017	2018	2017		2018		2017	2018
			Additions	Deductions	Additions	Deductions		
Seed capital	-	-	-	-	-	-	-	-
Consolidated fund	12,065,000.00	12,065,000.00	-	-	-	-	12,065,000.00	12,065,000.00
Govt grants	1,826,800,184.31	2,081,868,530.69	295,225,387.96	40,157,041.58	68,248,681.46	67,068,712.02	2,081,868,530.69	2,083,048,500.13
Capital Reserves	-	-	-	-	66,631,144.64	-	-	66,631,144.64
Revenue reserves	93,094,358.50	93,094,358.50	-	-	-	58,594,358.50	93,094,358.50	34,500,000.00
Cumulative fund	130,637,040.15	110,792,748.93	-	19,844,291.22	-	31,002,552.40	110,792,748.93	79,790,196.53
Total	2,062,596,582.96	2,297,820,638.12	295,225,387.96	60,001,332.80	134,879,826.10	156,665,622.92	2,297,820,638.12	2,276,034,841.30

HUD/C/USDA/FA/18/01

2019 June 26

Chairman

Urban Settlement Development Authority

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Urban Settlement Development Authority in terms of Section 12 of the National Audit Act, No. 19 of 2018

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Urban Settlement Development Authority for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards (SLPSAS).

1.2 Basis for Qualified Opinion

- (a) Even though the Authority had recovered amounting to Rs.1.08 million from 2 housing schemes as loan installments during the year under review, the value of that assets had not been shown in the financial statements according to section 14 of the SLPSAS – 07.
- (b) The depreciation had not been computed relating to 4 fixed assets items valued at Rs.36.49 million and action had not been taken to identify those assets in detail. Further, according to the accounting policy No.1.1.3 (11), it had been indicate that the non – current assets are revalued in every 5 years period. However, none of the assets had been revalued up to end of the year under review.
- (c) The loan instalments receivable from 21 house holders as at end of the year under review from the Anuradapura “Thuruithurugama Green Settlement Project” had not been shown in the financial statements. Only the loan installments received during the year under review amounting to Rs.361,700 had been shown in the financial statements as other income.
- (d) The value of 09 houses, which had been constructed under the sudaraka technology at the Thuruithurugama Region in Anuradapura, and the lands belonging to them had not been shown under the lands and buildings in the statement of financial passion.
- (e) A sum of Rs.5,423,025 received from 3 disposed motor vehicles during the year under review and preceding year had been credited to the Consolidated Fund as per the direction given by the Treasury. However, that amount had also been stated as an expenditure of the Authority. As a result, the deficit of the Authority for the year under review had been overstated by that amount.
- (f) The Treasury grants amounting to Rs.25 million received to the Authority in 2013 for Trincomalee Housing Project had been released to the Treasury again in the year 2015 and due to and accounting error, out of the above amount, a sum of Rs.5 million had been deducted from the Agulana Housing Project’s cost. However, action had not been taken to correct that error in the financial

statements up to end of the year under review. As a result, the cost of that housing project had been understated by that amount.

- (g) According to the financial statements the receivable rent income as at end of the year under review from 48 housing units given on the resettlement basis amounted to Rs.1,117,256. However, according to the detailed schedules, that balance amounted to Rs.1,386,954. Thus, a difference of Rs.269,698 was observed between the above balances.
- (h) Even though in terms of sub-section 16(3) of the Urban Settlement Development Authority Act No.36 of 2008, the initial capital of the Authority should be Rs.5,000 million and it should be received by the Authority in instalment basis, no capital had been provided to the Authority up to end of the year 2018. As well, in terms of sub-section 16(e) of the Urban Settlement Development Authority Act No.36 of 2008, the service charges collected from the property developers, who invested in low income housing projects, by the Urban Development Authority should be credited to the Urban Settlement Development Authority Fund. However, according to the Cabinet Decision made on 14 December 2010, collection of the service charges had been terminated. Thus, the Authority had lost its main source of income.

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 Standard 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 Corporation'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 intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Corporation 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 Corporation.

1.4 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 Company'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 Corporation'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 Corporation 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.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. **Report on Other Legal and Regulatory Requirements**

National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

- Except for the effect of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Corporation as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.
- The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- The financial statements presented includes all the recommendations made by me in the previous year except 1.2 (f) observation of this report, as per the requirement of section 6 (i) (d) (iv) of the National Audit Act, No. 19 of 2018.

Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

- to state that any member of the governing body of the Corporation has any direct or indirect interest in any contract entered into by the Corporation which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.
- to state that the Corporation has not complied with any applicable written law, general and special directions issued by the governing body of the Corporation as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for.

Reference to Law/ Direction**Description**

(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka

(i) FR 136

At an audit test check, it was observed that 39 payment vouchers valued at Rs.20,577,568 had not been recommended by the authorized officer for the payment.

(ii) FR 371(2) (b)

In order to settle the sub imprest amounting to Rs.1,264,256 given in 77 instances to 37 officers, had been taken a period from 35 days to 360 days. Ad – hoc advances exceeding Rs.100,000 should be given only to the staff officers. It is required to exceeded that limit, the Chief Accounting Officer should make request form the Treasury, with his recommendation, and the prior approval should be obtained from the Treasury. However, contrary to that institutions exceeding advance payment limits, advances amounting to Rs.3,610,000 had been given in 14 instances.

(iii) FR 770

In terms of this Financial Regulation, action had not been taken to dispose 155 disposable items belonging to 40 categories identified at the Board of survey.

(iv) FR 1645

Even though a monthly summery should be maintained in the motor vehicle log books, such information had not been properly

updated relating to the motor vehicles of the Authority.

- (b) The Treasury Circular No.842 dated 19 December 1978 A Fixed Assets register had not been maintained as per the General Format 287.
- (c) The Public Administration Circular No.30/2016 dated 29 December 2016 A monthly transport service note should be prepared by the Authority including monthly fuel consumption, number of Kilometers ran, monthly repairing costs etc. However, such a service note had not been prepared by the Authority.
- (d) Section 3.2 of the Public Enterprises Circular No.PED 1/2015 dated 25 May 2015 The additional fuel expenditure that had been incurred for the special circumstances, exceeding the monthly fuel allowances, could be reimbursed obtaining the prior approvals. However, without obtaining the prior approvals, the fuel expenditure had been incurred and subsequently submitted for the approvals at the end of the relevant month.
- (e) Paragraph 2.3.1 (b) of the Government Procurement Guideline The land acquisition activities and other related requirements should be completed by the Procuring entity before starting to the Procurement activities in order to ensure uninterrupted implementation of construction works. However, the land acquisition activities relating to the Anuradapura, Agulana, Singhapura, Thalawakele and Lunawa Housing Projects had not been carried out up to end of the year under review.

- to state that the Corporation has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018 except for.
 - (a) According to the Urban Settlement Development Authority Act No.36 of 2008, the Authority had been established with a view to prepare a National Policy for the Urban Development and to ensure the implementation of a such policy. Nevertheless, the Authority had failed to prepare a such a policy in order to implement it. According to section 10 of the Act, a consulting committee, not exceeding 14 members including a Chairman, had been appointed by the Authority in April 2017. However, the activities relating to the objectives of the Act, such as proposals of the Authority, projects and action plans had not been identified even up to end of the year under review.
 - (b) Due to giving of 161 houses in 2 housing projects at lower than the cost, on the free granting basis, a sum of Rs.62,937,739 had been written-off from the Treasury grants during the year under review. However, the Treasury approval had not been taken thereon.

- to state that the resources of the Corporation had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018 except for.
 - (a) According to paragraph 4.2.1 of the Government Procurement Guideline, a detailed Procurement Plan for the year under review with the approval of the secretary to the Line Ministry had not been prepared.
 - (b) Even though a sum of Rs.2.86 million had been received by the Authority in 2015 to prepare the drainage lines of the Chilow housing project, that function had not been completed even up to end of the year under review and no any physical progress had been achieved.

- (c) According to section 5.3.18 (b) of the Government Procurement Guideline, Value Added Tax (VAT) should not be considered for evaluation. However, in the technical evaluation stage related to the all Procurements, the bids submitted by the VAT registered suppliers had been evaluated including the VAT and in contracts the buds of the non registered suppliers had been evaluated excluding the VAT. Accordingly, the Authority had favored to the non registered suppliers for VAT.
- (d) The contract period of the construction of the shopping complex and the garbage disposal unite of the Agulana Saurapura Housing Project had been terminated on 27 September 2016. However, actions had not been taken to complete the project's activities up to end of May 2019 and the Authority had failed to recover the advances amounting to Rs.2,803,447 paid to the contractor.
- (e) Even though it had been planned to complete the Lunawa Project during the preceding year by expending Rs.90 million, the project work had not been completed up to end of the year under review. Due to that reason, providing of houses to the beneficiaries had been delayed.

03. Other Audit Observations

- (a) Even though action had been taken to acquire the lands from various institutions since the year 2011, extent of 12.32 hectares in which 863 completed and uncompleted housing units are located and belonging to 5 housing schemes, it had been failed to acquire the lands up to end of the year under review. It was further observed in audit that due to that reason delays were occurred to handover the deeds to the recipients.
- (b) Three hundred and eighty housing units had been constructed by the Authority as at end of the year under review incurring a sum of Rs.1,172 million at Lunawa Housing Scheme. However, according to section 3 of the Cabinet paper submitted by the Minister of housing on 22 March 2012, action had not been taken to identify

under facilitated Urban Settlers belonging to 356 families living in the Moratuwa Urban Municipal Council area.

- (c) The Authority had failed to achieve financial or physical progress from 07 projects which expected to be implemented under the Treasury grants amounting to Rs.1,270.08 million up to end of the year under review. This situation further was observed as a management weakness.
- (d) Out of the receivables amounting to Rs.145,809,189 from 8 housing projects up to end of the year under review, only a sum of Rs.57,958,051 had been recovered as at 31 December of the year under review and that amount was represented 36 per cent of the receivable amount. In order to encourage the debt collections, sum of Rs.1,176,921 had been paid as debts collection commission by the Authority in the year under review. However debt collection progress was at lower level. Further debts collection progress of 4 projects was as low as at 10 per cent.
- (e) Due to not handing over of 54 completed houses of the Talawakale Lidula Housing Project to the beneficiaries since 4 years period up to end of the year under review, damages had been coursed and it was observed that the houses were in the renovation condition. Even though it had been planned to give 60 houses through the project on the resettlement basis, only 54 houses had been constructed. As well, 10 houses had been allocated to irrelevant persons contrary to the project objectives, those who not come under the resettlement objectives.
- (f) The agreements had not been signed with the 12 resettled house holders of the Anuradapura Thuruithurugama housing project and 09 house holders those who obtained the houses on selling basis, even up to end of the year under review. Even though 57 housing units had been constructed and given to the beneficiaries under the Chilow housing project, the agreements had not been signed with 25 house holders up to end of the year under review.
- (g) Even though it had been planned to commence construction works of the Kandy Mahiyawa Urban Housing Project at a cost of Rs.13.43 million in the preceding year, the construction works of the project had not been commenced up to end of

the year under review. Due to the failure of the Authority to find out qualified investor had been attributed to this situation. Further, the cost incurred on that project as at end of the year under review amounted to Rs.1,869,731.

- (h) Even though the Authority had transferred 45 housing units in the Agulana housing scheme valued at 134.03 million on free transfer papers, those transfers had not been conducted according to Section 26 of the Urban Settlement Development Authority Act No.36 of 2008. Further, the Authority had failed to identify a procedure for disposing of houses up to end of the year under review.
- (i) The loan given on the Hambantota Housing Loan Project as at end of the year under review amounted to Rs.3,656,154. Without being obtained approvals the Treasury or the Line Ministry the interest in arrears on that loans had been suspended based only on the Board approval. Also, action had not been taken to obtain the General Treasury approval even during the year under review.
- (j) The loan installments amounting to Rs.13.85 million that had been recovered by the Authority in the year under review from the beneficiaries of scattered houses had been expended for the recurrent expenditure of the Authority instead of being credited to a Fund in terms of Section 16 of the Urban Settlement Development Act No.36 of 2008. Further, without having the consent of the Urban Development Authority, the rent payable to the Urban Development Authority had been suspended by the Authority based only on a management decision. The rent in arrears as at end of the year under review amounted to Rs.28.53 million.
- (k) A sum of Rs.4.20 million had been incurred by the Authority in the year under review to repair a Jeep valued at Rs.7.50 million and had been acquired by the Authority from the Ministry. The expenditure so incurred for the repairing was represented 56 per cent of the value of motor vehicle. Hence, the economy of the repairing cost was a questionable matter in audit. Further, the running distance of that motor vehicle during the year under review was about 1,319 Kilometers.

- (l) According to the decision made by the Cabinet of Ministers for dissolved a company owned by the Authority, the assets of that Company held as at 31 December 2012 valued at Rs.20,429,773 should have been acquired by the Authority. However, the bank balance as at that date amounting to Rs.3,880,025 had not been acquired to the Authority. Further, the liabilities that should be settled to the external parties amounting to Rs.7,107,859 had not be settled even up to end of the year under review.
- (m) Out of the Treasury grants received up to end of the year under review amounting to Rs.1,336.31 million for 2 housing projects, a sum of Rs.38.09 million had been incurred for other expenses deviating from the objectives.
- (n) Eighty three housing units in 5 housing schemes of the Authority had not been resided for a period from 1 to 4 years and close down the houses. As a result, the rent income would have been collected by the Authority had been losted.
- (o) The outstanding loan balance from the first and second phase of scattered housing programme amounted Rs.33 million and out of that balance a sum of Rs.12.83 million was remained out standing for over 2 years.

W.P.C. Wickramaratne
Auditor General