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Introduction

Urban Settlement Development Authority

Urban Settlement Development Authority was established under the Urban Settlement Development Authority Act No. 36 of 2008.

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 to ensure a sustainable urban development and to upgrade the existing housings 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.

2015

The Board of Directors from 01.01.2015 to 31.12,2015

S. No	Post	Name	Date of appointment
1	Chairman	Mr. U.J. Kularatne	28.04.2015
2	Director General (Secretary to the Board)	Mr. R.S.Kahawala	19.10.2015
3	Member of the Board	Mr. D.A.G. Amarasekara	10.03.2015
4	Member of the Board	Mr. Nihal Fernando	09.10.2015
5	Member of the Board	Mr. L.S. Palansuriya	31.03.2015
6	Member of the Board	Mr. K.A.S. Walpola	27.04.2015
7	Member of the Board	Mr. W.M. Gunaratne	13.03.2015
8	Member of the Board	Dr. Maheem Mendis	13.03.2015
9	Member of the Board	Mr. E.L.W. Samarasinghe	13.03.2015
10	Member of the Board	Mr. A.K.G. Vijith Chandima	12.05.2015
11	Member of the Board	Mr. D.A. Gamini	24.05.2015
12	Member of the Board	Mr. A. Santiyago	18.05.2015

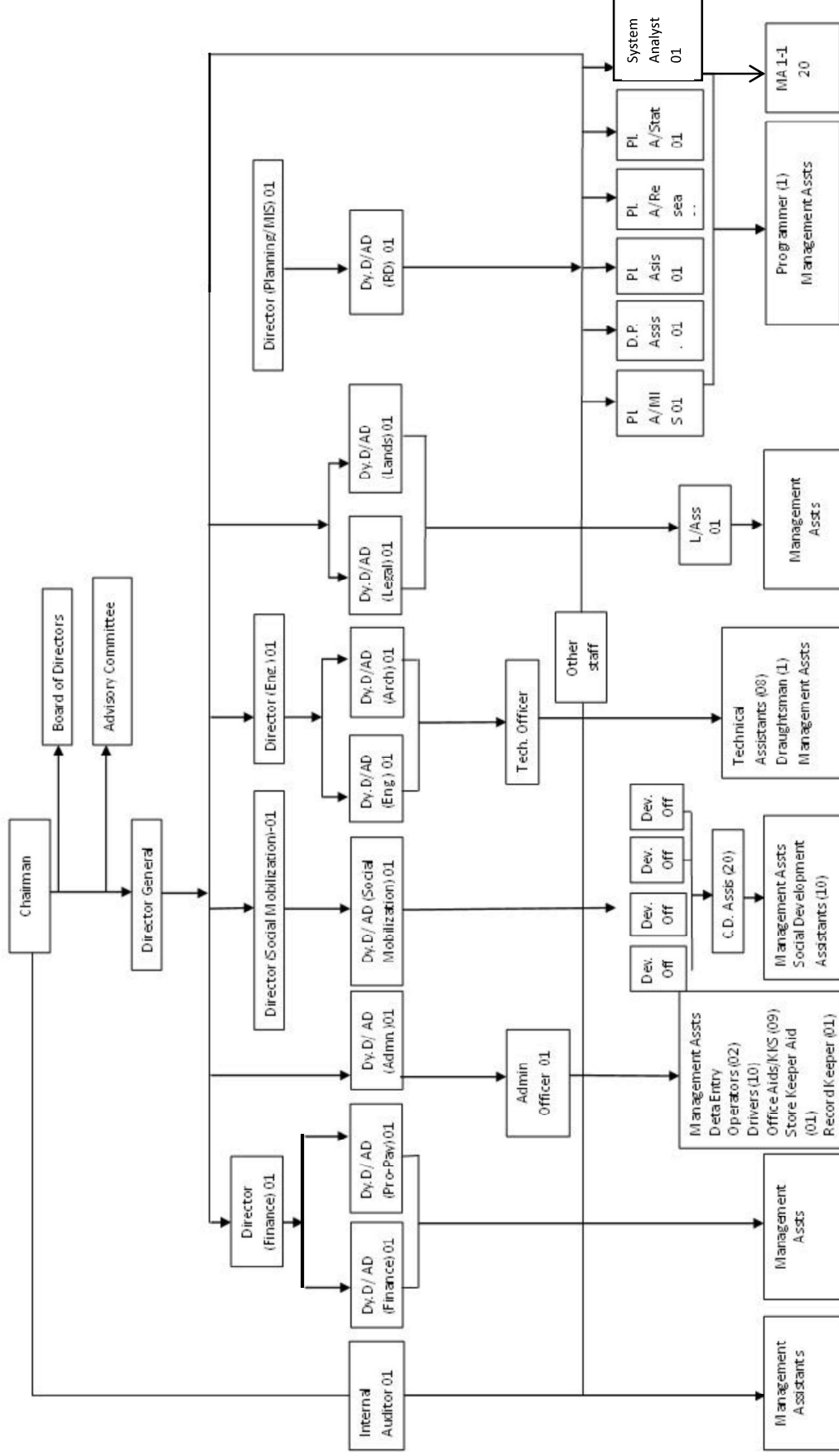
2015

Senior Management

Senior Management from 01.01.2015 to 31.12.2015

S. No	Post	Name	Date of appointment
1	Chairman	Mr. U.J. Kurukularatne	28.04.2015
2	Director General	Mr.R.S. Kahawala	19.10.2015
3	Director (Social Mobilization)	Mr. Y.R. De Silva	01.11.2011
4	Director (Finance)	Mr. N.G.G. Dias	01.02.2011
5	Internal Auditor (Acting)	Mr. L.R.A. Shantha	01.02.2011
6	Assistant Director (Legal)	Mrs Devika Dissanayake	01.11.2011
7	Assistant Director-(Research & Development)	Mrs. K.K.W.T.G. De Silva	01.11.2011
8	Assistant Director (Procurement)	Mr. R.D.S. Fernando	26.05.2014
9	Assistant Director (Finance)	Mr. A.M.K. Bandara Athauda	11.06.2012
10	Assistant Director (Architectural)	Mrs. M.S.V. Vipulaguna	08.08.2012
11	Assistant Director (Land)	Mr. W.P.U.K. Perera	10.11.2014
12	Assistant Director (Administrative)	Mr. A.P.R. Gnanapriya	17.11.2014

Organization Chart -2015 URBAN SETTLEMENT DEVELOPMENT AUTHORITY



Chairman's Review

The Urban Settlement Development Authority (USDA) established by the Urban Settlement Authority Act No. 36 of 2008 marks its seventh anniversary by the end of the year 2015. The prime objective of establishing this Authority is to formulate and implement programmes to upgrade existing housing units or provide better housing facilities paving the way for uplifting the living standard of people living in underserved settlements to bring about a sustainable urban settlement development through the formulation of a national policy in respect of urban settlement development. With this objective in mind the Urban Settlement Development Authority has planned and executed programmes under a physical and human development approach from its inception up to the end of year 2015 and same approach will be continued, too.

Under physical development, the construction work of Angulana Sayurupura multistoried housing scheme constructed as a solution to the housing problem of the community affected by the Tsunami and sea erosion was completed at a cost of Rs. 1255.57 million and was vested with people having signed agreements with 223 beneficiaries. The scheme also enabled the freeing of this natural coastal belt from temporary residents.

The planning and implementation of infrastructure facilities including the provision of drinking water and electricity and construction of the sewage drain system of Nariyagodella urban re-housing project, Chilaw which was completed and handed over to people was carried out during 2015.

The physical progress of the Lunawa multistoried housing scheme with 356 housing units implemented with the objective of offering housing solutions to underserved urban communities was 62% as at 31.12.2015 and the financial progress was Rs. 840.37 million. The Talawakele Lindula urban rehousing project implemented with the same objective achieved a physical progress of 80% as at 31.12.2015 and posted a financial progress of Rs 77.21 million.

The 1st phase of 'Janasevana Diriya' urban housing programme launched in the year 2012 addressed the housing needs of 252 families in the Colombo district and under the 2nd phase of the programme commenced during the tail end of 2014, 180 beneficiaries were granted a housing loan subject a ceiling of Rs 200,000 at a concessionary interest rate of 6% and the physical progress of the programme as at 31.12.2015 was 90%.

"Janasevana Swashakthi" Human Development Programme was initiated in the year 2011 and a host of programmes were implemented successfully for the benefit of low income communities residing in urban underserved settlements. This year too, International Children's Day was commemorated ceremoniously under the theme 'Open Space for All' and concurrently many programmes centered on children and young men and women of urban settlements were implemented.

Similarly, under the 100-day programme implemented on a concept of the new government as soon as the new government came to power in January 2015 covering the entire island and all sectors, the

Urban Settlement Development Authority executed several programmes with the objective of uplifting the living standard of people living in urban settlements which included the maintenance of condominium properties, the creating of urban profile covering the municipal council areas of Colombo, Moratuwa and Anuradhapura and urban council areas of Chilaw and Talawakele-Lindula under the management and housing programmes, establishment of community based organizations in every settlement, conducting community action plan programmes covering all settlements, establishment of community resource centres 20 selected settlements and making preliminary arrangements in another 05 settlements to establish community resource centres.

Thus, 2015 can be termed as a year in which the Urban Settlement Development Authority successfully implemented a raft of new projects for the attainment of its vision of “ensuring enhanced life-style within sustainable urban human settlements”.

Chairman
Urban Settlement Development Authority

Report of the Board of Directors

The Board of Directors of the Urban Settlement Development Authority as at 31.12.2014 is as follows.

Mr. U.J.Kurukularatne

Chairman

Mr. R.S.Kahawala

Secretary to the Board

Mr. D.A.P. Abeysekara

Director

Mr. Nihal Fernando

Director

Mr. L.S.Palansuriya

Director

Mr. K.A.S. Walpola

Director

Mr. W.M. Gunaratne

Director

Dr. Mahim Mendis

Director

Mr. E.L.W. Samarasinghe

Director

Mr. A.K.P. Vijith Chandima

Director

Mr. D.A. Gamini

Director

Mr. A. Santiyago

Director

During the year under review, 12 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 this period. The following members of the Board of Directors serve as the members of the Audit and Management Committee.

Mr. D.A.P. Abeysekara - Chairman

Dr. Mahim Mendis

Mr. A.K.G. 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 proper manner 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

Audit 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 consists of the treasury representative of the Board of Directors and two members of the Board of Directors. In keeping with the guidelines for state enterprises, Mr. D.A.P. Abeysekara, the treasury representative of the Board and Assistant Director of the Department of Public Enterprises, served as the Chairman of the Committee in the year 2015. 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 2015 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.

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 – 2015

During the year 2013, the USDA implemented the 03 development programmes as indicated below.

1. Physical Development Programme
 - 1.1 Re-housing programme for the people of urban underserved settlements.
2. Janasevena Diriya Urban Housing Programme for converting temporary and partially constructed houses in urban areas to standardized houses.
3. “Janasevana Swashakthi” human development programme

Physical Development Programme

Angulana re-housing projects



This housing scheme constructed as a solution to the housing problem of the community affected by the Tsunami and sea erosion was completed at a cost of Rs. 1255.57 million and was vested in people on 18 November 2014. As of 31.12.2015, agreements had been signed with 223 beneficiaries. Other programmes under the human resources development programme including awareness creation on condominium lifestyle are carried out for the empowerment of the people. This multistoried housing has helped in freeing the Angulana coastal belt.

Re-housing projects at Chilaw.

Chilaw housing project was launched with the objective of providing a permanent housing solution to sanitary labourer community of the Chilaw Urban Council living in a settlement in the Chilaw town centre and uplifting their living standard. It comprises 57 single unit houses and the construction was completed in December 2014 at an estimated cost Rs 60.54 million. In 2015, plans were drawn up for

the provision of infrastructure facilities including electricity and a proper drain system as the land area of the project faces constant threats of floods.



Lunawa Housing Project



Lunawa housing project consisting of 12 stories (G+11) and 356 housing units is constructed at the Lunawa Grama Niladhari Division, Moratuwa at a total estimated cost of Rs. 1,369.316 million with the objective of offering a housing solution to underserved urban community. As of 31st December 2015, a cumulative financial progress of 62% and a cumulative financial progress of Rs 840.375 million has been reported. Plans are afoot to complete the construction during the year 2016.

Talawakele- Lindula Housing Project

People living in ‘Udalaima’ settlement and the settlement adjoining the land in old market have been selected as beneficiaries of this project. Talawakela- Lindula housing project with 54 housing units will be constructed at “Holirood” land in the Talawakele- Lindula UC area at a cost of Rs. 78.40 million. As of 31st December 2015, a cumulative financial progress of 80% (physical progress on total construction cost was 90%) and a cumulative financial progress of Rs 77.21 million.



‘Janasevana Diriya’ Urban Housing Programme – Phase II

‘Janasevana Diriya’ urban housing programme –Phase II was launched in October 2014 on a provision of Rs. 38 million allocated from the 2014 budget consequent to the survey on identifying housing loans. Under the programme, 180 beneficiaries receive a housing loan subject to a ceiling of Rs 200,000 at a concessionary interest rate. (at an annual interest rate of 6% to cover the administrative and other costs). The maximum payback period is 10 years. The progress reported as at 31.12.2015 was 90%.



Signing agreements with beneficiaries

Progress of projects and programmes implemented by the Authority under 100-day programme

Details of programmes/ projects implemented by the Urban Settlement Development Authority under urban settlement development and maintenance and management of condominium property parallel to 100-day programme covering the Colombo, Moratuwa and Anuradhapura Municipal Council areas and Chilaw and Talawakele & Lindula Urban Council areas are given below.

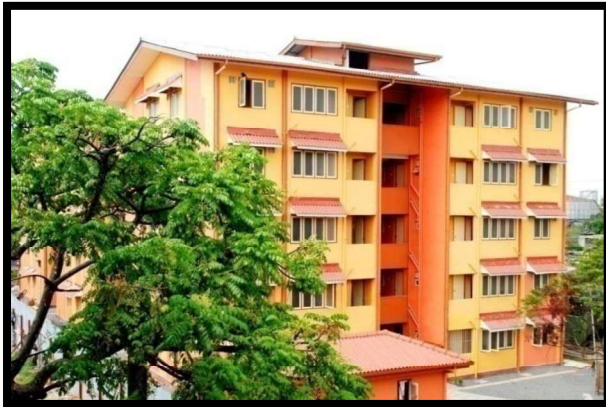
Urban Settlement Development Programme

Progress of development programmes carried out in 59 identified underserved urban settlements in Colombo concurrent to 100- day programme is outlined below.

- Creating urban settlement profile for all 59 settlements
- Establishing a community based organizations in each of the 59 settlements
- Conducting 59 community action plan workshops
- Establishing 20 community resource centres and finalizing preliminary activities for the establishment of 05 more community centres as planned.
- Developing basic infrastructure facilities
-

Several programmes conducted at Sahaspura housing project, Sinhapura multistoried housing project (Phase ii), Anuglana re-housing project, Chilaw housing project, Talawakele Lindula housing project-Phase I and Anuradhapura Thuruithurugama green housing project in association with 100-day programme are indicated below.

Sinhapura multistoried housing project (Phase II)



- Implementing social mobilization programme
- Preparing condominium plan

Anuradhapura Thuruithurugama green housing project



- Freeing lands from encroachers enabling the Archeological Department to carry out archeological excavations in the sacred area.
- Implementing social mobilization programme

Angulana re-housing project

- Making preliminary arrangements for the preparation of condominium plan and coordinating with Moratuwa Divisional Secretary and taking initial steps for the release of coastal belt to the Department of Coastal Conservation.

Swashakthi Human Development Programme

In addition to the empowering of communities living in underserved urban settlements for their socioeconomic and cultural uplift as a responsibility entrusted from the Urban Settlement Development Authority Act, the responsibility of formulating and executing human development programmes at the urban settlement level with a view to positively promoting knowledge, attitude and skills of children and young men and women of these communities has been assigned to this Authority. With this objective in mind, the ‘Swashakthi’ human development programme is in operation since 2011 with the emphasis on the following.

- Making communities aware of Swashakthi human development programme and conducting survey on the chief occupant of the household.
- Establishing and updating ‘Swashakthi’ community based organizations.
- Establishing and empowering community societies and conducting community action workshops (under 100-day programme)
- Empowering women of underserved settlements
- Programme for empowering young men and women
- Programmes for promoting skills and attitudes of children
- Implementing community medical clinic programmes
- Conducting shramadana programmes with the community at settlement level
- Conducting religious programmes
- Conducting cultural programmes
- Implementing community participatory physical programmes

In the year 2015 too, various programmes were implemented to achieve these objectives.

Activities of the Swashakthi Human Development Programme

1. Creating awareness amongst the community on ‘Swashakthi’ human development programme and survey on the chief occupant of the household

1.1 Conducting socioeconomic surveys in new settlements within the Colombo urban area

Creating awareness among families on the Swashakthi Human Development Programme and registration and collection of information of Swashakthi families were carried out in the year 2014 and residents of settlements were made aware of the objectives and activities of the programme.

Accordingly, 3,531 families from 29 settlements representing all four urban zones in Colombo were briefed about the programme in 2015 and the survey on the chief occupant of the household was conducted.



Socioeconomic surveys in respect of 660 families at Samudragama-Trincomalee fisheries housing scheme, Sandindagama and Sethsandagama- Hambantota, and Pragathipura - Awissawella were carried out.



Making families aware of ‘Swashakthi’ human development programme and the registration of Swashakthi families were continued in new settlements in 2015 and as part of this programme, residents of Pragathipura settlement, Awissawella were enlightened on objectives and activities of Swashakthi human development programme.

1.2 Family surveys were conducted in Trincomalee District

Awareness was raised among residents of settlements on the objectives and activities of Swashakthi human development programme



1.3 Family surveys were conducted in Hambantota District



2.0 Strengthening community based organizations

Swashakthi programme established a strong organizational structure in settlements by mobilizing vibrant community based organizations in settlements and establishing Swashakthi community development societies in settlements where CBOs were dormant.

2.1 Talawakele- Lindula Housing Project

On a concept of the Hon. Minister of Sajith Premadasa, an island-wide programme is now being implemented under the “Shelter for All” housing drive to vest housing projects expeditiously in the people.



A community meeting and a discussion with officials of the Urban Council were held under the patronage of the Director General and with the participation of the heads of divisions with the intention of speedily handing over the Talawakele Lindua housing project initiated by the USDA to beneficiaries currently residing at ‘Udalaima’ and ‘Old Market’ settlements and subsequently a field visit was undertaken by our staff at ‘Udalaima’ and ‘Old Market’ settlements.



2.2 Anuradhapura Thuruithurugama housing project – Community meeting

The updating of community society of Anuradhapura Thuruithurugama housing project for the year 2015 took place during this meeting. The community was also educated by officials of public sector institutions about the services rendered through the Divisional Secretariat. In addition, development of home gardens too was discussed.



2.3 Establishment of community societies in Trincomalee district



2.4 Chilaw –Nariyagodella housing project – Community meeting

Belonging to the Land Reforms Commission this fallow paddy land called Nariyagodella is 5 acres 2 roods and 4 perches in extent. The section of the land selected for the construction of houses was filled by bringing earth from outside. The houses were constructed using community participatory approach and with the involvement of the Chilaw Urban Council from the planning stage itself.

The number of houses constructed under the project was 57 and the families selected as beneficiaries of the scheme have been living in an underserved settlement in the Chilaw town centre where houses have

been found to be unsuitable for living. Each house has been constructed in a separate plot of land and today beneficiaries live in a properly constructed house in their own plot of land. The USDA, with the objective of resolving socioeconomic problems of these families has implemented a human development programme with the participation of families and their children.



2.5 Awissawella Pragathipura Community Meeting

The updating of the Community Society of Awissawella Pragathipura settlement for the year 2015 took place at this meeting. The officials of the Social Mobilization Division conducted awareness programmes on ‘Swashakthi’ human development programme for the community.



2.6 “Shelter for All” model village programme

2.6.1 Establishment of Community Societies in the Hambantota District – “Sanhindagama” Settlement

On a concept of the Minister of Housing and Construction Hon. Sajith Premadasa, foundation stone was laid for the construction of 30 houses at the Night Bazaar land, Hambantota for 30 selected

beneficiaries. With the intervention of the USDA and the guidance of the Social Mobilization Division, the construction activities are carried out expeditiously at present.

The Social Mobilization Division of the Authority motivates and guides the beneficiaries who are low income families without permanent housing, to contribute their labour for all activities of the housing project. In particular, at the commencement of the project, community societies were established to augment the organizational strength and cordiality of the community, make them aware of their strengths, motivate the community to construct houses with minimum financial contribution and maximum labour contribution. These activities were carried out with the intervention of the Social Mobilization Division.



2.6.2 Establishing Community Societies in the Hambantota District- ‘Sethsandagama’ Settlement

Another project under “Shelter for All” named “Sethsandagama” housing project was commenced in Julgamuwa- Pallemalala area. The project upon completion will provide benefits to 25 families and it is now being carried out with the intervention of all divisions of the Urban Settlement Development Authority.



03. Establishing and empowering community societies and conducting community action workshops (Under 100-day programme)

Community action workshops were conducted under the 100-day programme by involving 70 underserved settlements and the objective of the programme was to facilitate settlement communities to identify their needs and create awareness on the ways and means of meeting such needs.

Accordingly, 63 community action workshops were conducted covering the 04 zones with the assistance of the relevant institutions and their resource contribution.



“Diriyata Diriyak” self employment promotion programme

4.0 Empowering women of underserved communities

4.1 Granting overlock sewing machines under entrepreneurship promotion programme to urban low income families

Under the ‘Swashakthi’ Human Development Programme implemented by our Authority, various programmes were implemented over the past few years for economic upliftment of urban families. As part of this programme, overlock sewing machines were granted to 87 beneficiaries involved in dress making and associated occupations as self employment.

The amount spent on the sewing machines will be recovered in equal installments without any interest and after three months of granting the machines, an evaluation will be carried out to ascertain whether machines are used for the intended purpose.



4.2 Self-employment support for low income women

Appreciating skills and talents of women living within the Colombo municipality area, a programme was conducted for them to further improve their skills by the Sri Lanka Girl Guides Association while coordinating the resource institutions and officials.

The required guidance was offered through this programme for women to contribute to family economy by employing their talents to generate income.



“Acquire skills – emerge victorious in life”

5.0 Programme for empowerment of young men and women

5.1 Vocational training programme for skills improvement

The tendency for pursuing vocational studies after the completion of their school education has been found to be at a very low level among young men and women of urban underserved settlements in Colombo and as a result the majority of them have taken up unskilled jobs.

Hence, the Authority offers them the necessary guidance to follow vocational training courses that match their skills and in collaboration with National Apprentice and Industrial Training Authority the inaugural career guidance programme was conducted for them at Pradeepa Hall, Maligawatta and on the first day itself 112 young people were selected to follow vocational training courses in the fields they are interested in subsequent to interviews.

The selected youths were to undergo training at John Keels, Health Guard and the National Youth Council.



5.2 Motor mechanism and three wheeler technician training course for youths

Under the Swashakthi Human Development Programme of the USDA, a host of physical development and human development programmes for improving the living standard of communities living in urban underserved settlements are being carried out successfully. On a request made by young people, a motor mechanism course on cars and three wheelers were conducted covering 04 urban zones. David Pieris Company Limited served as the resource institution and main sponsor of this programme.



5.3 Establishing Youth Societies

With the intervention of the officials of the Social Mobilization Division, “Sagara” Youth Club was established mobilizing young men and women of Samudragama settlement, Trincomalee.



5.4 'Swashakthi' – fresh hopes for youth

Skills, attitudes and leadership training programme

Young men and women are stakeholders of the future challenge. They constantly seek to change the world. They are the natural inheritors of innovative thinking and unlimited physical power. They are the strongest beings born within man.

Through this programme, young people are accorded the opportunity to understand life and overcome challenges through sports and build up an active youth. Many young men and women of today are reluctant to grab opportunities that come their way and seem to be caught up in a state of confusion and the programme educates them on limitless opportunities available to young people today unlike in the past.



5.5 World Habitat Day Celebration – 2015

Six-a-side softball cricket tournament

'Swashakthi' human development programme is geared towards achieving human development as well as physical development of the communities living in urban underserved settlements.

With the aim of improving sports skills of young men and women of underserved urban settlements, 'Swashakthi trophy' a six-a-cricket tournament was held to coincide with World Habitat Day- 2015 and it served as fine opportunity for urban young men and women to hone their sports skills.

The first round matches of the cricket tournament were held in August and September and a total of 2012 teams with 171 men's teams and 31 women's teams registered for the tournament.

The matches were adjudged by umpires of the Sri Lanka Softball Cricket Association.



6.0 Attitude and Skills Development Programme for children

Establishing and updating Children’s Societies for the promotion of leadership qualities and positive attitudes in children.

6.1 Forming Children’s Societies – Colombo District

Forming Swashakthi Children’s Societies and implementing programmes for overall development of children with the objective of enhancing knowledge, attitude and skills of children of urban settlements and conducting various competitions, aesthetic skills development programmes, tree planting campaigns, savings and religious programmes and establishing children’s libraries.

The number of children’s societies thus established in the year 2015 was 15. Having created awareness on ‘Swashakthi’ children’s programme amongst children covering 04 urban zones, 20,000 children were involved in the programme.



6.2 Forming Children's Societies – Hambantota District

With the intervention of the officials of the Social Mobilization Division, children's societies were established in Sanhindagama and Sethsandagama housing projects constructed in the Hambantota District under the 'Shelter for All' national housing drive.



6.3 Forming Children's Societies – Trincomalee District

With the intervention of the officials of the Social Mobilization Division, a Children's Society named 'Mal Kekulu' was established with the participation of over 30 children of 'Samudragama' settlement, Trincomalee. Several activities were conducted to draw the attention of children.



6.4 Updating Children's Societies – Anuradhapura

The updating of the Children's Society of Anuradhapura Thuruithurugama Housing Project for the year 2015 was carried out with the intervention of the officials of the Social Mobilization Division. Diverse activities were carried out to improve sports skills and attitudes of children.



6.5 Opening new vistas through English educational programme

A 10-week English language course is conducted free of charge in partnership with the British Council for a group of 50 children of underserved urban settlements in the age group of 10-15 with the objective of improving their English language knowledge paving the way for them to reach greater heights by acquiring sufficient mastery in the international language.

A field inspection was carried out with the participation of officials of the USDA and the British Council covering all 04 urban zones. Children were selected to the course having conducted interviews and examined their educational qualifications and speaking and writing skills in English.



6.6 Establishing ‘Swashakthi’ community resource centres in underserved urban settlements

With the intention of uplifting the living standard of the community living in underserved settlements in Colombo, the responsibility to intervene for the physical development of the families of underserved urban settlements as well as their socioeconomic and cultural promotion has been entrusted to the ‘Swashakthi’ human development programme.

Having taken action to establish 22 resource centres in a public place involving several settlements for promoting knowledge and skills (the public places identified are mostly temples or community halls) and agreement has been entered into with the USDA with the concurrence of the head of the said location for the establishment of community resource centres.

For the functioning and maintenance of the Centre, an action committee which includes the head of the public place has been established. All decisions regarding the centre are taken through this committee and the official of our Authority who is in charge of such centres too is involved in the work of the committee.



World Habitat Day Celebration – 2015

The United Nations has designated the first Monday of October of every year as World Habitat Day. Accordingly, Habitat Day will be celebrated this year on Monday, 05 October.

World Habitat Day was established in 1985 at the annual session of UN Habitat held in Kingston, Jamaica upon the adoption of a resolution moved by Sri Lanka and was first celebrated in 1986. This year marks the 30th anniversary of this important day.

The responsibility for celebrating World Habitat Day as well as National Housing Day declared to be held on June 23 from this year has been entrusted to the Ministry of Housing and Samurdhi and the Urban Settlement Development Authority which is a major institution under this Ministry organized. as in previous years, a host of special programmes parallel to ‘Swashakthi’ Human Development Programme. Most prominent among them were the drama competitions, cricket tournament, essay competitions and art competitions for both children and youths.



6.7 Short drama festival of children



6.8 ‘Swashakthi’ Children’s art competition -2015

A painting competition with the objective of promoting creative and artistic skills of children of urban settlements was conducted on the theme of World Habitat Day 2015 with the intervention of the Social Mobilization Division.

This year’s art competition was conducted in three stages for the age groups of 15-18 years, 10-14 years and 6-9 years under different topics. In the first stage, 9000 children’s paintings were submitted for the competition.

Of them, the panel of judges selected 600 paintings for the art exhibition with 200 categorized as exceptionally good and another 400 as good.



6.9 Art exhibition of Children's painting competition

The art exhibition of the art competition organized as part of World Habitat Day celebration was held at Pradeepa Hall, Maligawatta with the participation of Minister of Housing Construction Hon. Sajith Premadasa and other distinguished invitees.



6.10 'Swashakthi' School essay competition to promote creative thinking

The essay competition for schoolchildren organized in connection with World Habitat Day celebration was based on schools located in close proximity to urban settlements. It was held under three age categories and the winners were selected by a panel of judges.

7.0 Conducting community medical clinics for a healthy life

7.1 Reproductive health clinic programme

A series of medical clinics were conducted with the aim of improving health of children and adults of poor families residing in underserved urban zones. As part of this programme, the Sri Lanka Family Planning Association successfully carried out an awareness programme of reproductive health covering all 04 urban zones.



7.2 Dental Clinic Programme

Under the patronage of the Dental Institute, Maharagama, a clinical programme and an awareness programme were conducted at Navagampura Community Hall to promote oral health among children living in 04 urban zones.



7.3 Ayurveda Medical Clinic

With the aim of fostering community health, an ayurveda medical clinic was conducted at Lesly Ranagala Community Hall under the aegis of the Western Province Ayurveda Commissioner's Office and the patronage of District Medical Manageress. Patients who attended the clinic were given medicines free of charge.

7.4 Blood Donation Campaign

A blood donation campaign was organized for the second successive year by Stacepura Swashakthi Human Development Community Society and Stacepura Samadhi Youth Club which work in collaboration with the Swashakthi human development programme and it was held at Sirimapura Pradeepa Hall, Grandpass. More than 100 volunteers donated blood.



8.0 Conducting Shramadana programmes with community at settlement level

Through this Shramadana campaign conducted under the auspices of the Colobo Municipal Council and the Community Police Unit and with the coordination of the Social Mobilization Division of the USDA and with the participation of residents of underserved urban settlements covering the Colombo North, Colombo Central, Borella and Eastern/ Western Colombo zones activities such as removal of garbage, removal of waste matter, creating awareness on dengue through a door to door campaign, fumigation for combating mosquito menace were conducted with the assistance of the officials of the Community Health Unit of the Colombo Municipal Council



9.0 A community replete with spiritual and mental health

9.1 Conducting religious programmes

At all times, 'Swashakthi' human development programme of the USDA strives to bestow to society, people replete with spiritual and physical wellbeing.

Sayurupura multistoried housing scheme was constructed to address the housing problem of the fisheries community living along Angulana coastal belt whose abodes were badly affected by sea erosion. After the people were settled in the scheme, a Pirith Chanting and an alms giving were conducted at the housing complex with the participation of all beneficiaries.



10. Cultural Programmes

10.1 New Year ceremony

The first ever New Year festival of Sayurupura multistoried housing complex held jointly by the community and the Children's Society was truly a success. The community was supported and guided by the officials of the Social Mobilization Division of USDA.



11.0 Implementation of Community Participatory Physical Projects

11.1 Construction of community hall, Anuradhapura

The construction work of the community hall of Thuruithurugama housing project was commenced consequent an agreement entered into with 302 Katukeliyawa village society and the members of the 'Swashkathi' human development society contributed their labour for the planning and construction of the community hall. The project was funded by the Department of Divineguma.



Urban Settlement Development Authority

Financial Statements for the year ended 31/12/2015

1. Financial position statement
2. Income and expenditure account
3. Cash flow statement
4. Changes in equity statement

Urban Settlement Development Authority
Statement of Financial Position for the year ended
31 December 2015

	Note	2015	2014
Assets			
Current assets			
Cash and bank balance	01	146,767,755.40	81,041,114.83
Stocks (for Resource Centres)	02	1,390,086.50	11,441,401.85
Advances	03	331,943.30	290,404.00
Staff housing loans		21,715,103.42	
Distress loans		9,964,875.29	7,466,185.85
Welfare loans		10,000.00	10,000.00
REEL Company			12,100,000.00
Receivables	04	26,026,594.03	16,741,364.25
Receivable service charges (UDA)		207,331,767.00	
Installments to be received for 2016- Scattered housing loan project		11,036,104.00	
Contract advances	05	225,297,470.86	170,562,116.84
		649,871,699.80	299,652,587.62
<u>Non –current assets</u>			
Housing loans	06	121,965,368.76	124,192,218.57
Ongoing projects	07	643,847,680.46	1,775,592,625.62
Property plant and equipment	08	7,898,473.09	12,970,151.34

Angulana housing project		478,988,658.00	
Chilaw housing project		52,177,656.10	
48 Watta, housing project)14 houses)		34,500,000.00	34,500,000.00
Thuruithurugama housing project) 8 houses)		6,328,507.81	6,328,507.81
		1,345,706,344.22	1,953,583,503.34
Total assets		1,995,578,044.02	2,253,236,090.95
Liabilities			
<u>Current liabilities</u>			
Accrued expenditure	09	23,628,810.53	242,944,312.78
Management Corporation Fund		11,105,000.00	7,830,000.00
Retained money	10	51,672,834.75	44,179,170.33
Housing Development Authority	11	1,192,275.15	2,959,364.16
Installments received in advance –Scattered housing loan project		167,530.00	
Installments received in advance- Sinhapura rented houses		90,000.00	
Anuglana rent advance			8,250,000.00
		87,856,450.43	306,162,847.27
<u>Noncurrent liabilities</u>			
Allocation for gratuity		9,714,817.25	5,738,637.50
		9,714,817.25	5,738,637.50
Total liabilities		97,571,267.68	311,901,484.77
Net assets		1,898,006,776.34	1,941,334,606.19

Equity and reserves			
Treasury grants	12	1,627,739,363.69	1,878,411,960.70
Income reserves		93,094,358.50	93,094,358.50
		1,720,833,722.19	1,971,506,319.20
Cumulated Funds			
Deficit/surplus for the year		(30,171,713.01)	(19,887,113.92)
		207,344,767.16	(10,284,599.09)
		177,173,054.15	(30,171,713.01)
Total equity		<u>1,898,006,776.34</u>	<u>1,941,334,606.19</u>

Accounting policies given in pages 03 and 04 and the notes given from pages 09 to 11 form an integral part of these financial statements. 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

Urban Settlement Development Authority
Income and Expenditure Account for the year ended 31 December 2015

	Notes	2015	2014
<u>Income</u>			
Ministry of Housing		41,651,140.00	49,136,399.70
Treasury Provisions		73,730,000.00	67,000,000.00
Interest income	13	7,827,568.80	8,287,240.82
Land Reclamation and Development Corp.		3,891,911.75	
1% Service Charge income		207,331,767.00	
Other income	14	1,205,955.00	1,677,350.82
Total Income		335,638,342.55	126,100,991.34
<u>Expenditure</u>			
<u>Administrative Expenses</u>			
Salaries		50,109,723.94	33,652,379.26
Overtime allowances		2,234,551.28	2,749,329.60
Other allowances		1,039,201.00	2,889,803.52
Bonus		1,785,000.00	1,335,000.00
Board allowances		789,652.00	897,460.00
Travelling expenses		490,730.81	629,771.00
Foreign tours expenses			2,211,339.47
Stationary		1,102,858.58	2,310,209.87
Fuel		1,848,772.53	2,290,876.10
Welfare expenditure		733,604.00	629,909.00

Newspapers	29,740.00	35,125.00
Stamps	138,925.00	80,305.00
Bank expenses	5,550.00	15,000.00
Telephone expenses	1,231,267.90	1,441,799.26
Office rent expenses	10,294,302.32	6,914,421.64
Repairs and maintenance Office equipment	564,053.49	471,299.21
Vehicle repairs and maintenance	3,590,993.34	2,087,204.23
Buildings repairs and maintenance	6,996.00	352,476.50
Building renovations	171,453.71	3,451,546.86
Insurance expenses	430,566.08	471,781.70
Janitorial expenses	677,626.49	376,875.00
Expenditure for training programmes	315,235.68	493,850.00
Printing expenditure	96,430.00	1,018,633.90
Purchasing consumer items	15,670.00	38,167.00
Publicity		244,093.00
Other expenditure -materials	30,575.00	26,924.00
Other expenditure –services	42,506.84	135,558.72
Audit fees	139,860.00	115,320.00
EPF	8,131,190.90	8,922,837.38
ETF	1,219,678.62	1,337,258.87
Security expenditure	324,000.00	289,000.00
Gratuity		

		4,691,429.75	1,499,716.87
Electricity expenditure		18,470.31	136,298.26
Water bills		24,404.25	181,484.06
Entertainment expenditure			8,710.00
Medical expenditure		18,000.00	2,500.00
Deyata Kirula programme			208,800.00
Commission for Scattered housing loan collection			143,690.70
Bad debt		823,533.73	
REEL Company		8,816.44	
Transport expenses		2,047,958.78	
Doubtful debt –Scattered Housing Loans		1,071,155.89	5,404,151.55
Depreciation		921,937.00	
	08	2,693,375.25	2,389,984.05
		99,909,796.91	87,890,890.58
<u>Development expenditure</u>			
Sinhapura housing project			3,617,773.33
Swashakthi community society construction		94,524.68	5,174,563.71
Sahaspura housing renovations			343,750.00
Habitat Day Commemoration Ceremony		6,070,558.24	24,074,474.18
Ceremony expenditure			14,000.00
Swashakthi human development		8,244,530.85	15,261,553.63
Hambantota sanitation project		7,275,996.00	
Construction of resource centres			

	1,055,381.70	
Angulana project- Maintenance	1,972,786.30	
Hambantota housing project	382,402.76	
Seethawaka ongoing project- balance	2,395,289.96	
Trincomalee ongoing project balance	747,754.49	
Lunawa – Price Committee Fees	144,553.50	
Anuradhapura housing project		8,585.00
	28,383,778.48	48,494,699.85
Total expenditure	128,293,575.39	136,385,590.43
Surplus/ (deficit) for the period	207,344,767.16	(10,284,599.09)

Urban Settlement Development Authority
Cash flow statement for the year ended 31 December 2015

	2015	2014
Operational activities		
<u>Receipts</u>		
Treasury grants (recurrent)	73,730,000.00	67,000,000.00
Other income	420,955.00	951,470.00
Interest income	1,714,869.57	2,219,950.61
Recovery of distress loans	2,504,602.09	798,580.96
Angulana installments	452,800.00	
Staff housing loan installments	2,317,987.05	
Rent income	712,000.00	315,000.00
Tender fees		
	81,853,213.71	71,285,001.57
<u>Payments</u>		
Salaries and wages	70,460,051.83	52,666,392.31
Travel expenses	473,224.31	2,808,721.97
Service expenses	3,113,622.91	4,923,098.65
Contractual services	15,041,958.42	19,816,337.97
Maintenance expenditure	4,591,453.91	7,042,858.38
Commission for collection of loans	814,703.73	
Cash advance	41,539.30	67,839.00
	94,536,554.41	87,325,248.28

Net cash flow for operational activities	(12,683,340.70)	(16,040,246.71)
Investment activities		
<u>Receipts</u>		
Housing Development Authority – Sahaspura renovations	7,121,750.17	31,141,388.49
Loan installments for scattered housing	8,394,227.06	3,833,684.86
Funds received- REEL	10,414,448.72	1,003,674.00
Receipt of funds for Angulana project		
Installments –Anuradhapura Katukeliyawa housing project		246,000.00
Swashakthi loan installments	191,413.86	232,710.32
	26,121,839.81	36,457,457.67
<u>Payments</u>		
Angulana housing project	158,920,614.77	241,357,521.01
Lunawa housing project	193,101,097.71	197,901,493.05
Talawakele housing project	7,133,609.12	40,957,707.24
Chilaw housing project	761,819.88	47,510,561.35
Seethawaka project	880,607.46	1,514,682.50
Hambantoa project	7,475,273.76	
Trincomalee project	9,400.00	738,354.49
Anuradhapura project	-	-
Sahaspura renovations	8,888,839.18	28,525,774.33
Purchasing fixed assets	2,295,163.20	4,176,057.60
Human development expenditure	15,387,413.42	47,584,974.09
48 watta		4,520,948.75

Staff housing loans	23,400,000.00	
Scattered housing loan	12,500,000.00	21,425,000.00
	430,753,838.50	636,213,074.41
Net cash flow for investment activities	(404,631,998.69)	(599,755,616.75)
Financial activities		
Treasury grants (capital expenditure(479,766,979.96	596,664,061.18
Angulana management corporation fund	3,275,000.00	6,180,000.00
Cash flow for financial activities	483,041,979.96	602,844,061.18
Net increase/decrease in cash and cash equivalents	65,726,640.57	(12,951,802.27)
Cash and cash equivalents at the beginning of the year	81,041,114.83	93,992,917.10
Cash and cash equivalents at the end of the year	146,767,755.40	81,041,114.83

Note – Cash flow statement

Cash book balance as at 31/12/2015

Bank of Ceylon, Battaramulla (Recurrent)	2,758,430
Bank of Ceylon, Battaramulla (Capital)	92,893,228
Bank of Ceylon, Battaramulla Anuradhapura)	2,152,504
Bank of Ceylon, Battaramulla (Urban settlement promotion programme)	16,450
Savings account	37,654,143
Savings account –Management Corporation Fund	11,292,997
	146,767,755

Urban Settlement Development Authority
Statements of changes in equity for the year ended 31/12/2015

Description	Capital		Cumulative fund		Government grants		Retained funds		Write off against income		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Balance 01/01/2015	(30,171,713.01)	(19,887,113.92)	1,878,411,960.70	1,315,464,107.72	93,094,358.50	4,605,240.63	0.00	199,332,113.44	1,941,334,606.19			1,499,514,347.87
Main receipts during the current year												
Income reserves			464,706,000.00	562,947,852.98					464,706,000.00			562,947,852.98
Surplus/(deficit) for the period	207,344,767.16	(10,284,599.09)	(688,771,986.58)						(481,427,219.42)			(9,151,202.22)
Payments during the year			(26,606,610.43)						(26,606,610.43)			106,830,733.83
Balance as at 31/12/2015	177,173,054.15	(30,171,713.01)	1,627,739,363.69	1,878,411,960.70	93,094,358.50	98,832,996.00		306,162,847.27	1,898,006,776.34			2,253,236,090.96

Auditor General's Department

Chairman
Urban Settlement Development Authority,

Report of the Auditor General on the Financial Statements of the Urban Settlement Development Authority for the year ended 31 December 2015 in terms of Section 14 (2) (c) of the Finance Act No. 38 of 1971.

The audit of the financial position statement of the Urban Settlement Development Authority for the year ended 31 December 2015 comprising the financial performance statement, as at 31 December 2015 and the Income and expenditure Statement, statement of changes in equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka which should be read together with Section 13(1) of the Finance Act No 38 of 1971 and Section 17(2) of the Urban Settlement Development Authority Act No 36 of 2008. My observations which I consider should be published with the annual report of the Authority in terms of section 14 (2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (I) of the Finance Act will be issued in due course.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and deciding on the internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka auditing standards corresponding to the international audit standards (155A1 1000-1810) of supreme audit institutions. Those standards require that I comply with the requirements of ethics and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of the material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of Accounting Policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub section (3) and (4) of section 13 of the Finance Act No. 38 of 1971 give discretionary powers to the Auditor General in determining the scope and extent of the Audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for the adverse opinion

Had adjustments been made to the matters set out in Paragraph 2.2 of this report, that could have a material effect on most of the elements included in the financial statements.

2. Financial Statements

2.1 Adverse opinion

Due to the importance of matters set out in paragraph 2.2 of this report, I am of the opinion that financial position of the Urban Settlement Development Authority for the year ended 31 December 2015 and its financial performance and cash flows of the year then ended do not reflect a true and fair representation as per the Sri Lanka Accounting Standards for the public sector.

2.2 Comments on the financial statements

2.2.1 Institution as a going concern

The following observations are made.

- (a) Even though the initial capital of the Authority should have been Rs.5,000 million and it should be paid in installment basis from the Consolidated Fund in terms in of Section 16(3) of the Urban Settlements Development Authority Act, No.36 of 2008, the capital had not been built up in that manner even up to the end of the year 2014.
- (b) According to provisions of Sub-section 16(e) of the above Act, all moneys collected as service charges from the property developers by the Urban Development Authority should be credited to the fund of the Urban Settlements Development Authority for financing the Low Cost Housing Programmes. Nevertheless, according to the Cabinet Decision No.10/2951/504/012 dated 14 December 2010, the recovery of those service charges by the Urban Development Authority had been ceased and as such the Urban Settlements Development Authority had been deprived of its main source of income. Accordingly, the maintenance of the Authority without financial assistance from the treasury or the government is in a state of uncertainty.

2.2.2 Accounting policies

Accounting policies in respect of government grants awarded annually to the Authority for capital expenditure by the General Treasury have not been disclosed in the financial statements.

2.2.3 Accounting deficiencies

The following observations are made.

- (a) Though Rs. 1,179,062,714 has been spent on the construction of the Angulana Housing Project, due to the writing off of Rs. 684,298,437 from the Treasury grant on a decision taken by the Board of Directors, the noncurrent assets had been understated by that amount.
- (b) Action has not been taken for a period of 12 months to identify direct credit of Rs. 1,199,250 relevant to a current bank account.
- (c) For the Angulana housing project, the Authority had acquired 0.0508 hectares of land adjoining the project by paying Rs. 5,020,516. Instead of separately disclosing information on this fixed asset under the lands in noncurrent assets, it has been added to the project cost.
- (d) Action had not been taken as at 31 December of the year under review to value and bring into accounts 04 motor vehicles transferred to the Authority during the year under review by a subsidiary of the Authority.
- (e) A sum of Rs. 3,891,911 payable to Sri Lanka Land Reclamation and Development Corporation for the renovation of an office building of the Authority had been credited to the income without settling it with the concurrence of the relevant institution.
- (f) A sum of Rs. 207,331,767 receivable to the Authority as service charges from property developers had been collected by the Urban Development Authority. Though this amount was in respect of previous years, without making adjustments retrospectively, it had been accounted as an income during the year under review.

2.2.4 Lack of evidence for audit

Supporting documents to substantiate the handing over of computers and furniture to the value of Rs. 1,675,608 to 6 'Swashakthi' Centres had not been presented to the Audit.

2.3 Accounts receivable and payable

The following observations are made.

- (a) Action had not been taken to settle advances aggregating to Rs. 200,091 granted during the year under review.

- (b) The value of loan installments receivable under the first phase of the scattered housing loan programme was Rs. 16,851,730 out of which the balance between the 1st year and the 2nd year was Rs. 16,851,730 and the balance over 2 years was Rs 7,000,739.
- (c) Though the receivable Angulana loan installment for the year under review was Rs7,525,619, only Rs. 452,800 had been recovered, hence the loan installment not recovered was 93 percent of the total loan installment.
- (d) Action had not been taken to settle Rs. 11,105,000 payable by the Authority to community based organizations as at the end of the year under review.

2.4 Noncompliance with laws, rules and regulations

The following instances of noncompliance were observed.

Reference to laws, rules, regulations etc	Noncompliance
<p>(a) Urban Settlement Development Authority Act No. 36 of 2008</p> <p>Section 10</p>	<p>Though the Authority has been established to formulate a national policy in relation to urban settlement development and to ensure the implementation of such policy, the Authority had failed to formulate and implement such national policy despite the lapse of 7 years since the establishment of the Authority.</p> <p>Though the Authority should have appointed an Advisory Committee consisting of a Chairman and not more than 14 members, due to the non-appointment of such a committee a mechanism for approving and dealing with such matter pertaining to the formulation and execution of proposals, plans, projects and action programmes of the Authority was not in place.</p>
<p>(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</p> <p style="padding-left: 20px;">(i) FR 371</p> <p style="padding-left: 20px;">(ii) FR 756</p>	<p>Though an advance should be settled immediately by submitting the relevant receipts after the completion of the purpose for which it is granted, on 84 instances, a period between 01 to 05 months had been taken for settling advances amounting to Rs. 1,098,362.</p> <p>Furniture, plastic chairs, sewing machines and computers to the value of Rs. 1,390,086 purchased by the Authority to be distributed among Resource Centres have not been included in the annual survey of stores.</p>

- (c) Section 20 (h) of Apartment Ownership (Amendment) Act No. 45 of 1982
- Though Management Committees should have been set up for the management activities of Angulana Housing Project, without taking action to establish such management committees, a sum amounting to Rs. 11,105,000 collected from the beneficiaries for that purpose had been deposited in a savings account of the Authority. As a result of not taking action to establish such management committees, the expenditure that had to be borne by the Authority as maintenance expenditure of the housing project was Rs. 1,972,786.
- (d) Cabinet decision No. 07/0140/226/103 dated 27 February 2007
- Though REEL Estate Exchange (Pvt) Limited should have been liquidated and its assets and liabilities acquired no sooner the Authority was established, action had not been taken to liquidate the company even by the end of the year under review.
- (e) Procurement Guidelines of government
- (i) Section 3.4.3
- Though quotations shall be called from registered suppliers when such suppliers have been registered for supplies, the Authority had invited quotations from one registered supplier and 07 non-registered suppliers in purchasing furniture to the value of Rs. 4,851,464 during the year under review.
- (ii) Section 5.1.1
- Due to non compliance with the requirement to indicate specifications clearly when calling for quotations, the comparison of prices had become difficult.
- Ex-: the type of timber used for tables, the size of a compute table
- (iii) Section 5.4.5
- Though and advance payment of only thirty percent can be paid to the supplier for opening letters of credit in favour of the institution in purchasing imported goods, the Authority had paid Rs. 2,420,636 as an advance payment of 50% prior to the receipt of furniture and even in the purchasing contract it had not been included that such an advance should be paid.

2.5 Transactions not supported by adequate Authority

Though housing loans amounting to Rs. 23.6 million had been granted to employees of the Authority during the year under review, the provisions allocated for the implementation of the 'scattered loan project' had been used for this purpose without the approval of the General Treasury.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operational result of the Authority for the year ended 31 December 2015 was a surplus of Rs 207,344,767 as against the deficit of Rs. 10,284,599 of the previous year thus indicating a growth of Rs. 217,629,366 in the financial result of the year under review compared to previous year. Bringing into accounts during the year under review, a service charge income amounting to Rs. 207,331,767 that should have been collected and paid to the Authority by the Urban Development Authority during previous years as service charge from property developers could mainly be attributable to this growth in the financial result.

In analyzing the financial results of the year under review and four preceding years, though a financial deficit of Rs 57,276,732 occurred in the years 2011, there was a surplus of Rs. 11,619,000 and Rs. 6,032,874 in 2013 and 2014 respectively. Once again there was a deficit of Rs 10,284,599 in the year 2014 but grew into a financial surplus of Rs 207,344,767 during the year under review. However, though the contribution of the institution had taken a negative value of Rs 31,567,761 when the employee remuneration and the depreciation of the noncurrent assets were taken into account, it has been growing grown continuously into a positive value from the year 2012 onwards and during the year under review it stood at Rs 263,421,617.

3.2 Analytical Financial Review

The following observations are made.

- (a) Compared to previous year, the service charge income during the year under review had increased by 100 percent and it was 62 percent as a percentage of the total income.
- (b) Compared to previous year, current ratio and net profit ratio had grown respectively by 87 percent and 875 percent and this growth can primarily be attributed to the addition of Rs 207,331,767 to the income which was collected as service charge from property developers by the Urban Development Authority and paid to the USDA during the year under review.

4. Operational Review

4.1 Performance

The objective of the Urban Settlement Development Act No 36 of 2008 is to provide for the improvement of the living conditions of persons living in underserved urban settlements by upgrading available housing units or by providing better housing facilities and access to minimum urban services in order to ensure a sustainable urban settlement development.

The following observations are made in regard to achieving the above objectives.

- (a) Though it had been planned to spend Rs. 993 million on 10 projects including 07 projects for the construction of 4,122 housing units during the year under review, the overall financial performance was Rs 449 million or 45 percent.
- (b) 03 programmes with an estimated value of Rs 190.52 million planned to be carried out during the year under review had not been implemented.
- (c) Though it had been planned to carry out work amounting to Rs 150 million during the year under review for the construction of 96 families under the programme for relocating families in Trincomalee, its financial progress was as low as Rs 25 million or 16 percent.
- (d) It had been planned to spend Rs 23 million to provide services to 50,000 family units under the Human Development Programme. However the spending of 99 percent or Rs 22.76 million of the amount allocated for the provision of services only to 4,190 families was found to be problematic during the audit.
- (e) Rs 12 million had been spent during the year under review on handing over sewing machines to low income entrepreneurial women in the Hambantota district under the social mobilization programme which had not been included in the Corporate Plan.

4.2 Management Inefficiencies

The following observations are made.

- (a) 14 houses of the Sinhapura housing scheme had been leased out on a monthly rental of Rs. 5000 for a period of 05 years and though the lease agreement should have been cancelled as per the terms of the agreement if the lease rent is not paid for three consecutive months, lease agreement of 08 houses of which the lease rent had not been paid for periods ranging from 5 to 34 months had not been cancelled.
- (b) Though the Board of Directors had decided to establish 26 Swashakthi Centres as per the Board decision No. 06/2014 dated 27 June 2014, such centres had not been established in 12 locations for which the Board had granted approval and instead they had been established elsewhere.

4.3 Operational Inefficiencies

The following observations are made.

- (a) Under the 'Diriya' Housing Programme, Rs 76,165,000 had been released in favour of 435 loan recipients. The credit ledger in respect of the granting of loans had not been updated and a copy of the receipt of received money and details of identity cards of guarantors had not been included in the loan files. Instances of loans being granted without the certification of the Grama Niladhari and non completion of affidavits were observed during the audit.
- (b) Action had not been taken even by the end of the year under review to acquire the legal ownership of 'Thuruithurugama' and '48 watta' housing projects valued at Rs 58,594,359 and Rs 34,500,000 respectively.
- (c) Though a sum of Rs 823,534 as 10% commission had been paid by the Authority to loan collectors in the year 2015, the progress of the recovery of loans of Angulana housing loan and 'Diriya' housing loan –Phase 1 programmes was less than 6 percent and 48 percent respectively.

4.4 Transactions of contentious nature

From the year 2013 to year 2015, Rs 90 million had been received from the Ministry for granting scattered housing loans of which Rs 46.23 million had been disbursed as scattered loans during the first phase and Rs. 34.60 million during the second phase and the remaining Rs. 9.17 million had been utilized for other purposes.

4.5 Visible irregularities

By the end of the year under review, the General Treasury had from the year 2011 to year 2015 granted Rs. 508 million to the Authority for various projects to uplift the living standard of low income earners of urban areas and the Authority, without the approval of the General Treasury, on a decision taken by the Board of Directors, had taken measures to recover from the beneficiaries the value of financial and material assistance extended to low income earners through various projects. As at the end of the year under review, the value of installments and loan interest value thus recovered was Rs 23,287,518.

4.6 Underutilization of funds

From the year 2011 to 2015, the Authority had received Rs 1,407 million for projects from the General Treasury, but of that amount only Rs. 1,341 had been spent on the projects. Accordingly, the Authority had retained with it Rs. 66 million of the funds so received without spending them on

the projects and such unspent funds had not been remitted to the General Treasury even by 31 December of the year under review.

4.7 Non-performing and underutilized assets

The following observations are made.

- (a) Though computers and accessories to the value of Rs. 618,115 had been handed over to two Swashakthi Centres, the computers remained unused and underutilized as a result of not starting computer classes even by the end of the year under review. Further, the period of service guarantee of the items too had lapsed.
- (b) Even though Rs. 540,911 had been spent on repairing a jeep belonging to the Authority during the year under review, it remained parked for 06 months without being put to run.
- (c) 06 machines purchased at a cost of Rs. 1,150,000 for making bricks for the Chilaw Housing Project, remain idling from last year up to 31 December of the year under review.
- (d) House bearing No. 70/37/4/1 of the Sinhapura housing scheme remained closed from year 2012 without being used.

4.8 Uneconomic transactions

A sum of Rs. 1,231,552 had been spent on publishing newspaper advertisements for the opening ceremony of “Seethawaka Housing Project” and the inauguration ceremony of the establishment of “Jana Sevana Swashakthi” community resource centres during the year under review.

4.9 Procurement activities and contract administration

Following observations are made

- (a) In addition to the payment of work commencement advance of 20% to the construction contractor of Angulana Housing Complex, the Authority had paid Rs. 85 million as an advance for purchasing raw materials which was not a term agreed upon in the provisions of the contract agreement.
- (b) Though the Authority incurred expenditures amounting to Rs. 747,754 and Rs. 2,395,289 respectively for housing projects to be constructed in Trincomalee and Seetawaka areas without securing funds from the relevant ministry and the General Treasury, it was disclosed at the audit that these housing projects had been abandoned midway.
- (c) Rs 6.1 million had been spent as financial assistance of Rs 15,000 and material assistance of Rs. 10,000 for the construction of 466 toilets for the urban low income community. Though, only the Hambantota district had been selected for the construction of the toilets, the basis for

selecting only that district was not disclosed at the audit. In terms of the agreement between the beneficiaries and the Authority, the construction of toilets should be completed within a month and if the beneficiary failed to meet this condition, the entire amount given as financial assistance and the value of building materials would be treated as a loan and should be paid back to the Authority as one off payment by the beneficiary. However the Authority did not have a method to ascertain whether the toilets had actually been completed or whether toilets had not been constructed. Though 8 beneficiaries had not constructed toilets as per the agreement despite only being granted financial assistance, the Authority had not taken measures to recover the money.

4.10 Resources of the Authority given to other public sector institutions

A sum of Rs. 306,830 had been paid as salaries and allowances of two officers of the Authority released to the line Ministry.

4.11 Staff Administration

Following observations are made.

- (a) As at 31 December of the year under review, the approved cadre of the Authority was 111 and the actual number of employees was 119. Accordingly, there were 15 vacancies while the number of employees in excess of the approved cadre was 21.
- (b) Though two engineering posts have been approved for the Authority, they remained vacant from the year 2011 up to the end of the year under review and as a result the Authority which is engaged in construction activities could not continue with them.
- (c) The post of Director (Planning) which is one of the key posts of the Authority remained vacant as at the end of the year under review and no action had been taken even by June 2016 to recruit an officer to the said post.

5. Accountability and Good Governance

As per section 5.1.2 of Public Administration Circular No.PED/12 dated 02nd June 2003, the Action Plan incorporating information such as the existing resources, progress of the operational results during the past three years and identification of officials responsible for different functions.

5.2 Action Plan

The volumes of work to be achieved of the activities included in the Action Plan relevant to the year under review, the officers to whom responsibilities have been entrusted for each function and the indicators for performance appraisal have not been presented.

5.3 Internal Audit

The following observations are made.

- (a) The performance and independence of the audit is directly impacted as a result of the post of Internal Auditor being a middle level post as per the organizational structure of the Authority.
- (b) In the approved cadre, only the post of Internal Auditor has been approved for the Audit Division and though the assistance of two officers of the Management Assistant Service of the Authority had been obtained for the activities of the Audit Division, audit programmes in respect of community participatory constructions and direct constructions included in the approved audit programme had not been adequately carried out.
- (c) Programmes relating to the performance appraisal of the Authority had not been included in the Audit Programme.

5.4 Budgetary Document Control

The estimated income for the year 2015 and some expenditure items had not been budgeted and since variances from 20 percent to 200 percent were observed when the budgeted expenditure was compared with the actual expenditure, the budget document had not been used as an effective management tool.

5.5 Tabling annual reports

Though the Authority should have tabled its Annual Report in Parliament within 150 days of the conclusion of the accounting year in terms of paragraph 6.5.3 of Public Enterprises Circular No PED/12 dated 02 June 2003, the Authority had not tabled annual reports in Parliament since 2013.

6. Systems and Controls

The Chairman of the Authority was briefed from time to time on the deficiencies in systems and controls observed during the audit. Special attention should be focused on the following areas of control.

Systems and areas of control

Observations

(a) Accounting

(i) Prior year adjustments have not been correctly identified and brought into accounts.

(ii) As a result of the cost of assets not been correctly accounted, their values had been understated.

(b) Financial management

(i) Action had not been taken to settle advances as soon as the relevant task was completed.

(ii) Government grants received for various programmes had been used outside the intended purpose and the unspent amounts of government grants had not been remitted back to the Treasury.

(c) Staff administration

Key posts of the Authority remained vacant and recruitments exceeding the approved cadre had been made. Further, some posts have not been correctly graded.

(d) Contract administration

Some projects planned to be implemented during the year under review had not been implemented and in the projects implemented a low performance level was observed. Further, certain procurements have been made in violation of the Government Procurement Guidelines.

(e) Debt Control

Action had not been taken to recover loan installments as per loan agreements and the progress of loan recovery was at a low level.

W.P.C. Wickreematne
Auditor General (Acting)