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## 01. Introduction

### Urban Settlement Development Authority

The Urban Settlements Development Authority was established through the Urban Settlement Development Authority Act No. 36 of 2008.

This Act is in force since 23<sup>rd</sup> October 2008 and the Authority commenced functioning subsequent to the appointment of its first board of directors in February 2009.

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 housings units by providing access to urban facilities to such people or to design and implement programs to make available better housing facilities for them.



02

### 2:1 Vision

“To ensure enhanced life-style within sustainable urban human settlements”

### 2:2 Mission

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



### 03. Chairman and Director Board

#### Board of Directors from 15.01.2009 to 31.12.2009

Post	Name	Date of appointment
01. Chairman	Mr. Prasanna Gunawardane	15.01.2009
02. Director General (Secretary to the Board of Directors)	Mr. G.G.K. Gamini	02.02.2009
03. Member of the Board of Directors	Mr. Bharatha Lakshman Premachandra	18.02.2009
04. Member of the Board of Directors	Mr. Dissa Weerapana	18.02.2009
05. Member of the Board of Directors	Vidyajothi W.N. Gemunu Silva	18.02.2009
06. Member of the Board of Directors	M.Z. Mohammad Riza	18.02.2009
07. Member of the Board of Directors	Mrs. Bhadrani Jayawardane	18.02.2009
08. Member of the Board of Directors	Mr. H.P.C. Herath	18.02.2009
09. Member of the Board of Directors	Mr. S.S. Mudalige	18.02.2009
10. Member of the Board of Directors	Mr. Prasanna Silva	18.02.2009
11. Member of the Board of Directors	Mr. A.W. Dayananda	18.02.2009



## 04. Main Officers

### Senior Management from 15.01.2009 to 31.12.2009

Post	Name	Date appointed to the Authority
Director General	Mr. G.G.K. Gamini	02.02.2009
Director (Project Management and Development)	Mr. Y. R. De Silva	01.08.2009
Chief Internal Auditor	Mr. N. G. P. Dias	01.10.2009
Senior Engineer	Mr. G.J. Gunasekara	01.10.2009
Accountant	Mr. S. Sumnithiran	07.05.2009
Legal Officer	Mrs. D. A. Devika Dissanayake	01.11.2009
Office Manager	Mrs. J. Sriwardane	26.01.2009
Field Coordinator	Miss P.S. Gamage	26.01.2009



## 05. Staff 2009

The first staff of the Urban Settlement Development Authority was a group of 16 employees who were serving in the Urban Settlement Improvement Programme under the purview of the then Ministry of Urban Development and Sacred Area Development. They were assigned to the Urban Settlement Development Authority on contract basis as per the letter of the Secretary of the said Ministry on 26.01.2009 and by 31.12.2009. The total number of employees was 64. Several employees were recruited from time to time on contract basis according to service requirements.

All employees served on contract basis as the Management Services Department had not approved a separate staff for the Urban Settlement Development Authority until the end of 2009.



## 06. Chairman's Review

The activities of this Authority which was established through the Urban Settlement Development Authority Act No. 36 of 2008 was commenced on 15th January 2009 with the appointment of its first chairman.

In the year 2009, the Authority launched three major programs, the first of which was the Arunodaya Housing Programme for the urban poor. Under this programme, a grant of Rs 125,000 was provided to each beneficiary who had no means of constructing their own house and the houses were constructed with labour being provided by the community. This was a programme initially conducted by the Ministry of Urban Development and Sacred Area Development under the “Urban Settlement Improvement Programme” and with the establishment of this Authority, it was entrusted to this Authority. Under the programme, construction of 1000 houses has commenced and the provisions amounting to Rs. 101.131 million was allocated in the year 2009.

The programme titled “Cities without Slums” too was initially implemented under the Urban Settlement Improvement Programme of the Ministry of Urban Development and Sacred Area Development and following the establishment of this Authority which undertook the implementation of this programme as well. The objective of this programme was to construct houses for slum and shanty dwellers through community participatory approach.

Under this programme, the Ivanwatta Housing Project-Moratuwa, Bambarakele housing project-Nuwaraeliya, Badulupitiya- Badulla and Kailagoda-Negambo and Kovilawattta- Hambantota housing projects were started. Line houses were constructed under the project with a grant of Rs 175,000 for each beneficiary and labour for construction activities was provided by the community.

The program for improving infrastructure facilities in urban areas too was carried out by this Authority and the main objective of the programme was to develop essential infrastructure facilities in urban settlements.

For the above development projects, the Urban Settlement Development Authority had spent Rs 134.6 million and the funds for these activities were allocated from the money collected as service charges by the Urban Development Authority from property developers for funding the lowcost housing programmes.



As per section 16 of the Urban Settlement Development Authority Act, the Authority shall have its own fund and though a sum of Rs. 5000 million should have been paid from the consolidated fund as the starting capital, not even a part of the said starting capital had been paid to the Authority until the end of 2009.

**Palitha Gamage**

Attorney-at-Law,

Chairman,

Urban Settlement Development Authority





## 07. Ongoing Programmes -2009

During the year 2009, the Urban Settlement Development Authority implemented the following three development programs.

1. “ArunodayaKusum” housing programme for the urban poor
2. “Cities without Slums” Programme
3. Infrastructure development program.

### 1. “ArunodayaKusum” housing programme for the urban poor

A community participatory housing development program targeting the poor community living in urban and semi-urban areas that have no means of constructing a house of their own.

This program was implemented with the support of the community based organizations and the identification of beneficiaries, designing and construction of houses were carried out with the participation of the community. For each beneficiary a sum of Rs. 125,000.00 was donated and the voluntary of labour of the community was fully obtained for construction purposes.

### 2. “Cities without Slums” Programme

The program “Cities without Slums” was implemented targeting communities living in shanties and slums in the urban and semi urban areas with the objective of granting ownership of a standardized house to slum and shanty dwellers.

This was a program conducted with the assistance of the local government authorities and with the participation of the community. For each raw house constructed under this programme, a grant of Rs. 175,000.00 and also scatted housing programme 125,000.00 were provided to the beneficiary in installments and construction was carried out with community labour contribution

### 3. Infrastructure Development Programme

The objective of this program was to develop essential infrastructure facilities in the underserved urban settlements in urban areas.

Under this program, infrastructure facilities in the underserved urban settlements were developed with community participation.



**7:1 “Arunodaya Kusum” housing programme for the urban poor**

**Progress of 2009**

	<b>Province</b>	<b>District</b>	<b>No of local government authority areas</b>	<b>No of beneficiaries in 2009</b>
1	Western	Colombo	12	546
		Kalutara	05	104
		Gampaha	08	57
2	Central	Matale	03	10
3	South	Hambantota	07	83
		Galle	05	20
		Matara	04	67
4	Northwestern	Kurunegala	01	40
		Puttalam	01	1
5	Uva	Monaragala	01	9
		Badulla	01	3
6	Sabaragamuwa	Ratnapura	01	1
		Kegalle	03	13
7	North central	Anuradhapura	01	32
		Polonnaruwa	01	1
8	Eastern	Ampara	04	13
<b>Total</b>				<b>1000</b>

A sum of Rs. 101.131 Million had been allocated for this program on 2009.



## 7:2 “Cities without Slums” Programme

### Progress of 2009

District	Town	Constructions during 2009
Colombo	Moratuwa	186
	Dandeniya	40
	Ivanwatta- for the completion of remaining work	30
	Samarakoonwatta	38
	Pittaniya	27
	Idalwatta	8
	Scattered	43
Gampaha	Negambo	86
	Thaladuwa	86
Ratnapura	Ratnapura	61
	Scattered (Ratnapura Municipal Council area)	61
Matale	Matale	52
	Matale (Matale Municipal Council area)	52
Nuwaraeliya	Nuwaraeliya	27
	Bambarakele (commenced)	27
Badulla	Badulla	76
	Scattered (commenced )	22
	Badulupitiya (commenced)	39
	Kailagoda (commenced)	15
Anuradhapura	Anuradhapura	35
	Malwatuoya	35
Hambanthota	Tangalle	80
	Scattered	80
	Hambantota	50
	Kovilwatta	50
<b>Total</b>		<b>653</b>

The total amount of money spent on this program in the year 2009 was Rs. 19.729 million.



### 7:3 Infrastructure Development Programme

#### Progress of 2009

S.No	Province	District	Local government area	Work
1	Western	Colombo	Colombo Municipal Council	Electricity supply to a settlement in Borella zone in the Colombo MC area.
			Seethawakapura Urban Council	Water supply for two settlements in Awissawella-Seethawakapura area, construction of septic tanks and a sewage line system
2		Gampaha	Negambo Municipal Council	Construction of septic tanks and a sewage line system for a settlement in the Negambo Municipal Council area
3	Central	Nuwaraeliya	Nuwaraeliya Municipal Council	Construction of retention walls in housing schemes

The total amount spent on these projects in the year 2009 was Rs. 13.74 million.



## 08. Fund of the Authority

As per section 16 of the Urban Settlement Development Authority, the Urban Settlement Development Authority shall have its own fund and as per section 16(3) of the Act, the starting capital of the Authority shall be Rs. 5000 million.

Even by 31 December 2009, not even a part of the starting capital had been granted to the Authority and the expenses for development activities, administrative purposes and payment of salaries were met with the money collected and remitted to the Urban Settlement Development Authority by the Urban Development Authority as service charges from property developers for the provision of funds for the low-cost housing program in accordance with section 16 (e) of the Act. Accordingly, the amount remitted to the Urban Settlement Development Authority by the Urban Development Authority by 31 December 2011 was Rs. 148.5 million.




## 09. Finance Report

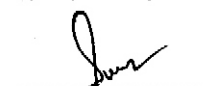
9 : 1

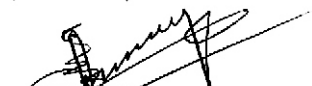
### URBAN SETTLEMENT DEVELOPMENT AUTHORITY BALANCE SHEET AS AT 31<sup>st</sup> DECEMBER 2009

	Notes	For the year 2009
<b>Assets</b>		
<b><u>Non current assets</u></b>		
Furniture & fittings	1	408,073.43
Equipments	2	473,013.17
<b><u>Assets received from the other institutions</u></b>		
Furniture & fittings		264,838.00
Office equipments		115,749.00
<b><u>Current assets</u></b>		
Advance to construction	3	500,000.00
Employees advance	4	10,000.00
Cash and Bank balance	5	674,060.36
<b>TOTAL ASSETS</b>		<b>2,445,733.96</b>
<b><u>Equity &amp; Liabilities, Reserve</u></b>		
Authorised capital		<b>500,000,000.00</b>
<b>Capital</b>		
Net assets acquire from USIP	6	3,388,468.92
<b>Reserve</b>		
Excess over income/expenditure	9	(5,192,654.63)
<b><u>Current Liability</u></b>		
Accruede expences	10	3,437,919.67
Provision for Grativity	11	812,000.00
<b>TOTAL LIABILITY</b>		<b>2,445,733.96</b>

The board of Management of the Authority responsibility for the preperation and presentatic

  
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Director Finance  
U.S.D.A

  
.....  
Director General  
U.S.D.A

  
.....  
Chairman  
U.S.D.A





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**URBAN SETTLEMENT DEVELOPMENT AUTHORITY  
INCOME & EXPENDITURE ACCOUNT YEAR ENDED  
31<sup>st</sup> DECEMBER 2009**

<b><u>Revenue</u></b>		
INCOME (UDA Grant)	148,545,294.29	148,545,294.29
<b><u>Expenditure</u></b>		
Development expenditure	134,596,347.08	
Indirect Development expenditure	277,117.35	134,873,464.43
		13,671,829.86
<b><u>Administrative expenses</u></b>		
Salary	7,315,622.86	
Wages	47,675.00	
O.T	228,211.40	
Other Allowance	57,430.00	
Travelling	240,712.75	
E.P.F	938,417.11	
E.T.F	133,366.41	
Welfare	32,905.12	
Stationary	422,303.60	
Fuel & Lubricant	297,745.50	
News Paper	9,560.00	
Stamp	36,645.00	
Telephone chargers	279,011.11	
Office rent	1,482,789.80	
Printing	621,914.79	
Advertising	1,044,874.00	
Transport	2,679,663.51	
Electricity	60,841.56	15,929,689.52
		(2,257,859.66)
<b><u>Indirect operational expenses</u></b>		
Ceremony expences	1,000,808.50	
Other expences	175,899.38	
Entertainment expences	25,778.50	
Training expences	401,091.24	
Purchase of consumable items	21,388.00	
Exhibition expences	101,850.00	1,726,815.62
		(3,984,675.28)
<b><u>Other expences</u></b>		
Repair & maintenece of office equipments	98,368.91	
Cleaning charges	77,338.76	175,707.67
		(4,160,382.95)
<b><u>Provisions</u></b>		
Depreciation furniture & fittings	102,018.35	
Depreciation office equipments	118,253.33	
Grativity provission	812,000.00	1,032,271.68
		(5,192,654.63)
Excess over income/expences		(5,192,654.63)





**Report of the Auditor General for the  
Financial Statement 14(2)C**





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கணக்காய்வுப் பதவமை அறிவுநி நிறுவனக்காரி  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය  
எனது இல  
My No

TII/BU/SDA/FA/01/2009

ඔබේ අංකය  
உமது இல  
Your No.

දිනය  
திகதி

14 March 2011

The Chairman  
Urban Settlements Development Authority

Report of the Auditor General on the Financial Statements of the Urban Settlements Development Authority for the year ended 31 December 2009 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971.

The audit of Financial Statements of the Urban Settlements Development Authority for the year ended 31 December 2009 was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 17(2) of the Urban Settlements Development Authority Act, No. 36 of 2008. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act will be issued in due course.

1:2 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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නොලබා 07, ශ්‍රී ලංකාව

දුරකථනය  
தொலைபேசி  
Telephone. } 2691151

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කොලොම්බු 07, ශ්‍රී ලංකාව

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எ- மெயில்  
E-mail. } oaggov@sltnet.lk





### 1:3 Scope of Audit and Basis of Opinion

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My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion, comments and findings in this report are based on review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards to obtain reasonable assurance as to whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessment of accounting policies used and significant estimates made by the management in the preparation of financial statements as well as evaluating their overall presentation. I have obtained sufficient information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides a reasonable basis for my opinion. Sub-sections (3) and (4) of the Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

## 2. Financial Statements

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### 2:1 Opinion

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So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Urban Settlements Development Authority had maintained proper accounting records for the year ended 31 December 2009 and except for the effects on the financial statements of the matters referred to in paragraph 2:2 of this report the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Urban Settlements Development Authority as at 31 December 2009 and the financial results of its operation and cash flows for the year then ended.



## 2:1:1 Incorporation of the Authority and Presentation of Financial Statements

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The following observations are made.

The Urban Settlements Development Authority was incorporated on 03 December 2008 by the Urban Settlements Development Authority Act, No. 36 of 2008. A Project called Clean Settlement Programme existed under the Urban Development Authority and a Bilateral Memorandum of Understanding had been entered into between the Urban Development Authority and the Urban Settlements Promotion Programme on 01 October 2007 to the effect that the Urban Settlements Promotion Programme should be implemented under the Ministry of Urban Development and Sacred Areas Development by utilizing the service charge of 1 per cent to 5 per cent of the certified cost estimates of development plans for floor areas exceeding 500 square meters submitted in terms of the Regulations of the Urban Development Authority published in the Gazette No.1459/20 of 23 August 2006. Accordingly, along with the establishment of the Urban Settlements Development Authority, the new Authority performed its functions with the net assets amounting to Rs.3,388,469 of that Programme which functioned under the Ministry of Urban Development and Sacred Areas Development with effect from 05 November 2007.

## 2:1:2 Initial Capital of the Authority

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According to Section 16(3) of the Urban Settlements Developments Authority Act, No. 36 of 2008 the initial capital of the Authority should be Rs.5,000 million and it should be paid in tranches from the Consolidated Fund of the Government. Nevertheless, the capital had not been built up in such manner even up to the end of the year 2010.





## 2:2 Comments on Financial Statements

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### 2:2:1 Going Concern of the Institution

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Even though the going concern of the Authority had been established according to Note No. 03 to the financial statements, the going concern without the financial assistance of the Government, was observed to be uncertain due to the following reasons.

- (a) According to Section 16(e) of the Urban Settlements Development Authority Act, No. 36 of 2008, all moneys collected by the Urban Development Authority as service charges from property developers should be credited to the Fund of the Urban Settlements Development Authority for financing the Low Cost Housing Programmes. Nevertheless, the Authority had not received such money after March 2010. In addition, according to the Cabinet Decision No. 10/2951/504/012 dated 14 December 2010 the collection of such service charges by the Urban Development Authority had been ceased. Thus the Authority had been deprived of its major source of income.
- (b) According to the financial statements presented to audit, the current ratio stood at 1:0.27. Thus it was observed that there were no current assets at least to cover the current liabilities. Accordingly the working capital of the Authority as at the last date of the year under review had become a negative value of Rs.3,065,859.
- (c) The institution had incurred a loss of Rs.5,192,655 in its first year itself and the net assets as at the end of the year under review had reached a negative value to that extent.

### - 2:2:2 Accounting Deficiencies

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The following observations are made.

- (a) The value of fixed assets and the office rent payable had been understated by Rs.45,501 and Rs.84,174 respectively in the financial statements.



- (b) A house belonging to the Urban Development Authority situated in the centre of Kottawa Town had been obtained for the establishment of a District Office and an advance of Rs.500,000 had been paid in the year 2009 to an external institution for carrying out repairs to that building. Even though the repairs had been completed and a bill for a sum of Rs.4,797,082 had been submitted to the Authority on 23 March 2010, that liability had not been disclosed in the financial statements for the year 2009 presented for audit on 10 August 2010.
- (c) The Statement of Changes in the Equity and the Statement of Movement of Fixed Assets that should be presented as a part of the financial statements had not been presented.

### 3. Financial and Operating Review

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#### 3:1 Financial Review

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According to the financial statements presented, the operations of the Authority during the year under review had resulted in an excess of expenditure over income amounting to Rs.5,192,655.

#### 3:2 Operating Review

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##### 3:2:1 Performance

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The following observations are made.

- (a) Even though a sum of Rs. 135 million received from the Urban Development Authority during the year ended 31 December 2009 had been released to the Arunodaya Programme for Urban Poor Housing, the physical progress of repairs or construction of houses had not been checked during the year under review while the follow up action had not been carried out properly.





- (b) According to a test check carried out on 6 July 2010, it was observed that persons not entitled to grants under the above Programme also had obtained grants and used such grants for activities contrary to the objectives. In addition, instances where the institutions acting as intermediaries for construction of houses had obtained a sum of Rs.3,135,794 approved for recipients of grants from the Authority in installments and retaining such amounts with those institutions without giving to the recipients were observed.

#### 3:2:2 Corporate Plan

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A Corporate Plan for the Authority had not been prepared in terms of Section 5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

#### 3:2:3 Audit and Management Committee

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The Audit and Management Committee had not been established in terms of Section 7.4 of the Public Enterprises Circular No. PED/12 of 02 June 2003.



#### 4. Systems and Controls

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Deficiencies observed during the course of audit were brought to the notice of the Chairman of the Authority from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounts
- (b) Management of Development Expenditure
- (c) Human Resources Management
- (d) Identification of Grant Recipients for Housing Projects

H.A.S. Samaraweera  
(Acting Auditor General)

