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01. Introduction

Urban Settlement Development Authority

The Urban Settlement Development Authority was established through 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 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. Vision

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



02. 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. ”

Chairman and Board of Directors

Chairman and Board of Directors from 01.01.2011 to 31.12.2011

	Post	Name	Date of appointment
1.	Chairman	Attorney at law Palitha Gamage	24.05.2010
2.	Director General (Secretary to the Board of Directors)	Dr. Sumith Wanniarachchi	26.05.2010
3.	Member of the Board of Directors	Ven. Ittekande Sadhdhatissa Thera	24.05.2010
4.	Member of the Board of Directors	Dr. Nihal Jayathilake	15.06.2010
5.	Member of the Board of Directors	Mr. Janaka Kurukulasuriya	15.06.2010
6.	Member of the Board of Directors	Mr. A.W.Dayananda	07.07.2010
7.	Member of the Board of Directors	Miss. M.I.V.Amarasekara	28.07.2010
8.	Member of the Board of Directors	Mr. Bernard Kariyawasam	24.05.2010
9.	Member of the Board of Directors	Mr. Ranil Priyantha Fernando	24.05.2010
10.	Member of the Board of Directors	Mr. A.H.Suresh Indika	24.05.2010
11.	Member of the Board of Directors	Mr. Ajith Kithsiri Bandara	24.05.2010
12.	Member of the Board of Directors	Mr. Chaminda Kumara Sudasinghe	24.05.2010

Senior Management

Senior Management from 01.01.2011 to 31.10.2011

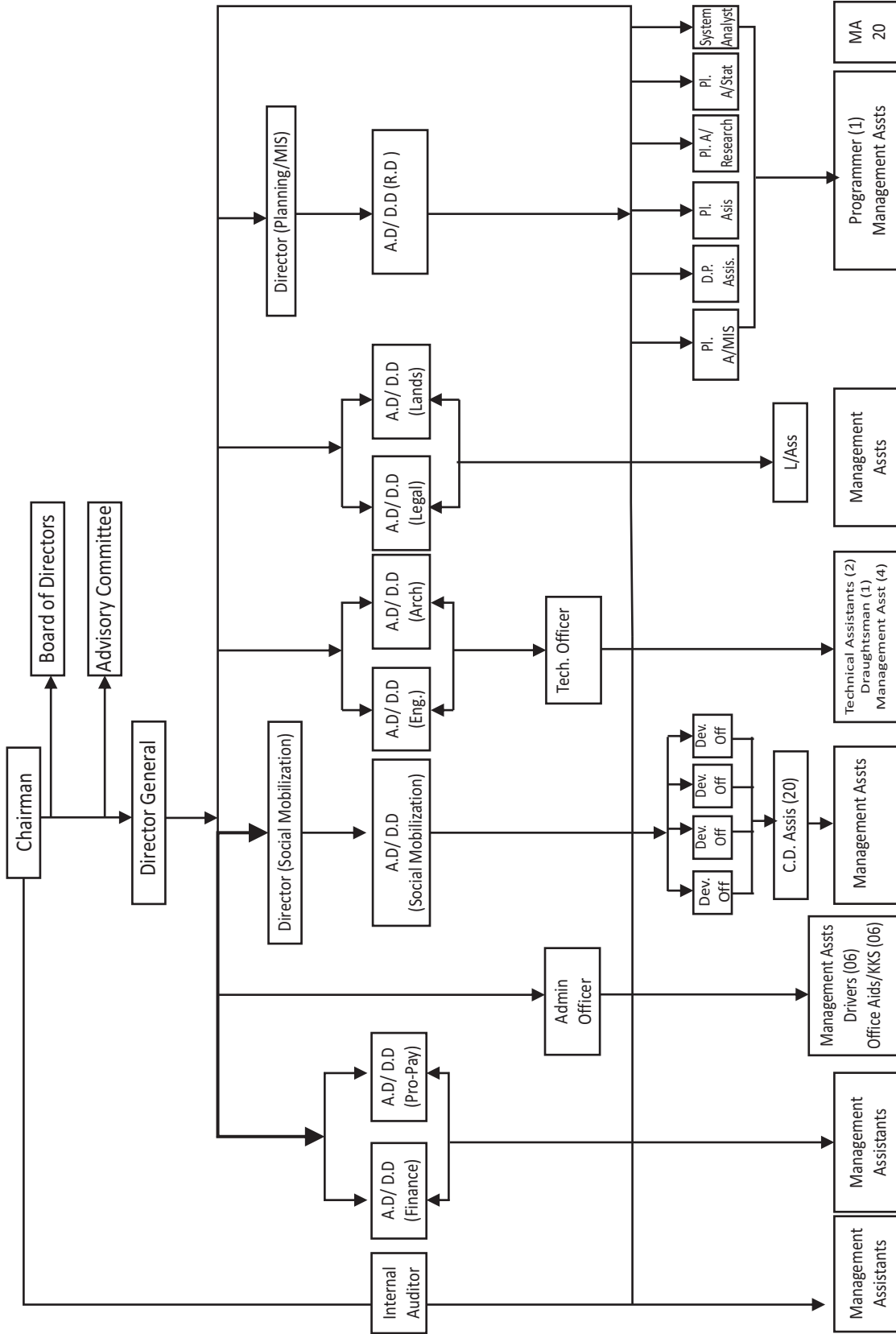
	Post	Name	Date of appointment
1	Director General	Dr. Sumith Wanniarachchi	26.05.2010
2	Director (Project Management and Development)	Mr. Y.R.De Silva	01.08 2009
3	Director –Acting (Finance)	Mr. N.G.P. Dias	01.02.2011
4	Senior Manager (M.I.S)	Mr. M.D.K. Chandrasena	20.01.2011
5	Internal Auditor (Acting)	Mr. L.R.A.Shantha	01.02.2011
6	Senior Engineer	Mr. G.J. Gunasekara	01.10.2009
7	Legal Officer	Mrs D.A. Devika Dissanayake	01.11.2009
8	Senior Project Officer	Miss P. S.Gamage	26.01.2009
9	Acting Senior Manager- (Administration)	Mrs. K.K.W.T.P. De Silva	18.01.2011

Senior Management

Senior Management from 01.01.2011 to 31.12.2011

	Post	Name	Date of appointment
1	Director General	Dr. Sumith Wanniarachchi	26.05.2010
2	Director (Social Mobilization)	Mr. Y.R.De Silva	01.11.2011
3	Director –Acting (Finance)	Mr. N.G.P. Dias	01.02.2011
4	Director (Planning and M.I.S)	Mr. M.D.K. Chandrasena	01.11.2011
5	Internal Auditor (Acting)	Mr. L.R.A.Shantha	01.02.2011
6	Senior Engineer	Mr. G.J.Gunasekara	01.11.2011
7	Assistant Director (Legal)	Mrs D.A. Devika Dissanayake	01.11.2011
8	Assistant Director (Social Mobilization)	Miss P. S.Gamage	01.11.2011
9	Assistant Director- (Research and Development)	Mrs. K.K.W.T.P. De Silva	01.11.2011

Organizational Structure



Chairman's Review

The year 2011 was the third year the Urban Settlement Development Authority was in operation since its inception. The most significant achievement of the year was the strengthening of the staff of the Authority. A staff for the Urban Settlement Development Authority was approved for the first time on 30.12.2010 consequent to which formal Programmes could be initiated at the beginning of the year by the division of work as Social Mobilization, Planning & Management Information Systems, Engineering, Legal and Land, Administration, Finance and Audit and appointing officials to them with a view of attaining the objectives of the Authority.

Development programmes were launched this year in accordance with the action plan and the most prominent among them were the 'Janasevana' and 'Sahasra Lanka' urban housing development projects and the 'Janasevana Swashakthi' Human development programme.

Under the Janasevana Sahasra Lanka Urban Housing Development Programme, the second phase of the 60-unit Sinhapura Housing Project, Borella was commenced and completed and 60 houses with common amenities were constructed for 60 beneficiary families including 46 families residing at 46 shanties at tenement 187, Torrington Mawatha, Colombo 07.

A multistoreyed housing scheme consisting of 288 units for the families displaced by sea erosion in Moratuwa urban zone too was started this year.

The Janasevana Swashakthi Human Development programme aimed at uplifting the living standard of the resident of underserved urban settlements, was also initiated and implemented in four zones in the Colombo Metropolitan area as Colombo North, Colombo Central, Colombo East- Colombo West and Borella. Strengthening Community Based Organizations, empowering people as small groups, implementing savings programmes, executing child development programmes and carrying out women development, drug prevention, vocational training, micro financing, urban agri-projects, awareness on garbage management programmes were major components of the project.

Lot of programmes connected with urban settlements in Colombo city were implemented with concurrence to World Habitat Day 2011 and nearly 2500 children from underserved urban settlements actively participated in various events and many young people and women of these settlements too

participated enthusiastically in the activities of the “Jana Sevana Swashakthi” Human Development Programme. The programme served as a catalyst in bringing about attitudinal changes among these people while instilling confidence and understanding about the on going developmental activities.

The “Thuru Ithurugama” housing project with 108 housing units targeting families constantly affected by floods and other natural disasters in the Anuradhapura urban zone was launched this year parallel to the Deyata Kirula National Exhibition and work amounting to 30% was completed.

I am pleased that as a whole the establishment of the staff of the Urban Settlement Development Authority and the commencement of physical and human resources programmes grounded in the objectives of the Urb2009

Palitha Gamage
Attorney-at-Law,
Chairman,
Urban Settlement Development Authority

Ongoing Programmes

The following six development programmes were Implemented by the Urban Settlement Development Authority in the year 2011

1. “Janasevana Sahasra Lanka” Urban Housing Programme
2. “Janasevana Swashakthi” Human Development Programme
3. “Deyata Kirula” National Development Programme

01. “Janasevana Sahasra Lanka” urban housing programme

As envisaged in the “Mahinda Chintana-Vision for the Future”, the “Jana Sevana” National Housing and Settlement Development Drive is being implemented with the full intervention of the government to offer ownership of a house to all homeless families within the next six years.

Projects are implemented on the participatory basis to resettle people currently living in underserved settlements in Colombo and other urban areas of the island in formal multistoreyed housing scheme.

This approach will ensure the ownership of a housing unit equipped with all modern amenities to the people of underserved urban settlements while releasing urban lands with high commercial value for redevelopment activities.

1.1 Borella Sinhapura (48 Watta) Housing Project –Second Phase

The Urban Settlement Development Authority completed the construction of the 60 unit Sinhapura multistoreyed housing scheme, Borella under the Janasevana Sahasra Lanka housing programme. It consists of 03 blocks with five storeys in each block.

This project was initiated in 2011 using a treasury allocation of Rs Million 175.86 The State Engineering Corporation was awarded the

construction contract and the Department of Buildings was in charge of the project management. The approval for the project was granted through Cabinet Paper 11/0674/517/016.

46 families residing at Tenement 187, Torrington Mawatha, Colombo 07 with whom the Authority had entered into an agreement to have houses constructed for them were resettled in these houses.



Urban, Environmental and Human Development Programme, Moratuwa

This housing project was launched for the people affected by sea erosion in the Anuglana coastal belt in line with the policy of the government to make interventions to offer solutions to the housing issues of people living in disaster prone areas and fishing communities as outlined in the Mahinda Chintana Vision for the Future. In areas identified in the coastal zone management plan, it has also been proposed to establish beach parks under this project to improve aesthetic value and environmental sustainability.

Hence joint action is to be taken by the Urban Settlement Development Authority and the Coastal Conservation Department to draw up plans to develop coastal areas thus freed as commercially viable beach parks.

1.1 Anuglana Multistoreyed Housing Project (Phase 1)

This housing project scheme being constructed in a government acquired land within the Moratuwa Municipal Council area which 0.6411 hectares in extent consists of two phases with nine storied building to be constructed under each phase and the first phase with 144 housing units was started in 2011. The treasury approved a financial provision amounting to Rs 400.22 million for this purpose.



The cabinet approval for the project was granted through cabinet paper no. 11/1067/517/021. Families threatened by sea erosion and will be displaced under phase I of the protective revetment proposed to be constructed by the Coastal Conservation Department have been selected as the target beneficiaries of this project.



The construction contract of the project has been awarded to the Sri Lanka Engineering Corporation and the project management will be handled by the Buildings Department. Construction activities were launched on 02nd June 2011.

2. “ Janasevana Swashakthi ” Human Development Programme

The Urban Settlement Development Authority, while implementing diverse housing and settlement development programmes, initiated the Janasevana Swashakthi Human Development Programme with the intention of empowering community based organizations to assist in improving the living standard of people living in underserved settlements.

The official launch of the programme took place on 09th April, 2011. To facilitate the implementation of the programme, Colombo was divided into 04 urban zones as;

1. Colombo North Zone
2. Colombo Central Zone
3. Colombo East/West Zone
4. Borella Zone

The inauguration ceremony was held under the patronage of the Minister of Construction, Engineering Services, Housing and Common Amenities. The following are the objectives that the Swashakthi Human Development Programme sought to achieve in the long run.

Objectives

- 2.1 Bringing about human development parallel to physical development in the underserved urban settlements.
- 2.2 Instilling an attitudinal change of self reliant development among people of underserved settlements instead of dependent mentality.
- 2.3 Implementing participatory development approach which is one of the main objectives of the Urban Settlement Development Act No. 36 of 2008.
- 2.4 Socio-economic and cultural empowerment of people living in settlements.

Activities of “ Swashakthi ” Human Development Programme

Creating community awareness on “ Swashakthi ” Human Development Programme

01. Creating awareness among families on the “Swashakthi” Human Development Programme and collecting information for the registration of “Swashakthi” families were commenced and residents of settlements were made aware of the objectives and activities of the programme. Accordingly, 16,378 families from 81 settlements to represent all four urban zones in Colombo were briefed about the programme in 2011.

02. 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. Accordingly, “Swashakthi” programme was conducted in 2011 with the involvement of 61 community based organizations



03. Organizing people as small groups



Creating awareness among the urban settlement community about the importance of working through collective strength in small groups, guiding them to rally as groups and making necessary arrangements towards this end.

04. Child Development Programme

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 2011 was 60. Conducting awareness programmes 3977 children covering the 04 urban areas and involving them in the “Swashakthi” Children's Programme.

05. Save little by little

The absence of the savings habit among the communities of these settlements as a result of being left out by the prevailing banking network was identified as major stumbling block in improving their economic wellbeing. As we identified that this situation had to be addressed immediately, discussions were held with



the relevant banks to design a suitable programme for them to promote savings habit and introduced appropriate programmes for the community by integrating adult and children savings with the banking process.

Initiating a children's savings scheme in collaboration with National Savings Bank and in the year 2011, 1193 children's savings accounts were opened.

6 Urban Agri Project

Implementing urban agricultural programmes by providing them with the knowhow and assistance required for engaging in agriculture using the limited space available in urban settlements thus reducing their daily expenditure and creating a pleasing environment.

Creating awareness together with the Agriculture Department of the Western Province among children of 24 settlements covering the 04 urban zones under the first phase on urban agriculture and launching agricultural programmes by involving adults as well children of children's societies.



7. Waste Management



This program was initiated with the participation of residents of these settlements and contribution from local government bodies and other institutions with the aim of finding a lasting solution to waste management which has become a pressing issue in urban environs.

This programme was initially launched in 06 settlements in collaboration with the Solid Waste Management Authority of the Western Province.

8. City free of Drugs and Alcohol

Since the creation of a society free drugs and alcohol as envisioned in Mahinda Chintana is a major boost for the social, cultural and economic advancement of the country and producing a , healthy citizenry, implementing drug prevention programmes in partnership with public sector institutions and voluntary organizations.

During the year 2011, the officials of the field level of the social mobilization division were educated by joining hands with the National Authority on Tobacco and Alcohol and subsequently these officials were deployed to conduct preliminary awareness programmes at the settlement level in collaboration with the National Dangerous Drugs Control Board, Colombo Municipal Council and Sri Lanka Samurdhi Authority creating awareness among 307 families.



9. Vocational Training Programmes

The prime objective of this programme is to guide unemployed youths in urban settlements for vocational training in identified areas. It is expected that by acquiring vocational skills, the community living in urban settlements will be able to forge ahead as skilled workers in various fields.

In the year 2011, 45 young men and women from urban settlements were referred to the Sri Lanka Vocational Training Authority for vocational training.



10. Savings and Micro Financing Credit Scheme



A preliminary survey was conducted at the urban settlement level on beneficiaries engaged in small scale self employment. The survey covered 2,116 such beneficiaries from the 04 urban zones of Colombo and subsequently a basic feasibility study was conducted with 1086 families. The beneficiaries requested credit facilities and formal training to improve self employment activities such as food production, micro businesses, other services and small scale productions.

Consequently, our authority intervened to group the beneficiaries and encouraging and guiding them to save and provided them with knowledge needed to improve self employment they are currently engaged in. In addition, basic information was gathered with a view to identifying beneficiaries and their credit requirements.

World Habitat Day Celebrations

- As per the provisions of the Urban Settlement Development Authority Act, the responsibilities with regard to the celebration of World Habitat Day in Sri Lanka have entrusted to our authority.
- Accordingly, an open art competition for children of underserved settlements in Colombo was organized under the theme “Settlements and Climatic Changes” to mark Habitat Day and 2589 children submitted their entries for the competition.
- The art competition was held under 03 age categories in two rounds. The presentation of awards, certificates and cash gifts to nine winners who secured the first three places in each age category took place at the national ceremony held at the Bandaranaike Memorial International Conference Hall.
- In addition, an open short drama festival for children and adults of the same settlements too was organized under the theme of World Habitat Day and 65 short dramas were staged at the festival.
- Two rounds were held at the short art competition and the drama which won the first place was staged on World Habitat Day.



3. “Deyata Kirula” National Development Programme

3.1 “Thuruithurugama” Housing Project, Anuradhapura

This project was planned parallel to the Deyata Kirula national development exhibition by the Urban Settlement Development Authority in partnership with the Anuradhapura Municipal Council, divisional secretaries of the central Nuwara Gam Palatha and Eastern Nuwara Gam Palatha and the National Physical Planning Department targeting the low income community residing in areas affected by natural disasters such as floods or eco-sensitive areas or forest reserves.

In an area of 20 acres 03 roods and 35 perches (8.4915 hectares) at Katukeliyawa, Perimiyankulama, Anuradhapura which has been identified as a residential area in the plan for the main north-central urban zone,thus human settlement project it was planned to construct 108 houses as a sustainable human settlement corresponding with zonal characteristics and eco friendly technology with an internal road network and a separate area of 08 acres, 01 rood and 06 perches (0.7329 hectares) for community facilities together with 06 green zones.



The construction activities of the Katukeliyawa green settlement project consisting of 108 houses with 102 proposed to be constructed using traditional technology while 06 houses to be constructed employing energy friendly low cost technology (clay technology) were commenced in September 2011. Each house with a floor area of 600 square feet will be constructed on 15-perch land with two bedrooms, a living room, a kitchen, a bathroom and a washroom. The total estimated cost of the project is Rs 74.5 million.

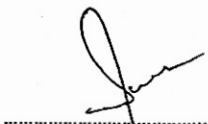
**URBAN SETTLEMENT DEVELOPMENT AUTHORITY INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st
DECEMBER 2011**

2010		SCHEDULE	2011	
117,219,000.00	Ministry of CES, H&CA		199,000,000.00	
	Treasury		139,619,000.00	
1,000,000.00	N.H.D.A		500,000.00	
1,795,200.00	UN habitat		547,400.00	
	Other Income		203,513.50	
	Sri Wickramapura		81,000.00	
	income of interest		147,474.00	
	Differed of USIP		1,694,234.46	
31,418,161.48	Income (UDA Grant)			
151,432,361.48				341,792,621.96
90,684,560.06	Development Expenditure	SCHEDULE 01	172,911,270.68	
34,032,308.06	Administrative expenses	SCHEDULE 02	46,396,911.05	
439,261.04	Other Expenses	SCHEDULE 03	1,446,623.13	
125,156,129.16				220,754,804.86
26,276,232.32	Excess over income / expenses			121,037,817.10
(5,192,654.63)	B/F Balance of Income & Expenditure			21,083,577.69
21,083,577.69	Excess over income / expenses			142,121,394.79

The board of management of the Authority responsible for the preparation and presentation of these financial statements.



Director Finance
U.S.D.A



Director General
U.S.D.A

Chairman
U.S.D.A

**URBAN SETTLEMENT DEVELOPMENT AUTHORITY CASH FLOW STATEMENT FOR THE YEAR ENDED 31st
DECEMBER 2011**

Fund received		339,950,913.50
<u>Operating Activities</u>		
Administrative expenses	47,859,864.83	
Other expenses	1,300,490.65	
Advance for Construction	93,780,011.29	142,940,366.77
<u>Investing Activities</u>		
Development expenditure	162,837,850.30	
Fixed assets	1,798,647.08	
REEL (On behalf of REEL)	2,278,449.33	166,914,946.71
		30,095,600.02
Opening cash & Bank balance		32,422,007.19
Closing cash balance as at 31.12.2011		62,517,607.21

The cash flow statement has been prepared using the Direct method of preparing cash flow in according to Sri Lanka Accounting Standard 09

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



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கணக்காய்வாளர்
தலைமை அறிபதிநகணாக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය }
 எனது இல } 08/2/2012/2011
 My No } 2011

ඔබේ අංකය }
 உமது இல }
 Your No. }

දිනය }
 திகதி } 2012
 Date } 2012

සභාපති
 නාගරික ජනාවාස සංවර්ධන අධිකාරිය

නාගරික ජනාවාස සංවර්ධන අධිකාරියේ 2011 දෙසැම්බර් 31 දිනෙන් අවසන් වර්ෂය සඳහා වූ මූල්‍ය ප්‍රකාශන පිළිබඳව 1971 අංක 38 දරණ මුදල් පනතේ 14(2)(ඕ) වගන්තිය ප්‍රකාර විගණකාධිපති වාර්තාව.

සමාංක හා 2012 ජූලි 12 දිනැති මාගේ ලිපියට යොමුවේ.

02. ඉහත සඳහන් ලිපිය සමඟ එවන ලද සටහන් වාර්තාවේ ඉංග්‍රීසි අනුවාදය මේ සමඟ එවා ඇත.

Dr.
 එච්.ඊ.එස්.සමරවිට
 විගණකාධිපති

- පිටපත් : 01. ලේකම් : ඉදිකිරීම් , ඉංජිනේරු සේවා නිවාස හා පොදු පහසුකම් අමාත්‍යාංශය
 02. ලේකම් : මුදල් හා කුම සම්පාදන අමාත්‍යාංශය

අංක 306/72 පොල්දූවපාර,
 බත්තරමුල්ල, ශ්‍රී ලංකාව

இல. 306/72, பொல்துவவீதி,
 பத்தரமுல்லை இலங்கை

No.306/72, Polduwa Road,
 Battaramulla, Sri Lanka





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கணக்காய்வாளர்
தலைமை அறிப்பறிதிணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය }
எனது இல }
My No } TH/B/USDA/FA/2011

මගේ අංකය }
உமது இல }
Your No. }

දිනය }
திகதி }
Date } 12 July 2012

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 2011 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 2011 comprising the balance sheet as at 31 December 2011 and the income 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 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 furnished to the Chairman of the Authority in due course.

1:2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

අංක 306/72 පොල්දූවාර, බත්තරමුල්ල, ශ්‍රී ලංකාව

දුරකථනය }
தொலைபேசி }
Telephone } 2887028 -34

இல. 306/72, பொல்துவவளி, பத்தரமுல்லை இலங்கை

ෆැක්ස් අංකය }
பக்ஸ் இல }
Fax No. } 2887223

No.306/72, Polduwa Road, Battaramulla, Sri Lanka

ඉලෙක්ට්‍රොනික් තැපෑල }
#- மெயில் }
E-mail } oaggov@slfnet.lk

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. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 judgements, including the assessment of the risks of material misstatements of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. 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 financial statements. Sub - sections (3 and 4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary power to the Auditor General to determine the scope and the extent of the audit.

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

1:4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial statements

2:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Urban Settlements Development Authority as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2:1:1 Initial Capital of the Authority

According to Section 16(3) of the Urban Settlements Development Authority Act, No. 36 of 2008, the initial capital of Authority should to Rs.5000 million and it should be paid in installments from the Consolidated Fund of the Government. Nevertheless, the capital had not been built up in that manner even by the end of the year 2011.

2:2 Comments on Financial Statements

2:2:1 Non-compliance with Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard No. 03

The computers and accessories owned by the Authority had been shown under the office equipment and 20 per cent had been applied for the depreciation of those assets. The computers and accessories had been separately identified in the year under review and 50 per cent depreciation had been applied to them while the office equipment had been depreciated at 20 per cent. The change in the policy adopted for depreciation had not been disclosed.

(b) Sri Lanka Accounting Standard No. 30

Transactions valued at Rs.13,103,674 had been done with related parties. But the nature of the related party and the nature of the transactions had not been disclosed in the financial statements by way of notes in terms of the above Standard.

2:2:2 Going Concern of the Authority

According to Sub-section 16(e) of the Urban Settlements Development Authority Act, No. 36 of 2008, 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. Thus, the Urban Settlements Development Authority had been deprived of its main source of income. As such it was observed that the going concern of the Authority depends on the financial assistance from the Treasury. Action had not been taken for amending the Section 16(e) of the Urban Settlements Development Authority Act to be in line with the Cabinet Decision.

2:2:3 Liquidation of Real Estate Exchange (Private) Company and takeover of Assets and Liabilities

According to the Cabinet Decision No. CM/07/0140/226/03 of 22 February 2007, immediately after the establishment of the Urban Settlements Development Authority the Real Estates Exchange (Private) Company should have been liquidated and its assets and liabilities and the staff should have been taken over by the Authority. Nevertheless, only the absorption of the staff only had been done by the end of the year under review. In addition, the Authority had spent a sum of Rs.13,103,674 as the salaries, contributions to the Employees Provident Fund and the Employees' Trust Fund and the provision of gratuity relating to that staff in respect of the period prior to the absorption. The Chairman informed that this money will be recovered in liquidating the company.

2:2:4 Accounts Receivable and Payable

A sum of Rs.3,741,000 payable to the Community based Societies remaining over a period exceeding 05 years had not been settled by the Authority even by 31 December 2011. The Chairman informed that the Board of Directors had decided to utilize the money for the future development works without being paid to the Community based Societies.

2:2:5 Non-compliances with Laws, Rules, Regulations, etc.

The following non-compliances were observed.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
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(a) Section 11 of the Finance Act, No. 38 of 1971	The approval had not been obtained for the investment of Rs.22,898,373 the Savings and seven day call deposits.
(b) Section 32 of the Procurement Manual NPD 09 dated 01 March 2006.	Competitive quotations had not been called for repairs to motor vehicles costing Rs.398,665. The Chairman informed that the line Ministry had entrusted the repairs to an institution registered with it and the Authority had only made payment thereon.
(c) Section 8.13.4 of the procurement Guidelines of 25 January 2006.	The accuracy of the amounts in the bills of quantities should be established as far as possible, and any excesses thereon exceeding 5 per cent should be not allowed. It had not been so done and 48 watta Project can be cited as an example.
(d) Para 2.3 (c) of the Procurement Guideline of 01 March 2006	Project of 48 watta had started without making arrangement for resettling and land acquisition even though land acquisition and resettlement should be completed before the commenced of the Project.

(e) Public Administration Circular
No. 26/2010 of 31 December
2010

Even though instructions had been issued to desist from recruiting persons for posts in the Government institutions on temporary, casual, substitute or contract basis without the prior approval of tax Department of Management Services of the General Treasury, Appointments had been made to 13 posts outside the approved cadre contrary such instructions. The Chairman informed that the proper establishment of the institution was expedited by the recruitment of the approved cadre.

3. Financial Review

3:1 Financial Results

According to the financial statements presented, the operation of the Authority for the year under review had resulted in a surplus of Rs.121,037,817 as compared with the surplus of Rs.26,276,232 for the preceding year, thus indicating an increase of Rs.94,761,585. The provisions received from the General Treasury and the line Ministry had been the major reason for such increase.

4. Operating Review

4:1 Performance

The following observations are made.

- (a) According to the revised Action Plan for the year 2011, it was expected to construct 384 houses at a cost of Rs.458.82 million under the Moratuwa Urban Environmental and Human Settlement Development Programme and to complete 18 per cent of the construction work by the end of the year. Nevertheless, according to the Progress Reports, the construction of 144 houses as the initial stage had been commenced. As stated in the Progress Report, the year end target of those 144 houses had been 30 per

cent. But the actual achievement had been only 20 per cent while no physical progress had been shown in the last month of the year. Even though it had been estimated to collect a sum of Rs.58.60 million from the housing beneficiaries for the project it had not been so done.

- (b) The following variances existed between the physical targets and the progress relating to the 100 Houses Project at Anuradhapura implemented in the year 2011 and as such it was observed that the progress thereon was not adequate.
- i. A sum of Rs. 1.46 million had been spent by 31 December 2011 on the construction work of the 100 Houses Project costing Rs.74.5 million implemented in the Katukeliyawa area in Anuradhapura. This construction is done by the Authority itself through different contractors and the required raw materials are purchased and supplied by the Authority. Nevertheless, the proper Procurement Procedure had not been followed in connection with such purchases and the selection of contractors.
- ii. The unencumbered title of the land relating to the construction work had not been secured by the Authority.
- (c) The expected progress of the common electricity supply to the Borella Millennium Flats Project by 31 December 2011 had been 100 per cent while the actual progress had been at the minimum level of 10 per cent.

4:2 Management Inefficiencies

The following observations are made.

- (a) As a sum of Rs.6,094,976 made available to 29 Community based Societies had been retained by those societies without being given to the beneficiaries in accordance with the agreements and the Authority had decided to recover the money. But it had not been so done.
- (b) Even though there was no written agreement relating to the acquisition of the land 52 perches in extent connected to the 187 Watta Rehabilitation Project belonging to the Urban Development Authority action had not been taken by the Urban Development Authority even by 31 December

2011 to transfer that land to the Urban Settlements Development Authority. The construction of the House Scheme had been commenced on the verbal concurrence given by the Urban Development Authority and, a Memorandum of Undertaking had been signed with 46 identified families and a sum of Rs.4.6 million had been paid to 46 occupants.

4:3 Uneconomic Transactions

The following observations are made.

- (a) A surcharge of Rs.53,561 had been imposed on the Authority for the failure to pay the contributions to the Employees' Provident Fund on the due dates.
- (b) According to the budget of the Authority for the year 2011, a sum of Rs.13,200,000 had been obtained specifically for the activities of the REEL institution. Despite such position, a sum of Rs.2,147,825 out of the money allocated for the activities of the Authority had been utilized for the payment of the arrears of contributions to the Employees, Provident Fund not paid by the REEL institution. The Chairman informed that action was taken to pay those arrears as all the employees of the REEL Company have to be recruited by the Authority.

4:4 Staff Administration

The approved cadre of the Authority stood at 79 and the actual cadre stood at 69. According to the composition of the approved cadre, there were vacancies in 23 posts and excesses in 13 posts.

5. Accountability and Good Governance

5.1 Action Plan

The following observations are made.

- (a) Contrary to the main activities relating to the different Projects included in the revised Action Plan of the Authority for the year 2011, the Progress Reports indicated the performance under different headings. As such it was not possible to evaluate accurately whether those had reached the specified targets. The 48 Watta Project can be cited as an example.

- (b) Even though 02 projects, namely, the construction of 100 houses at Kalukeliyawa Periyankulama in Anuradhapura and Repairs to the Borella Millenium and the Sinhapura Flats had been implemented in the year, those projects had not been included in the Action Plan for the year 2011.

5:2 Budgetary Control

Significant variances were observed between the estimated and the actual income and expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

6. **Systems and Controls**

Deficiencies in system and controls 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) Employment of Capital
- (b) Accounting
- (c) Development Expenditure Management
- (d) Human Resources Management
- (e) Preparation of Project Estimates

H.A.S. Samaraweera
Auditor General

-/dk.