Annual Report 2022

Urban Settlement Development Authority

Contents

Vision

"To build sustainable urban settlements for a dignified life"

Mission

"Building well-constructed, compact and secure urban settlements and empowering communities socially, economically and culturally"

Objectives of the Urban Settlement Development Authority

- Establishing well-planned compact urban settlements in all urban areas.
- Enhancing economic and social development of urban communities.
- Inculcating a feeling of property ownership in urban communities.
- Pursuing excellence in the performance of the Authority.
- Converting the Authority into a self-financing entity..

Chairman's Review

The Urban Settlement Development Authority (USDA) implements projects and programmes along a two-pronged approach as physical development and human development for socially, economically and culturally uplifting the living standard of the low income community living in urban areas.

Accordingly, physical development projects and human development programmes were planned during the year 2022 for the low and middle income communities. The successful execution of the process of disposing houses of "Sea View Residencies" project, Lunawa to middle income earners on sales basis was an standout achievement of the Authority.

Securing preliminary approvals for low-income housing projects at Thuduwegoda and Nawalapitiya which were physical development programmes planned for urban low-income earning community and obtaining cabinet approval for the implementation of these 02 projects under Public Private Partnership (PPP) without being charged to the government were carried out in the year 2022.

Other notable activities conducted in the year 2022 by the USDA were the acquisition of lands for "Welisara Heights" middle-income housing project at Wattala, mixed development housing project at Sri Jayawardenapura, Kotte, Orchardwatte housing project at Nittambuwa and Kaduwela mixed development housing project and the carrying out of preliminary activities for the invitation of Expression of Interests for the selection of an investor.

Whilst the physical development projects were set in motion as outlined above, a slew of human development projects for low and middle income communities were executed across the country. Utilizing a provision of Rs. 10 million, "Saubhagya Praja Shakthi", "Saubhagya Savibala", "Saubhagya Nena Bala", "Saubhagya divi Waruna" and programmes concurrent with World Habitat Day-2022 were implemented for uplifting the living standard socioeconomically and culturally of communities living in urban settlements covering 11 districts under the "Swashakthi" human development programme.

As of now, the Credit Recovery Division of the USDA is systematically conducting a programme for the recovery of loan installments from beneficiaries of 10 housing projects completed by the Authority. Accordingly, the progress thereof has posted a growth of 38% compared to year 2021.

Similarly, training programmes were arranged for improving the performance of the entire staff of the USDA and a programme was implemented through resource personnel for improving positive thinking and appreciation skills of the staff. Wherever possible, measures were taken to bring about employee efficiency, productivity and satisfaction by conducting religious programmes such as Dhamma sermons with a view to creating a conducive environment where employees are able to discharge their duties in a relaxed and stress free conditions.

I wish to state that the entire staff jointly strive with single minded dedication to achieve the overall objective of the USDA, having fully comprehended the situation that has arise in the country as of now and without being undeterred by such situations, implementing programmes projects and programmes island-wide continuously for physical and human development of urban low and middle income earners at a minimal cost.

Priyantha K. Rathnayake
Chairman
Urban Settlement Development Authority

Review of the Board of Directors and Composition

While offering housing solutions to people living in underserved urban settlements, the Urban Settlement Development Authority seeks to empower them socially, economically and culturally. With this objective to the fore, the USDA plans and executes programmes under a two-fold approach as physical development and human development.

As per sections 12 and 13.6 of the Finance Act No. 38 of 1971, the Board of Directors of the Urban Settlement Development Authority is responsible for ensuring the keeping of proper accounts of the income and expenditure and other transactions and the preparing of financial statements that reflect a true and fair view of the accounts and of the surplus/ deficiency for the relevant year. Accordingly, the Board of Directors has directed the Authority to maintain account books in good order and review the method of financial reporting at meetings that are held regularly and through the Audit Committee.

In preparing the financial statements presented in 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 extensive 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.

The Chairman of the USDA Mr. Priyantha K. Rathnayake holds the chairmanship of the Board of Directors. The Board of Directors of the USDA as at 31.12.2022 was as follows.

Mr. Priyantha K. Rathnayake : Chairman, USDA
Mr. Nimesh Herath : Urban Development Authority
Mr. Rajeev Suriyaarachchi : Chairman, National Housing Development Authority
B.A.R.C. Piyaratne : Dep. Director; Dept of Project Management and Monitoring
E.M.N. Edirisinghe : Senior Assistant Secretary, Ministry of Local Government and Provincial Councils
Mr. Nalin Saarakoon
Mr. K.T.K. Prasanna Arampath
Mr. G.C.A.U. Fernando
Mr. D.S.J. Hewavitharana

By order of the Board of Directors,
Secretary to the Board of Directors

Director General
Urban Settlement Development Authority

Review of the Advisory Committee and Composition

In terms of Section 10 of the USDA Act, No. 36 of 2008, the Advisory Committee was appointed.

USDA Act has specified that the Advisory Committee should consist of a Chairman and not more than fourteen members ensuring that there is adequate gender representation. Accordingly, the composition of the Advisory Committee as at 31.12.2022 was as follows.

Professor Rangika Halwathura : Chairman
Mr. H.B.V. Dhamendra
Mr. Kalinga Thilakaratne
Mr. N.D. Ruwan Kumara
Mr. Jayantha Kumara Atapattu
Mr. J.B. Ellepola
Mr. R. A.S.K. Kularatne
Mr. R.G.C. Ranatunga
Mr. R.G.G. Dinesh
Mrs. R.P. Silva
Mr. B.G. Jayathilake
Mr. Priyantha Rathnayake
Mr. K. Anil Wickremesinghe
Mr. K.M.D.K. Karunadasa
Mr. G.A.L. Jayawickrema

Review of the Audit and Management Committee

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

The Audit Committee comprised the treasury representative and two (02) members of the Board of Directors. As per the State Enterprises Guidelines 01/2022 for meetings of audit and management committee, the Treasury representative of the Board, Mr. Saman Jayasinghe who is the Assistant Director General, Department of Public Enterprises served as the Chairman of the Committee and Mrs. E.M.N. Edirisinghe and Mrs. F.N. Samana Sanoos, Attorney at Law functioned as the committee members.

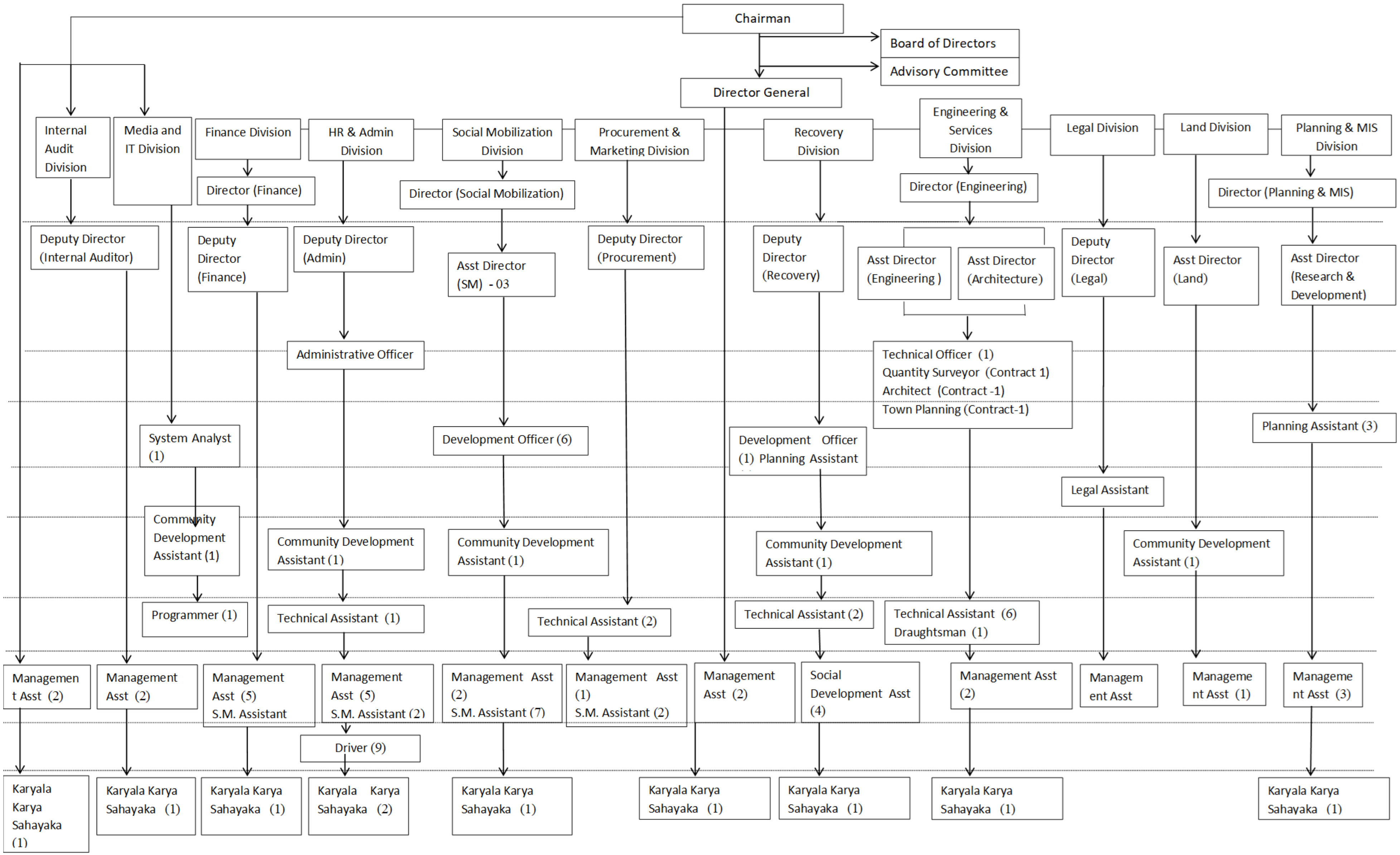
In terms of Board of Directors' Note No: 07/2022/N-07 at the Board meeting No: 07/2022 held on 18.08.2022, Mr. B.A.R.C. Piyaratne, the Treasury Representative of the Board and Deputy Director – Project Management and Monitoring was appointed as the Chairman of the Committee in accordance with the public enterprises guidelines and two other members of the Board, Attorney at Law Mr. nalin Samarakoon and Mr. G.C.A.U. Fernando were appointed as members of the Committee. Thus, at committee meetings No: 02/2022 held on 02.09.2022 and 03/2022 held in 23.09.2022 and No: 04/2022 held on 13.12.2022, the above mentioned officers served as the members of the committee meetings.

The Audit Superintendent of the government and the Chief internal Auditor of the line ministry participated at the meetings of the Audit and Management Committee as observers and the divisional heads of the USDA and other officers as and when necessary attended the meetings. The Director General of the Authority functioned as the Secretary of the committee. The internal audit programme prepared for the year 2022 by the internal auditor was considered by the Committee and made recommendations for the approval of the Board of Directors. .

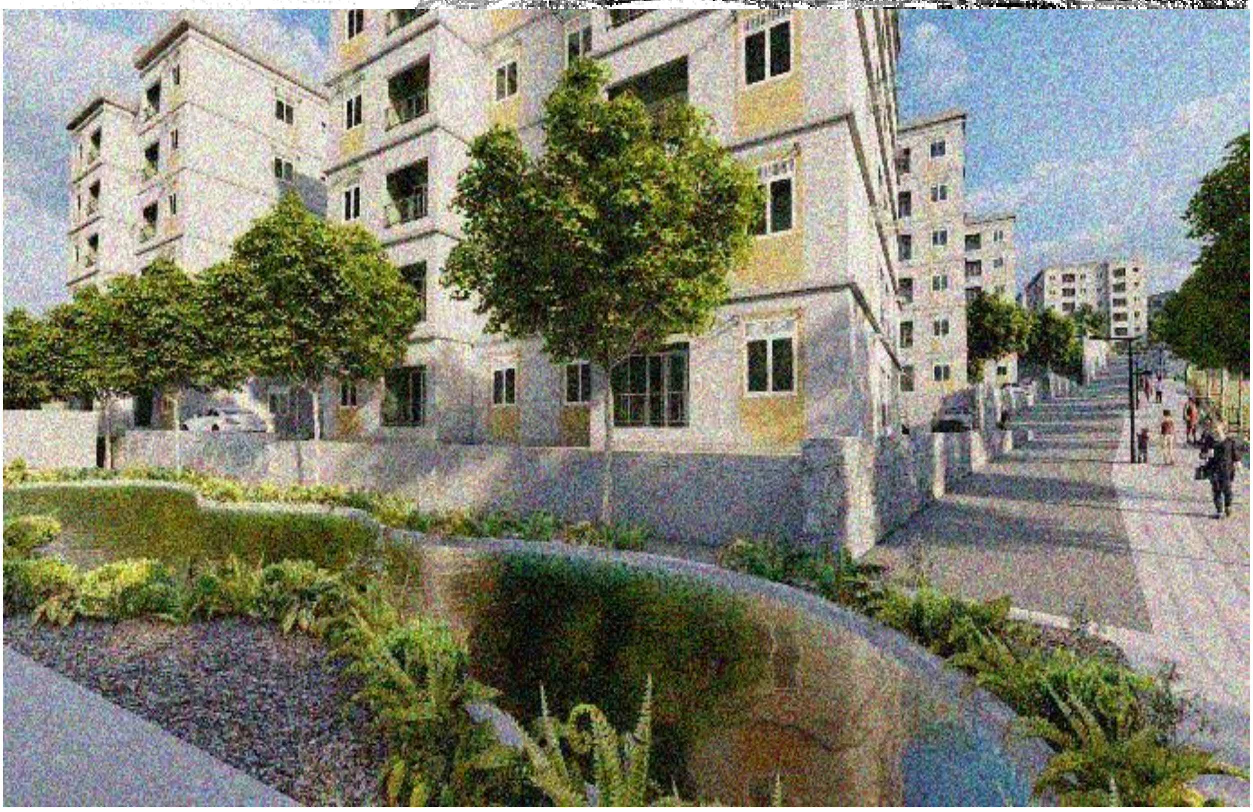
The Committee laid emphasis on the improvements to be made including the timely preparation and submission of audit reports, responses to audit queries, observations of internal and external audits, internal control systems as well as the Annual Report. Accordingly, necessary remedial measures have been 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
Director General
Secretary to the Audit and Management Committee, USDA

Organizational Structure of the USDA



Physical Development Programme



Physical Development Programme

As per the Annual Action Plan-2022 of the USDA, two low-income housing projects for the low income urban community and four housing projects for middle income community had been planned to be implemented in the year 2022.

The sale of housing units of “Sea View” housing project which was vested in people in the year 2021 to middle income earners was also carried out during the year.

The financial and physical progress achieved in respect of these projects is outlined below.

“Sea View Residencies” Housing Project, Lunawa

“Sea View Residencies” housing project with 356 housing units, the construction of which was commenced by the Urban Settlement Development Authority in the year 2012 on Thanayamwatta land located at Moratuwa Urban Council area in the Colombo District. This housing project was vested in the people, on 09th April. Each housing unit with a floor area of 410 square feet has 02 bedrooms, a living room, a mini pantry and an outdoor balcony and the housing complex was constructed with essential amenities such as a daycare centre and a preschool and internal road network and parking facilities.

A comparison of financial progress of this project of which units were disposed of on sales basis in relation to years 2021 and 2022 is given below.

Payment method	Sales value				Receipt of money	
	Year 2021		Year 2022		Year 2021	Year 2022
	No. of housing units	Sales value (Rs Mn.)	No. of housing units	Sales value (Rs Mn.)	Financial progress (Rs Mn)	Financial progress (Rs Mn)
100%	78	396.36	140	704.46	369.36	664.80
50%	98	499.26	178	912.91	257.59	460.38
25%	110	552.84	13	66.36	141.05	18.74
Staff	11	46.30	22	94.80	1.40	2.50
Total	297	1,467.76	353	1,778.53	769.39	1146.32

Low income housing projects planned to be implemented in the year 2022 with treasury provisions

Thuduwegoda urban low income housing project

The proposed Thuduwegoda urban low income housing project was to be constructed on a land called Kudagodawaweladeniya located at Hikkaduwa Township Grama Niladhari Division 59(A) of the Hikkaduwa Divisional Secretary Division. The USDA had planned to carry out this as a housing project for low income earners with 32 units for 32 Tsunami displaced families. The project cost of Rs. 158 million was allocated from the budgetary provisions of the year 2022.

This project had to be temporarily suspended as the allocated provisions were not received pursuant to the National Budget Circular No. BD/CBP/01/01/04-2022 dated 26.04.2022 on controlling public expenditure. Rs 0.94 million had been spent from the internal earnings of the USDA as at 31.12.2022 for carrying out preliminary activities relating to the project and for obtaining preliminary approvals.

However, cabinet approval was secured subsequent to the submission of a cabinet paper for the implementation of this project as a Public Private Partnership without being charged to the government as a housing project for both low-income and middle-income communities.

Nawalapitiya urban low income housing project

This was planned to be implemetned as a low income housing project for 83 labourer families engaged in informal employment in the town who have been residing for nearly 50 years in haphazardly constructed abodes without adequate infrastructure facilities on the land belonging to the Soysakele labourer housing complex located at Nawalapitiya West Grama Niladhari Division.

This project had to be temporarily suspended as the allocated provisions were not received pursuant to the National Budget Circular No. BD/CBP/01/01/04-2022 dated 26.04.2022 on controlling public expenditure. Rs 1.73 million had been spent from the internal earnings of the USDA as at 31.12.2022 for carrying out preliminary activities relating to the project and for obtaining preliminary approvals.

Middle income housing projects planned to be implemented in the year 2022

Housing project	Details of the project		No. of housing units	Estimated cost (Rs Mn.)	Financial progress 31.12.2022 (Rs Mn.)	Year in which the project is expected to be completed
	Location	Situation as at 31.12.2022				
"Welisara Heights" middle income housing project, Wattala	Millagahawatta land, Wattala (2.4532 hectares)	Ownership of the land is vested in USDA. Action is being pursued to invite Expression of Interests to select an investor.	408	8,873.53	2.06	2025
Sri Jayawardenapura Kotte mixed development housing project	Land on which Sri Jayawardenapurara post office is located (0.2963 hectare)	Preliminary clearances have been obtained. The 'O' cadastral drawing of the land has been handed over to the Department of Survey.	160	8,909.62	1.06	2025
Orchardwatta housing project, Nittambuwa	"Orchardwatta, Nittambuwa (3.6932 hectares)	The land was acquired from LRC and gazetted in the name of USDA. Request for proposals (RFP) and Expression of interests for the project are being carried out.	130	4447.11	61.97	2024
Kaduwela mix development project	Land on which Kaduwela post office is located. (0.257 hectares)	Preliminary clearances have been obtained. A request has been made from the Valuation Department to provide a valuation of the land. A request for the preparation of an amended plan of the land has been made to the Department of Survey through the Divisional Secretary.	112	3800.00	1.14	2025

As per the Annual Action Plan-2022 of the USDA, four housing projects i.e. Wattala, Sri Jayawardenapura, Nittambuwa and Kamuela had been planned to be implemented in the year 2022 for the middle income urban community and they were planned to be carried out as Public Private Partnership method.

Preparatory activities pertaining to obtaining preliminary clearances, acquisition of lands and commencement of construction work of projects were carried out during the year 2022. Owing to the economic crisis prevailed in the country during the year, all construction work in the country came to a standstill and finding a project developer or an investor for our projects too became a difficult task. Details of the progress achieved in the four projects as of 31.12.2022 is depicted in the above table.

Other physical development projects implemented in the year 2022

Community projects: Construction of Siri Wimalasiri early childhood development centre

Under the financial provisions allocated for the 'Nipuna Saviya' programme of the Social Mobilization Division of the USDA, it was proposed to construct Kasagala Siri Wimalasiri Early Childhood Development Centre on a request made by the people of Udayala Grama Niladhari Division of the Angunukolapelassa Divisional Secretary Division in the Hambantota District. This project constructed at a cost of Rs. 4.5 million was vested in the people on 07.01.2022.

Continued projects: Angulana Housing Project

Installing netting in 04 stories in the Angulana housing project which is a low income housing project of the USDA and constructing a concrete wall were carried out at a cost of Rs. 4.3 million.

Granting housing entitlements and deeds to beneficiaries of completed housing projects

Granting deeds to beneficiaries of "Sahaspura" multi-storey housing project, Borella

"Sahaspura" housing project, Borella is a multi-storey housing scheme constructed under "Sustainable Cities" programme by the predecessor of the USDA, Real Estate Exchange (Private) Limited targeting families living in underserved areas within the Colombo municipality limits. 329 housing units of this scheme are under the purview of the USDA and 23 beneficiaries who have finalized payments were awarded deeds during the year 2022.

Entering into agreements in respect of houses disposed on free grants in "Sayurupura" multi-storey housing project

In terms of the board decision No. 01/2021 01/2021, agreements were signed in the year 2022 for the payment of Rs. 1,500,000 by 15 beneficiaries for whom houses of the "Sayurupura" housing complex, Angulana, Moratuwa were given as free grants. After the completion of the payment, deeds will be issued to the said beneficiaries.

Human Development Programme

“Swashakthi” –Human Development Programme 2022

The human development programme was successfully implemented in the year 2022 as well with the active involvement of the low income urban community and encouraging them to take part in the programme. Each programme contained several sub-programmes which were geared towards facilitating the attainment of the objective of the main programme. These programmes were well supported by a host of public and private institutions and civil society organizations for which are thankful to them.

The USDA strivse hard to uplift the living standard of the people in urban settlements in the wake of fast spreading Covid-19 pandemic and the challenges posed by present economic crisis. Under the “Swashakthi” human development programme, socioeconomic conditions of 7,619 families in 5,706 housing units in 23 urban settlements in 11 districts were improved during the year 2022.

Target -1

Saubhagya Praja Shakthi –Social empowerment of community

Under the Saubhagya Praja Shakthi programme, community based organizations are established amongst low income earners and the community is socially empowered individually as well as collectively with due regard to cultural diversity.

Examples of Success 1:

Small group savings programme implemented at Bogahawatta Settlement, Galle was highly successful. There are two small groups and their savings grew up to Rs. 111,825.00. Minimuthu group had granted loans of Rs. 20,000 and Rs.10,000 for two members at an interest rate of 2% and personal savings ranged from Rs. 5.000.00 to Rs. 9,000.00. ‘Ekamuthu Group’ had given 3 loan of Rs. 10,000.00 each to 3 members, Rs. 5,000.00 each for two members and one loan of Rs. 2,500.00 at am interest rate of 4%. The personal savings of each member is Rs. 4000.00. Each group comprises 10 members.

Results achieved by implementing 'Praja Shakthi' programme

- 23 research were conducted in 23 selected settlements on socioeconomic condition and information was collected.
- Technical assistance was extended to strengthening the functions of community based organizations established in 23 settlements.
- 12 programmes were conducted for 824 persons for raising awareness on the adverse impacts on alcohol and other types of drugs.
- Six community health promotion programmes were conducted in the Colombo and Gampaha districts with the involvement of the Medical Officer of Health offices with the participation of 506 members of the community.
- Four dental clinics were conducted for 264 children, youths and adults in settlements in the Colombo, Gampaha and Matale districts.
- Two blood donation campaigns were conducted in Gampaha and Polonnaruwa districts.
- Twelve Shramadana campaigns were conducted in settlements with the participation of communities
- Vegetables and seeds were distributed amongst 301 families in the Gampaha district..
- 2715 coconut seedlings were distributed amongst 1301 families in the Gampaha, Polonnaruwa, Trincomalee, Colombo, Matara, Kurunegala and Hambantota districts.

SP 1.1: Identifying the needs of the 23 settlements.

SP 1.2: Sustainability of Community-Based Organizations

SP 1.3: Prevention of alcohol and drug abuse and rehabilitation

SP 1.4: Community health promotion progrmmme

SP 1.5: Sustainable environment promotion programme

Target - 2

Saubhagya Savibala-Economic Empowerment of community

USDA offered necessary guidance through training programmes with the support of the Small Enterprises Development Division to improve existing small-scale enterprises and commence new enterprises in underserved settlements.

Examples of success: 2

Manufacturing soap as a household industry has been introduced as part of the employment and entrepreneurship development programme. Mrs. Geetha Damayanthi of Korasa settlement in Minuwangoda,, Gampaha district commenced her business by making 8 tablets a week but now she makes 50 tablets a week. Each tablet weighs 100g and is sold at Rs. 90 100g thus generating a income of Rs. 4,500.00 per week. The net profit of a week is Rs. 1,750.00.

Results achieved by implementing Saubhagya Savibala programme

- During the year 2022, four hundred and forty seven (447) entrepreneurs were identified from settlements
- 38 programmes were conducted for improving capabilities of micro/small scale entrepreneurs through entrepreneurship in the community living in urban underserved settlements
- Market opportunities were created for 26 micro/small scale entrepreneurs
- 03 food and trade fairs were conducted enabling micro, small and medium scale entrepreneurs to exhibit their products for better market exposure with the involvement of 113 entrepreneurs

SS 2.1: Awareness programmes for small scale entrepreneurs

SS 2.3: Introducing market opportunities for small scale

SS 2.2: Granting financial assistance & equipment for scale entrepreneurs

Target -3

Saubhagya Nenabala– Programme for educational empowerment

Our Authority lent support to establish youth societies and children's societies in selected localities in the year 2022 by offering guidance and direction for the communities living in urban settlements to participate in the development process. Further, awareness programmes on children's rights and safety, child abuse and prevention of abuse were conducted in partnership with the National Child Protection Authority for 1496 children and parents of 30 settlements. A programme on menstrual cycle and pregnancy was conducted for 14 adolescent girls with the support of the Sri Lanka Family Health Bureau.

An English language course was commenced for improving English language related soft skills of young men and women over 16 years of age in urban settlements who have either dropped out of school or completed school education. Development of skills will help them to plan for future and contribute to development process. Other benefits derived are the improvement of communication skills, personal development and proper recognition inn employment opportunities.

Results achieved by implementing Saubhagya Nenabala Programme

- Awarding certificates for 50 young men and women who completed the three-month English language course.
- Creating awareness on children's rights and safety, child abuse and prevention of abuse in partnership with the National Child Protection Authority amongst 1496 children and parents of 30 settlements.
- Donating books for the commencement of a library at Wadugodawatta settlement, Kolonnawa with the objective of improving knowledge of children.
- Essential school materials/stationary were provided to 100 schoolchildren to help them to continue their primary education.
- 10 online (virtual) programmes were conducted during the period of Covid-19 lockdown for several subjects.
- School equipment sets were gifted to 101 children who faced Grade-5 scholarship examination.
- Bank accounts were opened for 71 children of 02 settlements in the Gampaha district for promoting children's savings.
- Establishment of 22 children's societies.

SN 3.1: Implementation of youth and child development programmes

SN 3.2: Conducting workshops on skill development and vocational training

Target - 4

Saubhagya Diviwaruna- Programme for Religious and Cultural Empowerment

In the year 2022, USDA implemented multicultural and multi-religious programmes amongst urban underserved communities facilitating the organization of multicultural and multi-religious activities for the promotion of social coexistence among diverse communities.

In collaboration with the Sri Lanka office of World Health Organization, a two-day training programme was conducted for 40 officers of the USDA.

Results achieved by implementing 'Saubhagya Divi Waruna' programme

- 08 multi religious programmes were conducted with the participation of 1941 families for enriching ethnic collectivity among communities.
- 13 multicultural events were held with the participation of 615 persons to promote and encourage creativity and aesthetic skills.
- With the support of the office of the World Health Organization in Sri Lanka, 10 mental health programmes were conducted to impart knowledge on psychosocial health and mental health to 450 low income persons in urban underserved settlements.

SD 4.1: Programme with multi-religious and multi-cultural activities

SD 4.2: Programme for promoting cultural, literary and art programmes (literature, drama, music)

Target -5

World Habitat Day Programme -2022

World Habitat Day is marked on the first Monday of October each year and attention is focused on the state of human settlements, and on the basic right of all to adequate shelter. This year's World Habitat Day was celebrated on Monday the 03rd October 2022. USDA embarked on activities centered on urban underserved communities in 25 districts of the island on the theme of this year's World Habitat Day 'Mind the gap. Leave no one and no place behind' .

Four major events had been organized to mark 2021 World Habitat Day.

1. Children's arts competition. (Three age groups 6-9 years, 10-14 years and 15-18 years)
2. Trade exhibition for micro/small/medium scale entrepreneurs
3. Short film competition
4. Urban home-gardening competition

Examples of success: 3

Opportunity was accorded to children of Galwatta settlement, Mahara in the Gampaha district to showcase their hidden dancing skills at the World Habitat Day celebration

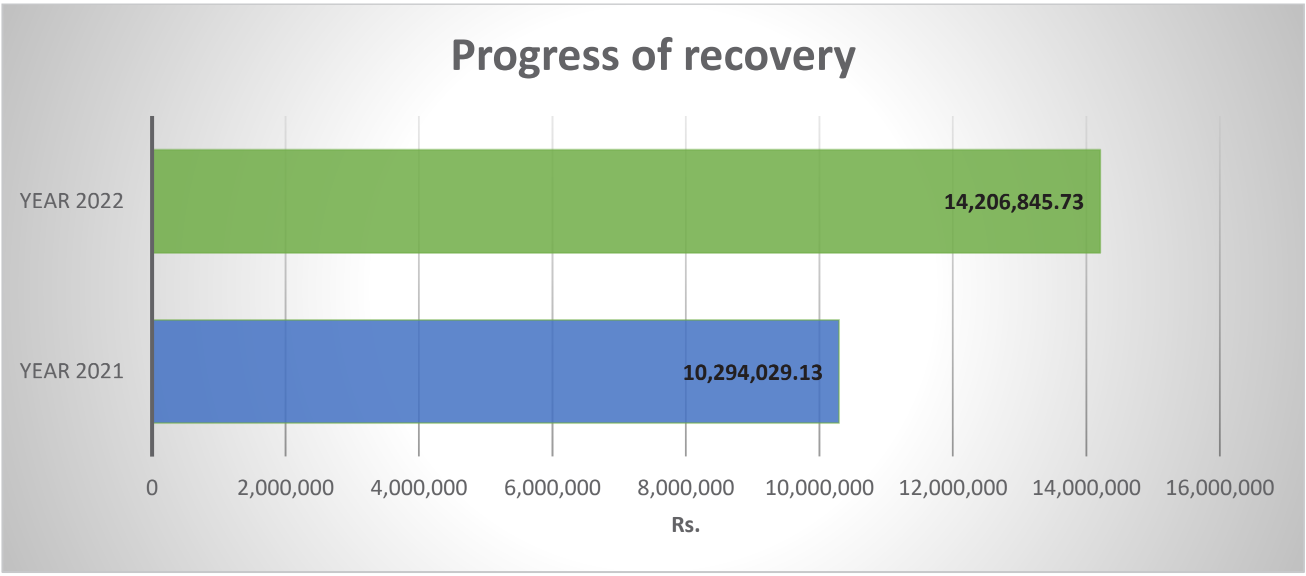
Results achieved by implementing World Habitat Day-2022 Programme

- 1200 drawings were received for the children's arts competition of 2022
- 9 winners and 21 with special merits were selected from each category for further encouraging artistic skills.
- 52 micro/small scale entrepreneurs participated in the food and trade exhibition
- 6 micro/small/medium scale entrepreneurs of food and trade categories were selected as winners and cash gifts were awarded.
- Gifts were awarded to 03 winners of the short film competition.
- Gifts were awarded to 03 winners of the home-gardening competition.

Progress of internal earnings (recovery) of USDA- 2022

In granting housing entitlements, the Recovery Division of our Authority recovers loan installments and installments in arrears from beneficiaries of 10 completed housing projects of the USDA who obtained loans under the housing loan programme.

Beneficiaries have obtained loans on relocation, non-relocation, sales and rent basis. The progress achieved in the recovery is depicted in the following graph in comparison to the year 2021.



According to the above graph, the recovery income of the Authority exceeds Rs. 14.2 million in the year 2022 which indicates a year on year growth of 38%.

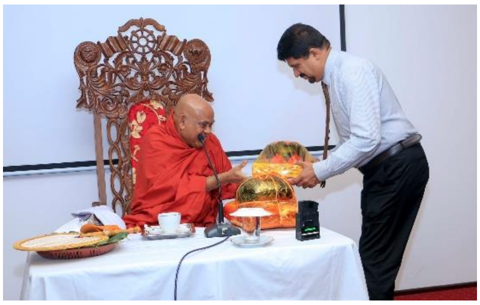
Human Resources Development & Institutional

Training programmes conducted in the year 2022 to improve performance of employees of the institution

A host of training programmes were conducted for enhancing employee efficiency and productivity. Details thereof are given below.

S/No	Training programme	Name of the institution which provided training	Cost
1	"UDA" Building Regulation	Urban Development Authority	55,000.00
2	Training programme on government vehicles	National Institute of Labour Studies	15,000.00
3	Positive Thinking training programme	Through a resource person	57,673.00
4	"CIDA" Formula Method for Adjustment to Contract Price due to Flection in Price"	Construction Industry Development Authority	16,000.00
5	Role of the officer in charge of leave	National Institute of Labour Studies	10,000.00
6	Impairment and inspections under F.R. 104	National Institute of Labour Studies	10,000.00
7	Filing	National Institute of Labour Studies	135,000.00
8	Bid Evaluation & Reporting	Skills Development Fund	81,000.00
9	Board of Survey	National Institute of Labour Studies	70000.00
10	One day Seminar on Legal Aspects on Construction Contracts Management and Administration	Construction Industry Development Authority	20,000.00
11	Online Seminar on Essentials for Effective Contract Administration, Performance Management and Supervision Infrastructure Projects	Construction Industry Development Authority	7,000.00
Total cost			**476,673.00**

For the improvement of mental health of all employees of the institution, a programme on positive thinking and appreciation was conducted through a resource person. Further, a monthly Dhamma sermon was conducted on account of each Full Moon Poya Day.



Making available training opportunities for the year 2022

In terms of Public Administration Circular 04/2017, opportunities for trainees can be provided up to 10% of the overall staff. Accordingly, 28 trainees were offered training opportunities in the year 2022 subject to a maximum period of 06 months with a daily allowance of Rs. 500.00. The total cost incurred thereon by the Authority was Rs. 991,000.00.

Details of opportunities accorded by the Authority during the year 2022 for students pursuing higher education are tabulated below.

S.No	Institution from which trainees were referred to	No of students referred	Trainee allowance paid in the year 2022 (Rs)
01	National Institute of Social Development	04	991,000.00
02	University of Kelaniya – External undergraduate	01	
03	Vocational Training Centre, Kolonnawa	17	
04	University of Moratuwa – Internal undergraduate	05	
05	Information Technology & Distant Education Centre	01	

The staff of the USDA as at 31.12.2022

#	Salary category	Approved cadre		Existing cadre		Vacancies	Surplus
		Permanent	Contract basis	Permanent	Contract basis		
01	HM2-1	01	-	01	-	-	-
02	HM1-1	04	-	03	-	01	-
03	MM1-1	12	-	10	-	02	-
04	JM1-1	03	-	02	-	01	-
05	MA5-1	14	-	14	-	-	-
06	MA3	31	-	20	-	11	-
07	MA2-1	15	-	12	-	03	-
08	MA1-1	49	-	46	-	03	-
09	PL3	10	-	09	-	01	-
10	PL1	14	-	09	-	05	-
11	Contract basis	-	-	-	-	-	01
	Total	**153**	**0**	**126**	**0**	**27**	**01**
For the proposed middle income housing projects							
12	Contract basis	-	13	-	03	10	-
	Total	**-**	**13**	**-**	**03**	**10**	**-**
	Sum total	**153**	**13**	**126**	**03**	**37**	**01**

❖ Total number of permanent employees = 126 (Without the Chairman)

	URBAN SETTLEMENT DEVELOPMENT AUTHORITY		
	STATEMENT OF FINACIAL POSITION		
	As At 31-12-2022		
	Particulars	**Current Year Bal. (Rs.)**	**Previous Year Bal. (Rs.)**
	ASSETS		
	. Current Assets		
	Cash And Cash Balance	60,162,796.92	56,179,922.48
	Advance	8,872.00	322,086.32
	Festival Advance	31,250.00	33,750.00
	Staff Loan	303,056.72	1,935,848.55
	Fuel Deposit	354,980.00	354,980.00
	Staff Distress Loan	14,955,577.74	8,740,266.99
	Welfare Loan	10,000.00	10,000.00
	Study Loan	89,766.61	125,383.77
	Receivable From UDA	207,331,767.00	207,331,767.00
	Scattered Load Receivable 2020	-	6,047,908.85
	Receivable Accounts	740,056,093.78	442,935,419.05
	Construction Advance	1,323,113.95	1,323,113.95
	Mobile Cart Stock	41,000.00	41,000.00
	Stock for Resource Center	687,105.50	687,105.50
	Housing Stock	14,294,796.53	75,161,159.52
	Sahaspura Commercial Units	44,777,000.00	44,777,000.00
	Lunawa Housing Units Stock (164Units)	54,251,358.81	651,016,306.14
	Lunawa Project Stock	94,611,202.05	94,611,202.05
	Investment	1,162,751,854.45	916,500,000.00

	. **Total Current Assets**	**2,396,041,592.06**	**2,508,134,220.17**
	. **Non-Current Assets**	-	-
	Loan Stock	581,584,752.51	429,042,347.01
	Work-in Progress	14,754,152.70	13,221,994.16
	Property Plant And Equipment	460,361,304.19	51,107,430.91
	. **Intangible Assets**	-	-
	Accounting Software	500,000.00	500,000.00
	. **Total Non-Current Assets**	**1,057,200,209.40**	**493,871,772.08**
	Total Assets	**3,453,241,801.46**	**3,002,005,992.25**
	LIABILITIES AND EQUITY		
	. **Current Liabilities**		
	Accrued Expenses	72,461,817.89	112,830,040.86
	Management Corporation Fund	39,197,354.45	26,381,854.45
	Retention Money	154,124.54	305,822.60
	Thuruithurugama - Prepayment receipts	7,500.00	-
	Thalawakele Prepayment Receipt	-	15,000.00
	Sahaspura - Prepayment receipts	-	-
	Chilaw Prepayment receipts	-	86,346.28
	Hambanthota Sanitation Improvement Pro	-	4,514,970.13
	Thalawakalle Down Payment	-	-
	LUNAWA DOWN PAYMENT RECOVERY	17,458,000.00	140,605,000.00
	Chilaw Down Payment	1,950.00	-
	Tender Deposits	10,000.00	10,000.00

	Differed Income Grant (lunawa)	-	751,106,192.09
	Treasury Loan	-	125,016,000.00
	Anuradhapura Deed Fees	50,275.00	-
	Donation for SM Programme	4,825.00	-
	. **Total Current Liabilities**	**129,345,846.88**	**1,160,871,226.41**
	. **Non-Current Liabilities**	-	-
	Provision for Gratuity	28,186,117.50	25,147,323.00
	Distress Loan Provision	15,000,000.00	15,000,000.00
	. **Total Non-Current Liabilities**	**43,186,117.50**	**40,147,323.00**
	Total Liabilities	**172,531,964.38**	**1,201,018,549.41**
		-	-
	Net Assets	**3,280,709,837.08**	**1,800,987,442.84**
	Equities And Reserves		
	Treasury Grant	1,987,156,586.43	716,109,824.18
	Capital Grant on Fixed Assets	8,604,229.82	5,745,875.31
	Consolidated Fund	-	6,641,977.00
	Government Grant	470,898,036.77	108,034,839.91
	Revenue Reserve	36,625,000.00	36,625,000.00
	Revaluation Reserve	38,515,350.07	39,259,145.55
	Treasury Grant HRD Capital	3,672,705.86	6,285,000.00
		2,545,471,908.95	**918,701,661.95**
		-	-

	Balance Income (Expenditure)	97,666,409.77	97,666,409.77
	Excess Income for the Previous Year	272,849,771.84	784,619,371.12
	Excess Over Income/Expenditure for the Period	364,721,746.52	-
		735,237,928.13	**882,285,780.89**
		-	-
	Total Equity	**3,280,709,837.08**	**1,800,987,442.84**

URBAN SETTLEMENT DEVELOPMENT AUTHORITY

STATMENT OF FINANCIAL PERFORMENCE

FOR THE YEAR ENDED 31-12-2022

Particulars	Current Year Bal. (Rs.)	Previous Year Bal. (Rs.)
REVENUE	**-**	**-**
. **Treasury Grant - Recurrent**	**155,000,000.00**	**155,000,000.00**
. **Treasury Grant - HRD**	**-**	**26,980,000.00**
. **Differed Income On FA**	**11,391,602.17**	**3,233,180.83**
. **Interest Income**	**161,823,661.56**	**22,129,237.42**
. **Other Income**	**12,986,065.96**	**4,963,703.95**
. **Profit From Housing Projects**	**232,269,606.31**	**766,350,947.45**
. **Profit on Disposal**	**-**	**15,369,916.70**
. **Treasury Grant - Horana HP**	**-**	**8,804,705.87**
Total Income	**573,470,936.00**	**1,002,831,692.22**
ADMINISTATIVE EXPENSES		
. **Personal Emoluments**	**118,945,680.27**	**100,482,235.61**
Audit & Management Committee Allowances	225,000.00	-
Budgetary Allowance	7,664,059.13	-
Cost of Living	11,862,827.07	-
Directors Allowance	1,262,000.00	970,000.00
E.P.F.	9,244,333.60	9,275,940.89

E.T.F	2,311,083.36	2,191,864.60
HOLIDAY PAYMENT	1,600,700.00	-
Other allowance	230,000.00	1,793,050.00
Overtime & Holiday Payment	4,469,889.26	4,867,094.11
Salary & Wages	65,165,746.73	73,917,036.51
Staff Allowance for Board Meeting	62,000.00	-
Staff Compensation Charges	572,840.00	-
Staff Gratuity	4,401,239.50	4,512,017.50
Staff Incentives	4,740,000.00	1,755,000.00
Telephone Allowance- Officers	693,459.67	-
Telephone Allowance- Other Staff	675,000.00	-
Trainee Allowance	848,000.00	-
Transport Allowance	757,500.00	-
Uniform Allowance	195,000.00	64,500.00
Vehicle allowance	600,000.00	-
Welfare	1,365,001.95	1,135,732.00
	-	-
. Travelling	**1,949,976.62**	**426,040.57**
Travelling & Subsistence (Officers)	215,000.00	-
Travelling & Subsistence (Staff)	604,400.00	-
Travelling Domestic	1,130,576.62	426,040.57
	-	-
. Supplies Expenditure	**16,656,620.44**	**10,615,268.23**

Fuel & Lubricants	7,442,656.17	4,046,941.99
News Paper	-	26,630.00
Other Supply Expenses (Consumable Item)	876,901.80	1,236,965.55
Stamp / Postage	569,018.00	169,302.50
Stationary & Office Requisites	7,768,044.47	5,135,428.19
	-	-
. Contractual Services	**38,670,983.37**	**41,979,091.24**
Accommodation Expenses	22,250.00	54,200.00
Advertising/Exhibition	608,902.00	856,102.50
Audit Fee	-	1,000,000.00
Bank Charges	5,410.00	2,166.00
Bank Charges (IPG)	48,480.70	-
Ceremony Expenses	871,018.00	562,424.75
Cleaning Charges	993,841.30	957,744.00
Lease rental operational vehicle	3,667,300.78	10,253,645.00
Legal Expenses	592,135.00	323,872.67
Office Rent	25,412,887.50	21,501,385.20
Other service Expenses	124,915.00	530,894.74
Printing Charges	824,341.00	2,500,735.00
Recovery Expenses	285,509.01	87,524.39
Security Charges	180,000.00	30,500.00
Site Utility Bill Exp.(Water/CEB/Etc.)	7,995.69	4,483.70
SM /OTHER Staff Expenses	284,585.00	-

Telephone Charges (Communication)	1,187,279.50	1,300,489.49
Training Expenses (Staff)	556,653.00	830,740.00
Transport	2,997,479.89	1,182,183.80
. **Maintenance Expenditure**	**6,443,832.32**	**8,614,314.85**
Maintenance of Accounting Package	72,000.00	-
Repair & Maintenance of Computer	223,075.62	326,300.00
Repair & Maintenance of Equipment	1,020,402.60	1,356,566.68
Repair & Maintenance of Vehicle	3,926,657.97	3,519,907.48
Repair / Maintenance Of Office Building	383,869.26	2,824,239.08
Vehicle Insurance	817,826.87	587,301.61
	-	-
. **Other Recurrent Exp/Provisions**	**17,286,721.76**	**24,614,031.50**
Disposal Item AC	18,049.75	-
Depreciation Furniture & Fittings	805,086.20	635,817.13
Depreciation of Computer	6,705,075.26	6,105,780.18
Depreciation of Drivers rest room	142,560.00	35,640.00
Depreciation of Office Equipment	1,580,457.99	1,639,642.03
Depreciation of Store Room	275,400.00	20,560.68
Depreciation of Vehicle	6,779,452.05	5,565,550.68
Depreciation of Anuradapura Building	980,640.51	245,160.13
Distress Loan Fund	-	9,305,245.35
Doubtful Debtors - Scattered Loan	-	1,060,635.32
	-	-

. **DEVELOPMENT EXPENSES**	**8,795,374.70**	**31,481,339.10**
Angulana Maintenance	448,076.72	524,880.00
Anuradhapura - Maintenance	116,294.00	-
Babarakale Housing Project- Preliminary Ex	15,108.24	-
Chilaw Housing Project Maintenance	659,899.53	-
Horana Housing Project W/P	-	8,559,544.41
Human Development Programme (Swashakthi)	6,646,548.17	22,047,013.63
Lunawa housing Opening Exp	-	0.01
Lunawa Maintenance	73,713.00	-
Sri wickramapura Expenses	830,935.04	253,785.66
Thalawakalle Housing Pro. Maintenance	4,800.00	96,115.39
	-	-
Total Expenses	**208,749,189.48**	**218,212,321.10**
	-	**-**
Surplus/(Deficit) for the Period	**364,721,746.52**	**784,619,371.12**

URBAN SETTLEMENT DEVELOPMENT AUTHORITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31st DECEMBER 2022

	2022	2021
CASH FLOW FROM OPRERATION ACTIVITIES		
Receipts		
Treasury Grants(Recurrent)	155,000,000.00	155,000,000.00
Other Income	7,533,991.07	1,343,180.54
Savings Interest Income	480,479.85	146,864.27
Cash Advances	2,020,756.00	-
Deed fees	539,945.00	186,190.00
Donation	4,825.00	-
Sale Income on H/Pro.	289,227,250.00	792,720,000.00
	454,807,246.92	949,396,234.81
Payments		
Cash Advances	8,909,064.02	353,701.35
Salaries & other allowance	104,515,038.02	90,351,833.81
OT & Travelling Expenses	2,500,662.41	4,643,233.08
Services & Suppliers	13,827,030.21	11,451,983.57
contractual Services	46,681,663.27	30,268,563.32
Maintain Expenses	6,641,029.33	7,351,643.14
Human Development Programme	7,693,251.81	22,213,263.00
other income refund	466,678.50	-

Festival Advance	703,750.00	65,166.54
Gratuity Payments	1,334,945.00	696,980.00
Sales income Refund(Down payment Refund)	16,780,000.00	-
Shasa Deed Fee	391,600.00	121,120.00
	210,444,712.57	167,517,487.81
Net Cash flow from Operation Activities	**244,362,534.35**	**781,878,747.00**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Receipts		
Treasury Grants(HRD & CAPITAL PROJECT)	4,500,000.00	154,996,000.00
Recovery installment	115,673,249.74	10,880,239.25
Sale Of Vehicles	-	15,919,907.00
Fixed Deposit Interest Income	106,655,818.69	8,722,329.47
Distress Loan	2,237,130.18	6,356,685.06
USDA Staff Housing loan recovery	258,961.77	3,926,460.72
	229,325,160.38	**200,801,621.50**
Payments		
Housing Project Expenses	30,354,142.02	69,955,186.90
Project Maintenance	2,125,437.74	688,995.00
Fixed Assets Purchases	61,592,264.98	7,354,375.91
Distress Loan	11,775,866.97	2,250,000.00
Study Loan	60,000.00	236,250.00
Angulana Scattered Loan	500,000.00	-
Interest Refund- CMC	4,744,754.13	-

Investment- Fixed Deposit	380,251,854.45	524,500,000.00
	491,404,320.29	604,984,807.81
Net Cash flow from Investment Activities	**(262,079,159.91)**	**(404,183,186.31)**
CASH FLOW FROM FINANCIAL ACTIVITIES **Receipts**		
Management Corporation Funds	13,417,500.00	22,252,000.00
	13,417,500.00	**22,252,000.00**
Payments		
Funds Refund to Treasury Laon	125,016,000.00	-
MC Fund Refund - Lunawa	500,000.00	-
Management Corporation Fund- Angulana CMC	202,000.00	412,000.00
	125,718,000.00	**412,000.00**
Net Cash flow from financial Activities	**(112,300,500.00)**	**21,840,000.00**
Net Increase/ (Decrease) in cash & cash equivalents	(130,017,125.56)	399,535,560.69
Cash & Cash equivalents at the beginning of the year	448,179,922.48	48,644,361.79
Cash & Cash equivalents at the End of the year	318,162,796.92	448,179,922.48

URBAN SETTLEMENT DEVELOPMENT AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS/EQUITY

FOR THE YEAR ENDED 31st DECEMBER 2022

Name of Account	Opening Balance		Changes During the Year				Closing Balance (Rs.)	
	2021	2022	2021		2022		2021	2022
			Addition	Deduction	Addition	Deduction		
Initial Capital Ac.	-	-	-	-	-	-	-	-
Consolidated Fund Ac.	6,641,977.00	6,641,977.00	-	-		6,641,977.00	6,641,977.00	-
Treasury Grant Ac.	1,993,016,243.85	716,109,824.18	125,016,000.00	1,401,922,419.67	1,415,009,238.89	143,962,476.64	716,109,824.18	1,987,156,586.43
Government Grant A/C	68,332,962.51	108,034,839.91	46,380,830.70	6,678,953.30	367,052,974.00	4,189,777.14	108,034,839.91	470,898,036.77
Capital Grant on Fixed Assets	5,300,102.84	5,745,875.31	3,000,000.00	2,554,227.53	4,500,000.00	1,641,645.49	5,745,875.31	8,604,229.82
Treasury Grant HRD (Capital)	6,285,000.00	6,285,000.00	-	-		2,612,294.14	6,285,000.00	3,672,705.86
Reserved Fund Ac.	36,625,000.00	36,625,000.00	-	-			36,625,000.00	36,625,000.00
Revalued Reserve	39,318,995.55	39,259,145.55	-	59,850.00		743,795.48	39,259,145.55	38,515,350.07
Accumulated Fund Ac.	97,666,409.77	882,285,780.89	784,619,371.09	-	1,053,658,538.66	1,200,706,391.42	882,285,780.86	735,237,928.13
Total	2,253,186,691.52	1,800,987,442.84	959,016,201.79	1,411,215,450.50	2,840,220,751.55	1,360,498,357.31	1,800,987,442.81	3,280,709,837.08

Chairman
Urban Settlement Development Authority

<u>Report of the Auditor General on the Financial Statements and other legal and regulatory requirements of the Urban Settlement Development Authority for the year ended 31 December 2022 in terms of Section 12 of the National Audit Act No. 19 of 2018</u>.

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Urban Settlement Development Authority for the year ended 31 December 2022 comprising the statement of Financial Position as at 31 December 2022 and the statement of financial performance, statement of changes in equity and statement of cash flows for the year then ended and the 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 12 of the National Audit Act No. 19 of 2018 and the provisions of the Finance Act No.38 of 1971. My report will be tabled in the Parliament in due course, in terms of sub section 154 (6) of the Constitution.

In my opinion, except for the effects of the matters described in the basis for qualified opinion of my report, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for the Qualified Opinion

(a) In terms of paragraph 45 and 46 of Sri Lanka Public Sector Accounting Standard No. 01 each material class of similar items shall be presented separately and aggregated and classified condensed data should be presented in financial statements. However, contrary to this, the Authority in presenting financial statements for the year under review had presented similar items in detail in financial statements instead of condensing them.

(b) In terms of paragraph 09 of Sri Lanka Public Sector Accounting Standard 02, cash and cash equivalents include investments that has a short maturity of 03 three months or less from the date of acquisition. However, the Authority had included the value of fixed deposits of Rs. 258 million with a 03-month maturity period as cash and cash equivalents. As a result, cash and cash equivalents indicated in the Statement of Financial Position at the end of the year under review had been under-calculated by that amount and the investment value had been overstated by that amount.

(c) In terms of paragraph 47 of Sri Lanka Public Sector Accounting Standard 03, an entity shall correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by restating the comparative amounts for prior periods presented in which the error occurred. However, as a result of the adjustments in respect of grants amounting to Rs. 2.41 million received from the government for the construction of Seethawakapura housing project which was decided to be abandoned by the Authority as per Board Paper No. 05/2015/04 dated 02nd October 2015, being carried out during the year under review without being carried out in respect of that year, the surplus of the Authority in the year under review had been over-calculated by that amount. Further, due to incentives amounting to Rs. 1.59 million paid by the Authority for the preceding year being adjusted in respect of the year under review, the surplus of the year under review had been under calculated by that amount.

(d) Sri Lanka Public Sector Accounting Standard 07

(i) In terms of paragraph 55 of the standard, the revaluation surplus included in net assets/equity in respect of property, plant and equipment should be transferred directly to accumulated surpluses on deficits when the assets are derecognized. However, as a result of revaluation surplus of Rs. 0.74 million recognized and accounted in previous years in respect of 55 assets derecognized by the Authority in previous years being adjusted the surplus of the year under review instead of adjusting to the accumulated surplus account by removing from the revaluation reserve account, the profit of the year had been under-calculated by that amount.

(ii) The value of 06 houses constructed using clay technology in 06 land plots out of 108 land plots in Thuru Ithurugama, Anuradhapura that were transferred to the Authority on 24th April 2019 under grant No: 4/7/7423 had been assessed as Rs. 5.92 million in the year 2016. However, the report submitted on 10 October 2022 by the National Engineering Research and Development Centre subsequent to an onsite inspection stated that those houses were uninhabitable as they had been constructed using poor construction techniques methods and that the walls that had been constructed using clay and cement could not sustain the weight of the roof. Therefore, though the decrease of value of these houses should have been identified as impairment, but as a result of not being identified thus, the non-current assets had been over-calculated by that amount.

However, according to the valuation report submitted on 18 May 2022 by the Department of Government Valuation, the value of 06 houses was Rs. 7.55 million which was Rs. 1.62 million higher than the valuation made in the year 2016. In submitting this report, it was observed that these 6 houses had been treated as similar to other 106 houses constructed using cement and accordingly it was observed that this valuation was contentious.

(e) Sri Lanka Public Sector Accounting Standard 11

(i) In terms of paragraph 10 and paragraphs IG 30 and 31, if there is a further group of non-exchange transactions where the entity may provide some consideration directly in return for the resources received, but that consideration does not approximate the fair value of the resources received. In these cases, the entity determines whether there is a combination of exchange and non-exchange transactions, each component of which is recognized separately. But contrary to this, the Land Reforms Commission had transferred 9 acres and 20.2 perches to the Authority out of Orchard Watta land in Nittambuwa with an extent of 9 acres 3 roods and 21.10 perches of which the fair value had been assessed as Rs. 120 million and the Commission had only charged Rs. 60 million for the land and only the amount paid had been stated in financial statements. No action had been taken to assess the value of the parcel transferred the Authority and include same in financial statements or make necessary disclosures.

(ii) Though a present obligation should be accounted as per the provisions of paragraph 17 of the Standard, a sum of Rs. 1,267.32 million provided by the government for the Lunawa housing project should be paid back to the government as per Cabinet decision No: CP/20/1844/306/055 dated 02 December 2020, the present obligation had not been accounted. As a result of the said government grants being stated under equity and reserves in the statement of financial position, the equity and reserves had been over-calculated by that amount.

(iii) In terms of the provisions of paragraphs 14,15,16,76 and paragraphs 1G 18,18,29 and 21 of the standard, though the revenue from non-exchange transactions should be identified in the financial performance statement, the cumulative balance of Rs. 2,458.05 indicated in financial statements as at 31 December 2022 out of treasury provisions received by the Authority by the end of the year under review, had not been adjusted to the financial statements as per the standard.

Further, in terms of paragraph 42 of the standard, though an asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition, the government owned land at Lunawa Moratuwa received by the Corporation as a free grant had been transferred to the Authority in the year 2022 and the relevant housing project had been completed in the year 2022. Though 356 houses thus constructed had been disposed of on sales basis, the cost of the land had not been taken into account in the disposition of houses. Therefore, the accuracy of the calculation of costs of houses is problematic. Action has not been taken to even by the end of the year under review to calculate the fair value of this land and make adjustments in the financial statements.

(iv) Contrary to provisions of paragraphs 94 and 96 of the standard, the capital grants amounting to Rs. 8.6 million received by the Authority during the year under review were indicated under the equity and reserves and a deferred income of Rs. 14 million too had been identified.

(v) Though an entity shall disclose either on the face of, or in the notes to, the general purpose financial statements, the amount of revenue from non-exchange transactions recognized during the period by major classes showing separately taxes and transfers and though the Authority should disclose the accounting policy used to recognize the revenue received from non-exchange transactions, such disclosure had not been made.

(f) Sri Lanka Public Sector Accounting Policy 12

(i) In terms of paragraph 14(a) of the Standard, if the lease transfers ownership of the asset to the lessee by the end of the lease term, it should be identified as financial lease. Accordingly, 22 houses of the Lunawa housing project disposed to employees of the Authority in terms of long term lease agreements on commercial basis should be identified as financial lease, they have not been identified as financial lease as per this Standard. Since only the down payment of 25% had been completed, these houses had neither been identified during the year as sales. An appropriate accounting policy in this regard too had not been identified.

(ii) Contrary to this Standard, Rs. 20.61 million in respect of 04 housing projects sold by the Authority during the year under review had been identified as revenue due to which the surplus of the year under review had been over-calculated by that amount.

(g) In terms of paragraph 7 of Sri Lanka Public Sector Accounting Standard 13, an investment property is a land or a building or part of a building or both held to earn rentals or for capital appreciation, or both. However, houses and commercial units with a value of Rs. 146.76 million given on lease rent by the Authority had been included under fixed assets without being identified as investment property.

(h) Though, in terms of paragraph 96 of Sri Lanka Accounting Standard 20, the depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life, no depreciable expenditure had been identified for the accounting software of the Authority valued at Rs. 500,000 during the year under review. Further, in terms of paragraph 117 of the Standard disclosures had not been made in financial statements in respect of intangible assets.

(i) Though the interest receivable for fixed deposits as at 31 December 2022 was Rs. 51.48 million, as a result of the receivable interest being shown as Rs. 54.19 million together with withholding tax of Rs. 2.71 million in the financial statements, the surplus of the year under review had been over-calculated by Rs. 2.71 million.

(j) The balance of Rs. 15 million as at 31 December 2022 of the distress loan fund maintained to grant distress loan to employees having got provisions allocated from the fund of the Authority was not stated under the equity and reserves and was stated under the non-current liabilities. As a result, the noncurrent liabilities had been over-calculated and equity and reserves had been under-calculated by that amount.

(k) According to information presented by the Marketing Division of the Authority, though it was indicated that Rs. 448.1 million was receivable as at 31 December 2022 from 178 housing units of the Lunawa Housing Project disposed on commercial basis, as a result of that value being Rs. 435.5 million in financial statements, a difference of Rs. 12.56 was observed between the two values.

(l) Though, the value of the total loan installment in arrears of Rs. 3.4 million recoverable from the year 2016 in respect of the Hambantota housing project as at 31 December 2022 should have been shown under current assets as receivable accounts, as a result of it being shown under non-current assets, the current assets of the Authority had been under-calculated by that amount.

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

1.3 Other information contained in the Annual Report 2022 of the Authority

Other information means information, though included in the Annual Report 2022 of the Authority which is expected to be handed over to me after the date of this audit but not included in the financial statements and in my audit report thereon. Those charged with management shall be responsible for other information.

My opinion on the financial statements does not cover other information and I do not provide an assurance of any manner or express an opinion thereon.

My responsibility in relation to my audit regarding financial statements is to read other information whenever available and consider whether there are material inconsistencies between the financial statements or my knowledge gained otherwise and other information.

If I concluded that there are material misstatements, on the basis of other information obtained by me prior to the date of this audit and the activities carried out by me, I am required to report such matters. As described below, I conclude that there such material misstatements in other information.

(a) According to the financial statements of the Authority, 341 housing units of the Lunawa Housing Project had been sold by the end of the year under review and of them 128 recipients of houses had paid off their total amount of Rs 646.08 million. However, according to the draft annual report of the Authority in respect of the year under review, it was stated that 140 recipients of houses had paid Rs. 664.08 million.

(b) Similarly, though the value of sales of houses in respect of housing units for which only 50 percent of the value of the house had been paid was Rs. 912.38 million and the value of the receipt of money in respect of those housing units was Rs. 464.28 million, according to the draft annual report, such values respectively were Rs. 912.91 million and Rs. 460.38 million.

(c) Though the number of houses for which only 25 percent of the value of the house had been paid was 12 and the sales value of those houses was Rs. 61.62 million, in the draft annual report the number of such housing units was 13 and the sales value was Rs. 66.36 million.

In reading the annual report 2022 of the Authority, if there are misstatements that have still not been corrected, they will be included in the report to be tabled by me in due course in Parliament in terms of Article 154 (6) of the Constitution.

4 Responsibility of the management and governing partners for Financial Statements

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

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

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

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

1.5 Auditor's responsibilities in connection with the Financial Statements

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

I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have communicated with those charged with governance regarding the significant audit findings, including any significant deficiencies in internal control that I have identified during the audit.

2 <u>Report on other legal and regulatory requirements</u>

2.1 Special provisions are included in respect of the following requirements in the National Audit Act No. 19 of 2018.

2.1.1 In terms of the requirements of section 12 (a) of the National Audit Act No. 19 of 2018, except for the effects of the matters described in the section on the 'Basis for the qualified Opinion' of this report, I obtained all information and explanations required for the audit and as far as it appears from my inspection, the Authority had maintained proper financial reports.

2.1.2 In terms of the requirement indicated in Section 6(1)(d) (iii) of the National Audit Act No. 19 of 2018, the financial statements presented by the Authority are consistent with the preceding year.

2.1.3 The recommendations made by me in the previous year have been included in the financial statements as per the requirement of Section 6(1)(d) (iv) of the National Audit Act No. 19 of 2018.

2.2 On the basis of the procedures followed and evidence obtained and being restricted within the material matters, nothing that warrants the making of the following statements, did not come to my attention.

2.2.1 In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether any member of the governing body of the Authority has any interest, direct or otherwise, outside normal business status in any contract entered into by the Authority.

2.2.2 In terms of the requirement of section 12 (f) of the National Audit Act No. 19 of 2018, whether the Authority has not complied with any applicable written law, or other general or special directions issued by the governing body of the Authority;

Reference to Laws, Rules, Regulations etc	Description
Urban Settlement Development Authority Act No.. 36 of 2008	
(i) Introduction to the Act	In terms of the Urban Settlement Development Authority Act No. 36 of 2008, though the Authority had been established to formulate a national policy in relation to the development of urban settlements and to ensure the implementation of such policy, the Authority had failed to formulate and implement the said national policy even though 14 years had lapsed since the establishment of the Authority. However, as one of the components of the project for assisting Colombo Regeneration (SURP) implemented by the line Ministry, the preparation of a policy for urban regeneration had been included and it was observed that a draft thereof too had been prepared.
(ii) Section 10	Though the Authority had appointed by April 2017, an "Advisory Committee" with a Chairman and not more than fourteen members, even by the end if the year under review, the functions relation to the objectives of the Authority such as the proposals, plans, projects and action plans had not been identified.
(iii) Subsection 16(1)(e)	All sums of money collected by the Urban Development Authority as service charges from the property developers to finance low cost housing programmes should have been credited to the Fund of the Urban Settlement Development Authority. However as the UDA had stopped the collection of service charges in terms of Cabinet decision No: 10/2951/504/012 dated 14 December 2010, the USDA had been deprived of that income. The USDA had failed to acquire to itself the service charges amounting to Rs. 207.33 million that had already been collected by the UDA at the time of stopping the collection of service charges.
(iv) Subsection 16(3)	Though the initial capital of the Authority shall be Rs. 5,000 million which shall be paid out of the Consolidated Fund in installments in terms of provisions of subsection 16(3) of the Urban Settlement Development Authority Act No. 36 of 2008, even though 14 years had lapsed by the end of the year under review, no capital had been given to the Authority.
(v) Section 11(a) of Finance Act, No. 38 of 1971	Without securing the concurrence of the Minister of Finance, the Authority had invested Rs. 1.195 million in the previous year and Rs. 958 million during the year under review in fixed deposits with the

	approval of the Board of Directors.
(vi) Public Finance Circular 01/2021 dated 16th November 2021.	Though, in terms of the provisions of the Circular, a Corporate Plan should be prepared for 5 years and submitted to the relevant parties together with Action Plan and annual budget 15 days prior to the commencement of the next year, it had not been so done and the Authority had not prepared the Action Plan as per the format given in Section B of Good Governance Guidelines for government owned enterprises. Further, though the estimated financial position statement, estimated cash flow statement and estimated capital expenditure should be included in the main budget of the year, such matters had not been included in the annual budget prepared by the Authority for the year 2022.

2.2.3 In terms of the requirement of Section 12(g) of the National Audit Act No. 19 of 2018, whether the Authority has not performed according to its powers, functions and duties, except for the following observations.

Powers, functions & duties	**Observations**
Paragraph 15 of USDA Act No. 36 of 2008	Though the Authority should further the general welfare and social and cultural progress of the community within any urban settlement area and administer the affairs of such area, other than the two low income housing projects at Thuduwegoda and Nawalapitiya which had been temporarily suspended, no other physical development had been carried out and only 05 human development programmes had been implemented.

2.2.4 In terms of the requirement of Section 12(f) of the National Audit Act No. 19 of 2018, other than the following observations, whether the resources of the Authority had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

(a) Even by the end of the year under review, the Authority had failed to finalize the acquisition of 2.32 hectares of lands from the relevant institutions in respect of 512 housing units of 03 housing schemes of which construction had been completed by the Authority. Consequently, owing to the delay in granting deeds to recipients to whom ownership had been transferred upon the completion of construction, it was not possible to establish management corporations and transfer the possession.

(b) Though the Authority had disposed of 356 housing units of the Lunawa housing scheme on sales basis last year, the granting of deeds of recipients of hoses had not been carried out even by the end of the year under review. This was mainly due to not obtaining approvals that should have been obtained from the Urban Development Authority, Condominium Management Authority, Survey Department, Title Registration Office and Moratuwa Municipal Council.

(c) Contrary to Cabinet decision No. MUDRH/2020/CP/45, it has been decided in terms of the approval of the Board of Directors obtained through Board paper No. 01/2021/15 not to levy the service charge of 20 percent levied by the Authority from the officers of the Authority when deciding the selling price of houses and to charge only the valuation of the government as the selling price of a house and to implement an easy payment scheme under a concessionary annual interest rate of 2 percent within a period of 25 years for the recovery of the cost. Accordingly, 22 housing units had been allocated to the officers of the Authority by the end of the year under review and as a result of acting contrary to the Cabinet decision, the loss incurred by the government stood at Rs. 18.96 million.

(d) Under Board Paper No: 05/2022/06 dated 16th June 2022, it had been decided to dispose sixty seven (67) commercial units valued at Rs. 44.78 million and 57 service units of which valuation had not been recognized of Sahaspura housing scheme to the Management Corporation on a free grant from which the Authority could have generated income by leasing.

(e) Without charging 50% of the sales price in terms of Cabinet decision No /20/1844/306/055 dated 22nd December 2020, the possession of the housing unit No. 1/3/3 of the Lunawa Housing Scheme valued at Rs. 4.74 million had been transferred by only charging Rs. 1.185 million or 25 percent of the sales price.

(f) Though the Authority had transferred the possession of 53 houses of the Angulana housing scheme to the value of Rs. 62.87 million through a grant to persons engaged in the fields of sports and acting without charging money during the period from 26 September 2016 to 12 February 2019. Subsequent to cabinet decision No: CP/19/2761/122/085 dated 18 September 2019, though it had stated that a reasonable amount could be charged from the beneficiaries, the Authority had not charged any money even by the end the year under review. Similarly, action had not been taken to rescind the grants of 32 houses as per the instructions of the letter of the Attorney General dated 04th December 2022.

(g) Though it has been stated that the relevant line ministry should take action under Financial Regulation 103 (Paragraph II) to consider whether legal proceedings can be constituted against the individuals responsible for the loss caused to the government as a result of the financial fraud amounting to Rs. 47.75 million committed in the acquisition of Real Exchange Private Limited and correctly compute the loss caused to the government as per the legal instructions, the line ministry had not proceeded with the matter even by June 2023

(h) Since the recruitment procedure of the Authority has been prepared based on the old format, it was instructed to update the procedure as per the new formatted from the letter of the Director General of Management Services, No DMS/1523/ (vol-1) dated 22 May 2019. However, that requirement had not been fulfilled up to April 2023.

(i) The approved cadre of the Authority was 153 and the approved contract basis staff was 13 as at 31 December 2022 and the actual cadre as at that date was 126 and 03 respectively. Thus, there were 37 vacancies in the cadre of the Authority and the existence of vacancies thus had directly impacted the performance of the Authority.

2.3 Other matters

(a) Conducting surveys and studies relevant to the identification of economic and social status of urban dwellers and implementation of urban housing loan schemes applicable at the national level which should be carried out in terms of the Urban Settlement Development Authority Act No. 36 of 2008 for the fulfillment of the objectives of the Authority had neither been included in the Corporate Plan nor carried out.

(b) According to the Action Plan of the Authority prepared for the year 2022, 06 projects had been planned to be completed and 02 of them had not achieved any physical progress even by the end of the year under review. Similarly, activities relating to 04 projects had only achieved a physical progress from 5 to 16 percent and the financial progress thereof was between 1 percent to 69 percent. Moreover, 02 projects commenced in the year 2022 and had been temporarily suspended had not been included in the Action Plan.

(c) In the approved cadre, only the post of Internal Auditor had been approved for the Audit Division and the posts of Audit Officers had not been included. Though this was pointed out in the past reports of the Auditor General, action had not been taken even during the year under review to strengthen the internal audit division. The post of Chief Internal Auditor had further been maintained as a middle management level post and without recruiting audit officers only two Management Assistants had been attached to the division. Further, out of 18 audit programmes included in the internal audit plan for the year under review, no evaluation had been carried out in respect of 04 audit programmes. Performance evaluations of the Authority too had not been carried out.

(d) The budget had not been used as an effective control mechanism by the institution and significant variances ranging from 1 percent to 232 percent were observed between the budgeted expenditure and actual expenditure. Further, Rs. 1,974,419 had been spent by the Authority during the year under review for 06 expenditure items for which provisions had not been allocated from the budget.

(e) The total loan installments to be recovered by the Authority as at the end of the year under review in respect of 06 housing projects of which houses were provided on relocation basis was Rs. 112 million of which the loan balance to be recovered for a period ranging from 2-5 years was Rs. 47.31 million and the loan balance to be recovered which had exceeded 05 years was Rs. 30.12 million and those values were amounted to 42 percent and 27 percent respectively of the total value of loan installments.

(f) The total loan installments to be recovered by the Authority as at the end of the year under review in respect of 04 housing projects of which houses were provided on sales basis was Rs. 42.5 million of which the loan balance to be recovered for a period ranging from 2-5 years was Rs. 11.3 million and the loan balance to be recovered which had exceeded 05 years was Rs. 22.8 million and those values were amounted to 27percent and 54 percent respectively of the total value of loan installments.

(g) Approval had been granted by cabinet decision No. CP/20/1844/306/055 dated 22nd December 2020 to charge 25 percent of the total value of a house to the Authority as the initial payment in disposing housing units of the Lunawa housing scheme and to make available a loan facility to beneficiaries to obtain the remaining 75 percent from a state bank with a repayment period of 2 years and to levy that amount of 75% to the Authority within a period of 3 months. However, it had not been possible to recover that sales value from the banks in respect of 12 beneficiaries who obtained houses under the bank loan basis as at 31 December 2022 from this housing project which was vested in people in 09th April 2021.

W.P.C. Wickremaratne
Auditor General