

Contents	Page
1. Introduction	116
2. Vision	117
3. Mission	118
4. Chairman and Board of Directors	119
5. Senior Management	120
6. Organizational Structure	121
7. Review of Chairman	122 – 123
8. Report of the Board of Directors	124 – 125
9. Report of the Audit and Management Committee	126
10. Ongoing programmes	127-152
11. Financial Statement	153- 162
a. Balance Sheet	
b. Income and Expenditure Account	
c. Cash flow Statement	
12. Auditor General's Report	163-168

Introduction

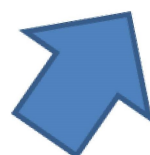
Urban Settlement Development Authority

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

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

Vision

To ensure enhanced life-style within sustainable urban human settlements



Mission

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

Chairman and Board of Directors from 01.01.2014 to 31.12.2014

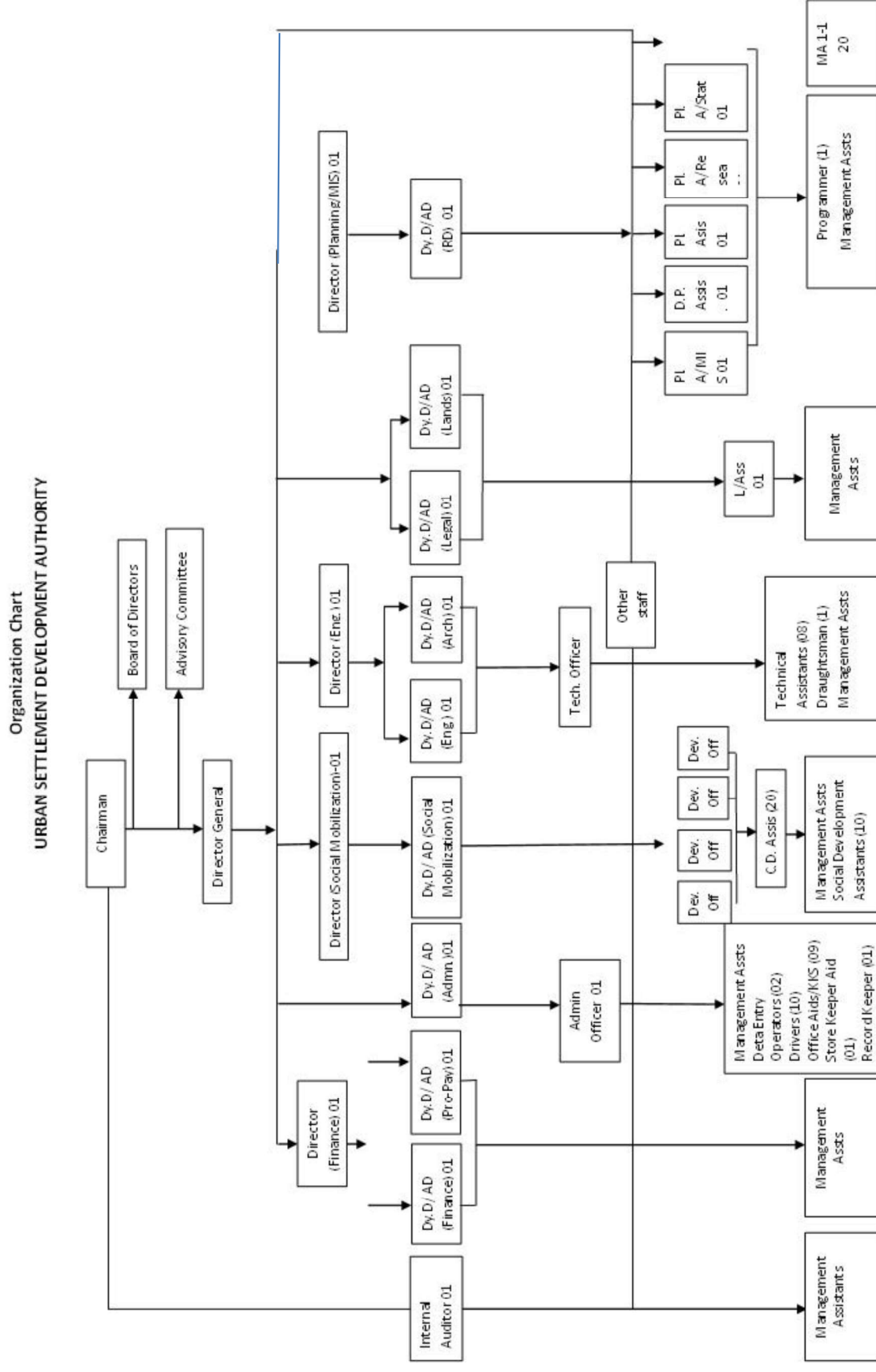
Post	Name	Date of
Appointment		
1. Chairman	Attorney at law Palitha Gamage	24.05.2010
2. Director General (Secretary to The Board of Directors)	Dr. Sumith Wanniarachchi	26.05.2010
3. Member of the Board of Directors	Ven. Ittekande Sadhdhatissa Thera	24.05.2010
4. Member of the Board of Directors	Mr. W.M.P.G.Wickremesinghe	05.01.2012
5. Member of the Board of Directors	Mr. A.M. Weerasena	16.08.2013
6. Member of the Board of Directors	Mr. A.W.Dayananda	07.07.2010
7. Member of the Board of Directors	Mr. E.M.J. Bandara	01.10.2013
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.S uresh 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	Ms B.G.S. Gunathilake	24.05.2010

2014

Senior Management

Senior management from 01.01.2014 to 31.12.2014

S.No	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.G. Dias	01.02.2011
4	Director (Planning & M.I.S)	Me. M.K.D. Chandrasena	01.11.2011
5	Senior Engineer	Mr. G.J. Gunasekara	01.11.2011
6	Internal Auditor (Acting)	Mr. L.R.A. Shantha	01.02.2011
7	Assistant Director (Legal)	Mrs Devika Dissanayake	01.11.2011
8	Assistant Director (Social Mobilization)	Miss G. S. Gamage	01.11.2011
9	Assistant Director-(Research & Development)	Mrs. K.K.W.T.G. De Silva	01.11.2011
10	Assistant Director (Procurement)	Mr. W.M.L. Boteju	03.04.2012
11.	Assistant Director (Finance)	Mr. A.M.K. Bandara Athauda	11.06.2012
12.	Assistant Director (Architectural)	Mrs. M.S.V. Vipulaguna	08.08.2012
13.	Administrative Officer	Mr. A.R.P. Gnanapriya	22.03.2012



Chairman's Review

The Urban Settlement Development Authority (USDA) established by the Urban Settlement Authority Act No. 36 of 2008 marks its sixth anniversary by the end of the year 2014. The key function of the USDA since its inception up to now has been to implement physical and human development programmes targeting low income communities living in urban settlements.

Of this two pronged strategy, the number of fully completed housing units added to the national housing stock under the concept of physical development is 456 (valued at Rs. 1475.5 million) Projects which were continued into this year from the previous year include the Lunawa urban multi-storeyed housing project- Moratuwa, Talawakele Lindula urban re-housing project and Chilaw re-housing project and the Lunawa urban multi-storeyed housing project comprises of 356 houses each with a floor area of 460 square feet. The physical progress of the project as at 31 December 2014 was 45% and the revised total estimate is Rs. 1369.32 million.

Talawakele- Lindula re-housing project consists of 54 units (first phase) and its estimated cost is Rs. 84.5 million. As at 31 December 2014, the physical progress of the project was approximately 60%.

The estimated cost of the Chilaw urban housing project comprising of 57 housing units is Rs. 49.7 million. Each house has a floor area of 500 square feet. The physical progress achieved as at 31 December 2014 was almost 100%.

Accordingly, in the year 2014, the number of housing units expected to be added to the national housing stock through continued projects of the Urban Settlement Development Authority i.e. Moratuwa- Lunawa urban multi-storeyed housing project, Talawakele Lindula urban re-housing project and Chilaw urban re-housing project is 467.

‘Janasevana Diriya’ urban housing programme launched in the year 2012 has addressed the housing requirements of 252 persons within the Colombo District and as the second phase of this project a 50 million rupee loan scheme was initiated in the year 2014 under which 260 beneficiaries within the area of authority of the Kaduwela Municipal Council could avail themselves of a loan facility subject to a maximum ceiling of Rs. 200,000 for the re-housing of 260 partially constructed houses.

“Janasevana Swashakthi” Human Development Programme was launched in the year 2011 for socioeconomic and cultural empowerment of communities living in underserved settlements was successfully implemented this year as well. During the year 2013, youth and children were referred to vocational training programmes and various competitions for knowledge and skills enhancement and a street food programme was carried out in Green Path Colombo with the participation of 200 women of these underserved habitats engaged in the produce and sale of short eats. To encourage them further, each of them was given a gas cylinder and a gas burner.

A host of programmes were conducted targeting children, youths and women living in underserved communities to mark World Habitat Day 2014 which included art competitions, drama competitions and a cricket tournament.

2014 can be termed as a year in which the Urban Settlement Development Authority strived to achieve its vision of “ensuring enhanced life-style within sustainable urban human settlements” through the implementation of a raft of new projects while carrying forward projects initiated in previous years.

Ranjith Shantha Kahawala

Chairman

Urban Settlement Development Authority

Report of the Board of Directors

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

Attorney at law Palitha Gamage, Chairman

Dr. Sumith Wanniarachchi, Director General, Secretary to the Board of Directors

Ven. Ittekande Sadhdhatissa Tehra, Director

Mr. W.M.P.G. Wickremasinghe, Director

Mr. A.M. Weerasena, Director

Mr. A.W. Dayananda, Director

Mr. T.M. J. Bandara, Director

Mr. Bernard Kariyawasam, Director

Mr. Ranil Priyantha Fernando, Director

Mr. A.H. Suresh Indika, Director

Mrs. B.G.S. Gunathilake, Director

Mr. Ajith Kithsiri Bandara, Director

During the year under review, 11 meetings of the Board of Directors were held. The Audit and Management Committee which functions as a subcommittee of the Board of Directors held 05 meetings during this period. The following members of the Board of Directors serve as the members of the Audit and Management Committee.

Mr. T.M. J. Bandara- Chairman

Mr. Bernard Kariyawasam

Mr. Ranil Priyantha Fernando

Mr. A.H. Suresh Indika

Mr. Ajith Kithsiri Bandara

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

As per sections 12 and 13.6 of the Finance Act No. 38 of 1971, the Board of Directors of the Urban Settlement Development Authority is responsible for ensuring the keeping of proper accounts of the income and expenditure

and other transactions and the preparing of financial statements that reflect a true and fair view of the accounts and of the surplus/ deficiency for the relevant year.

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

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

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

By order of the Board of Directors,

Secretary to the Board of Directors

Eng. Benadict Ulluwishewa

Director General

Urban Settlement Development Authority

Audit Committee Report

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

The Audit Committee consists of the treasury representative of the Board of Directors and four members of the Board of Directors. In keeping with the guidelines for state enterprises, Mr. T.M.J. Bandara, the treasury representative of the Board and Assistant Director of the Department of Public Enterprises, served as the Chairman of the Committee in the year 2014. Mr. Bernard Kariyawasam, Mr. Ranil Priyantha Fernando, Mr. A.S .Suresh Indika and Mr. Ajith Kithsiri Bandara functioned as the other members of the committee.

An audit superintendent of the government attended the committee meetings as an observer and a number of officials of the USDA participated in the proceedings of the committee as and when necessary. The Chairman of the USDA served as the secretary of the Committee. The extensive audit programme prepared for the year 2014 by the internal auditor was considered and approved by the Committee.

During the year under review, the Committee held 05 meetings. The Committee laid emphasis on the improvements to be made including the timely preparation and submission of audit reports, responses to audit queries, observations of internal and external audits, internal control systems as well as the Annual Report. Necessary remedial measures have been taken and the follow-up action in respect of the decisions taken were discussed and reported to the Board of Directors.

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

By order of the Audit and Management Committee

Secretary to the Audit and Management Committee

Eng. Benadict Ulluwishewa,

Director General

Urban Settlement Development Authority

Ongoing programmes – 2013

During the year 2013, the USDA implemented the following 03 development programmes.

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

Physical Development Programme

The prime objective of the Urban Settlement Development Authority is to develop the physical environment including housing under a holistic urban and settlement development approach with a view to improving the living standard of the people of urban areas along with the socioeconomic and cultural empowerment of target communities.

Accordingly, the physical development programme that was launched in the year 2011 is being executed under the following two major programmes.

- I. Re-housing programme for the people of urban underserved settlements.
- II. Programme for converting temporary and semi-permanent houses in urban areas into standardized housing units.

Re-housing programme for the people of urban underserved settlements

This programme which has been in operation since 2011, was successfully implemented during the year 2014 as well. Project proposals formulated having obtained information on underserved settlements in areas under respective local government authorities through the heads of such authorities are forwarded to the National Physical Planning Department for its approval and thereafter the projects are implemented.

Under this programme, projects continued from previous years and a slew of new projects were implemented in the year 2014.

Continued Projects

- Multi-storeyed housing project, Angulana, Moratuwa
- Multi-storeyed housing project, Lunawa, Moratuwa
- Janasevana Diriya Urban Housing Programme (Phase 1)
- Thalawakele- Lindula Urban Re-housing Project
- Chilaw Urban Re-housing Project

New Projects

- Janasevana Diriya urban housing programme (phase II)
- Seethawakapura housing project
- Samudragama housing project, Trincomalee

Angulana urban multi-storeyed housing project, Moratuwa

Moratuwa urban, environmental and human settlement development programme

Moratuwa urban, environmental, and human settlement development programme implemented under the Moratuwa urban, environmental and human settlement development programme is a project launched with the objective of providing a permanent solution to the housing problem of the community in the coastal belt living with minimum of facilities who were battered by the Tsunami and are constantly affected by sea erosion at Angulana, Moratuwa and for the economically backward communities living in the Moratuwa urban zone.

This re-housing project constructed at Angulana North Grama Niadhari Division in the area of authority of the Moratuwa Urban Council was commenced in June, 2011.



Angulana Savurupura housing project vested in people

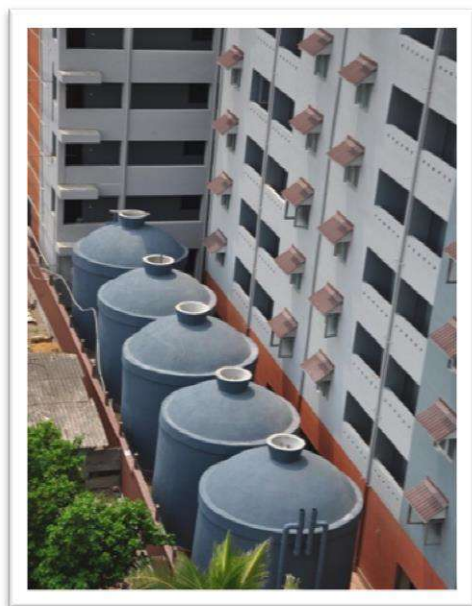
The is a project consisting of 288 housing units in nine storied buildings and each housing unit covers a floor area of nearly 500 square feet is equipped with a balcony, 02 bedrooms, a kitchen and washroom and the buildings are fitted with six lifts. The State Engineering Corporation was responsible for the construction activities and consultation services of the project which included a community centre all infrastructure facilities required for flats housing scheme. The project was ceremonially declared open

by His Excellency the President Mahinda Rajapaksa on 18 November 2014. The total revised estimate was Rs' 1,255.578 million.



Housing project vested in people

Anaerobic Digestive System for sewage of 'Sayurupura' housing project



Sewage is one of the major problems confronted in implementing urban flats housing schemes with a central system outside the city of Colombo is. This is particularly crucial in respect of housing schemes for low income earners as the operation and maintenance cost should be maintained at a level affordable to these people.

Having undertaken a study on sewage systems in other housing schemes, it was decided to install a anaerobic digestive system in this housing scheme.

Advantages of using an anaerobic digestive system:

- Emission of greenhouse gases is at a minimal level.
- Production of methane gas is at a maximum level.
- Serves as a renewable energy source that does not increase carbon level which triggers climatic changes
- Obviates the need for using electricity or any other energy source
- Compatible with environmental conditions
- Minimal amount of organic waste left than an aerobic system
- Minimal amounts of gas, water and organic matter remain after the digestive process
- Minimum maintenance cost as no aeration is involved
- Minimal maintenance cost
- Can accommodate a larger change in capacity in comparison to other systems
- Compatible with green concept currently being promoted.

In view of the above advantages, anaerobic digestive system as an eco-friendly sewage system is more suitable for urban low and middle income housing projects.

Community and common facilities at Sayurupura housing scheme



The scheme is equipped with a generator which ensures uninterrupted power supply to electrical lifts and common areas during power outages and there is also a three phase electric transformer to ensure optimal power supply. A state of the art power fighting system used in multi-storeyed buildings has been installed in the buildings.



The scheme has been built with underground water storage tanks having adequate capacity for uninterrupted supply constructed with due consideration to water supply to the area, overhead water tanks for water distribution and a pump house

A fully equipped community hall with an area of 2,650.00 square feet has been constructed in the ground floor of the building which can also be used for various functions of the residents and altogether the areas allocated for common spaces are 6,150 square feet in extent.

Carpeted roads, chain lined fence for protection of privacy of residents, secured environment with gates fixed at the entrance enhances convenience and security of the residents and a Grama Niladhari office too has been constructed in the housing scheme.

Moratuwa Lunawa multi-storeyed housing scheme



Lunawa urban multi-storeyed housing project, Moratuwa is the second project being implemented under Moratuwa urban, environmental, and human settlement development programme. This is a project launched with the objective of providing a permanent solution to the housing problem of the economically deprived and underserved community inhabiting the vulnerable zone of the Lunawa coastal belt, Moratuwa

This re-housing project constructed at the Uyana South Grama Niladhari division in the area of authority coming under the Moratuwa Municipal Council was commenced in July 2012 at an estimated cost of Rs 875 million. Each of the 356 houses in the nine storey building project has a floor area of approximately 460 square feet and is equipped with a living room, a dining room, two bed rooms, a kitchen, a balcony, a toilet and a bathroom. The physical progress of the project as at 31 December 2014 was 45%. The revised total estimate is Rs. 1,369,316 million.

Talawakele –Lindula Urban Re-housing Project

Community participatory development approach



The prime objective in launching the Talawakele – Lindula re-housing project that was inaugurated in July 2012 at an estimated cost of Rs. 84.5 million was to address the housing needs of communities in 03 underserved settlements in Talawakele town and to develop Talawake town which is an environmentally sensitive urban zone with a great potential of being a tourist destination.

The three settlements in the Talawakele town centre thus identified are “Upper Line”, old market and “Logiya”. 96 families living in the three settlements have been identified as beneficiaries of the Talawakele –Lindula re-housing project and under the first phase of the project, 54 families with housing needs have been identified as beneficiaries by the Urban Council.

Employing community participatory development approach for Talawakele-



Lindula housing project

Constructing the housing project employing community participatory development approach

Minimizing the high construction cost incurred in building houses for the low income urban community living in underserved communities and the self interest created as a result of the beneficiary himself participating in the construction of the house are advantages derived through community participatory development approach which is being employed for Talawakele Lindula re-housing project. All stages of the project from planning to maintenance of houses during the first year after being handed over to the beneficiary are carried out under a community participatory method and the physical progress as at 31 December 2014 was 60%.

Chilaw urban re-housing project

Community participatory development approach

Chilaw housing project was inaugurated in September 2013 at a total estimated cost of Rs. 49.7 million with the objective of providing a permanent housing solution to sanitary labourer community of the Chilaw Urban Council living in a settlement in the Chilaw town centre under minimal facilities and empowering them socially, economically and culturally while redeveloping Chilaw as a sustainable city.



Temporary houses of sanitary labourers of Chilaw urban council scattered irregularly in the town centre

Action was taken to carry out this housing project using ‘beneficiary participatory development method’ and an eco-friendly technology was (compressed bricks) tried on a trial basis to minimize the construction cost.

The project consists of 57 single detached dwellings constructed on 6-perch lots and each unit covers a floor area of approximately 500 square feet and has a living room, two bedrooms, a kitchen, a washroom and a verandah. The physical progress of the construction work as at 31 December 2014 was 100%.



‘Diriya’ housing programme was planned under the physical development programme of our Authority with the broad objectives of converting temporary and partially constructed houses of communities living in urban zones into standardized houses, empowering such communities socially, economically and culturally and thus ensuring a sustainable urban housing development process.

This housing programme targets low income earners such as daily wage earners and self employed persons who do not have a permanent source of income and are incapable of furnishing guarantees and thus being denied access to formal financial institutions.

Together with the financial facilities, technical support and consultancy services for planning are provided under the Human Development Programme of the Authority and the socioeconomic and cultural empowerment of beneficiaries is also an important component of the project. The construction process is observed by the technical officers of the USDA from the planning stage up to the completion of the construction. The beneficiaries were also involved in the human development programme resulting in their continued empowerment.

Under phase I of the ‘Diriya’ urban housing programme inaugurated in the year 2012, Rs. 52 million (Rs. 40 million in 2012 and Rs. 12 million in 2013) was disbursed amongst 255 selected beneficiaries in the Kaduwela Divisional Secretary division.

A concessionary interest rate of 10% was levied taking into account the annual inflation rate of 7.53% in 2012 (Central bank Report -2012) and the administrative expenses. Calculation of loan installments was based on the reducing balance method.

The following criteria were adopted for the selection of beneficiaries for the “Diriya” urban housing programme. Of the applicants who satisfied the following three criteria, beneficiaries were selected consequent to a preliminary inquiry.

- Tenure of a land since the house is constructed in an urban area
- Not in possession of any other housing property
- Incapable of obtaining a housing loan from a formal financial institution

Two guarantors should stand surety for the housing loan issued under this programme and if the beneficiary has the legal entitlement to the land, the loan will be granted.

Janasevana Diriya Urban Housing Programme –First Phase

Urban zone in which project is implemented	Kaduwela Municipal Council area in Colombo District.
No of beneficiaries	255
Maximum loan amount	Rs. 300,000.00
Repayment period	03 – 10 years
Total financial liability for first phase	Rs. 52.00 million
Physical progress as at 31 December 2014	100 %

Janasevana Diriya Urban Housing Programme –First Phase

Urban zone in which project is implemented	Colombo District.
No of beneficiaries	260
Maximum loan amount	Rs. 200,000.00
Repayment period	03 – 10 years
Total financial liability for first phase	Rs. 50.00 million
Physical progress as at 31 December 2013	42 %

Seethawakapura housing project

Seethawaka housing project was designed to offer housing solutions to 45 families living in an underserved settlement in an area of 80 acres belonging to the Seethawakapura Urban Council known as “Wewekele” thus uplifting their living standard.



Underserved housing units at Wewekele settlement located in the Seethawakapura town centre.

Laying foundation stone for the commencement of project work



This housing scheme which is expected to cost an estimated Rs. 34.20 million was inaugurated by the Hon. Minister of Construction Engineering Services, Housing and Common Amenities on 09 December 2014 and the physical progress as at 31 December 2014 was 10%.

Samudragama Housing Project, Trincomalee

It has been identified that irregularly scattered underserved shanty dwellings located across the town centre have to be developed in a systematic manner and uplifting the living standard of living this community is a timely need in order to develop Trincomalee as a sustainable town.



Underserved/temporary dwellings at Samudragama in Manayaweli Grama Niladhari Division at the Trincomalee and Gravets Pradeshiya Sabha area

Nearly 125 fisher families, who have been engaged in the fishing industry for well over 35 years live in shanties located in the Trincomalee town centre which are without even the basic infrastructure facilities. Haphazardly constructed, they are an eyesore and blemish the beauty and attractiveness of the town.

As the fishing industry and the abodes of fishermen are inseparably interconnected, it is not advisable to relocate these fishermen in an area outside the town. Hence, they are to be resettled in housing scheme with 96 units constructed on a selected land close their current settlement. The land that will be released with the relocation of this community is to be developed a coastal garden.



This project was launched with an estimated cost of Rs. 36.5 million and the physical progress as at 31 December 2014 was 05%.

“Swashakthi” Human Development Programme

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

- Empowering communities by strengthening community based organizations
- Establishing community development societies at settlement level
- Formulating and executing settlement focused community action plans
- Granting micro credit and self employment equipment to boost the economy of urban low income earners
- Coordinating with and securing the assistance of professional bodies to develop entrepreneurial potential of the community
- Organizing sports competitions to improve sports skills of the urban youth
- Encouraging children in urban settlements to take part in arts, drama and essay competitions with the objective of promoting their aesthetic skills.
- Participatory construction, shramadana campaigns and health promotion
- Guiding children towards vocational training courses to create a skilled workforce armed with knowledge and technical expertise.

In the year 2014 too, various programmes were implemented to achieve these objectives.

Activities of the Swashakthi Human Development Programme

Creating awareness amongst the community on ‘Swashakthi’ human development programme

- **Conducting socioeconomic surveys in new settlements within the Colombo urban area**

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

Accordingly, 2,536 families from 83 settlements representing all four urban zones in Colombo were briefed about the programme in 2014.



Socioeconomic surveys in respect of 1000 families at Samudragama-trincomalee, Angulana-Moratuwa, and Seethawakapura- Awissawella were carried out.

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 2014 in the Colombo City with the involvement of new community based organizations.

Swashakthi community based organizations were established with the participation of 100 families of Thuruithurugama-Anuradhapura housing project.

Felicitation of community activists and community leaders





A ceremony to felicitate community leaders who are closely associated with the ‘Swashakthi’ human development programme was held at Tower Hall, Colombo with the participation of more than 700 community leaders and they were awarded certificates in recognition of their services to the respective communities.

Attitude and Skills Development Programme for children

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 2014 was 50. Having created awareness on ‘Swashakthi’ children’s programme amongst children covering 04 urban zones, 20,000 children were involved in the programme.



City free from of drugs and alcohol –Drug prevention programme

The creation of a society devoid of drugs and alcohol is a major boost for the social, cultural and economic advancement of the country and for producing a healthy citizenry. Therefore drug prevention programmes were implemented in partnership with public sector institutions and voluntary organizations specifically targeting children and youth of underserved urban settlements.

The programme was launched in the year 2011, with the National Authority on Tobacco and Alcohol. The National Dangerous Drugs Control Board, Colombo Municipal Council and Sri Lanka Samurdhi Authority also contributed to the programme. In the year 2014 too, awareness programmes were conducted in urban settlements.



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 identified beneficiaries from the 04 urban zones of Colombo and subsequently a basic feasibility study was conducted on 34 beneficiaries. 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, the authority intervened to group 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. During the year credit facilities were extended to 34 beneficiaries ranging from Rs 5,000 to Rs 15,000.00. The repayment period of this micro financing programme is one year and the interest charged is 9%.

Implementing entrepreneurship development programmes

In collaboration with the Colombo District Small Enterprises Development Unit of the Ministry of Youth Affairs and Skills Development, small enterprises development workshops were conducted with the participation of 250 self-employed persons covering urban zones.

Knowledge on undertaking enterprises is imparted using simple methodology and necessary support is extended with state patronage to develop business in the proper manner.



Donating sewing machines under entrepreneurship programme

A programme for distributing sewing machines among 75 women of underserved communities engaged in self-employment was held at the Institute of Construction Equipment and Training and Development with the objective of encouraging self-employed women.



Conducting beauty culture training courses



A beauty culture was conducted free of charge at settlement level as there was a great demand for such a course from the young people of these communities.

The programme was conducted by a beauty culture instructress of the Vocational Training Authority and was held at Sri Wickremapura community hall at Mattakkuliya for the participants of Colombo North and Colombo Central urban zones and at Sahasppura community hall for the participants of Borella urban zone. Nearly 40 young men and women benefitted from this programme.

Awarding certificates for young women who followed the beauty culture course

Awarding of certificates to young women who successfully completed the beauty culture course took place at the Institute for Construction Training and Development.



Commemorating International Women's Day

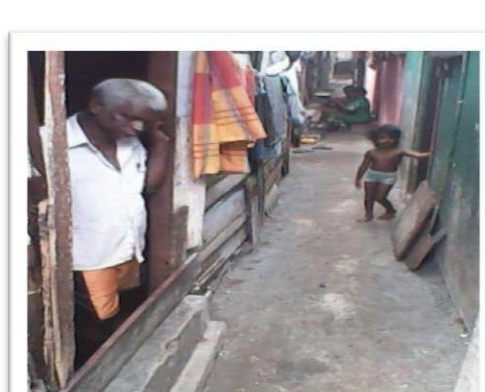
Commemorating International Women's Day, a women's conference in respect of implementing programmes such as women's cricket competition, bridal show, cookery programme, animal cage exhibition and karate show was held at the Folk Art Centre, Battaramulla with more than 1000 women of underserved settlements in attendance.

The ceremony to celebrate International Women's Day 2014 was held at Nawagampura community hall. The bridal show presented by 20 young women who successfully followed the beauty culture show using their newly acquired knowledge and experience was the main attraction of the event. As an incentive to self-employed women, they were provided with stalls to sell their products.



Community participatory environment and sanitation programme

The prime objective of this programme is to develop common facilities in urban settlements deemed essential. Until such time formal housing facilities are made available to them, toilet facilities, sewage lines, community halls, pavilions in grounds and libraries in these settlements were renovated and developed under this programme. In the year 2014, 54 community projects were identified for construction.



Distributing items and equipment among community societies



Distribution of items such as chairs and cupboards among community societies active in underserved urban settlements took place at ICTAD.

Conducting Shramadana campaigns

With the aim of motivating the resident population to keep their surroundings and the settlement clean, action was taken to conduct shramadana campaigns at settlement level. It trains the residents to keep public spaces, drain systems etc clean and live in a cleaner environment.



Renovated Grandpass Stacepura grounds vested in people



Concurrent to World Habitat Day 2014- the renovated Stacepura Grounds with flood lights enabling the conduct of day-night games was vested in people. An exhibition football tournament was held with the participation of ten teams to mark the opening of the refurbished and renovated ground.

World Habitat Day 2014 - inauguration ceremony

Measures were taken to conduct children's programmes of World Habitat Day 2014 on the theme of "Children of Colombo" and the inaugural ceremony was held in collaboration with the University of Visual and Performing Arts at the Ape Gama" (Folk Art Centre) on 22nd February 2014 with the participation of 2,500 children.

With the aim of improving artistic skills of children of underserved settlements in and around Colombo, they were taught basic knowledge on aesthetic subjects such as singing, dancing and sculpting with the involvement of teachers of the University of Visual and Performing Arts.



Arts, Singing, Dancing training programme for children to mark World Habitat Day

Involving all children who were to take part in arts, singing and dancing competitions, training programmes were conducted in public places of urban settlements continuously from April with the participation of lecturers and academics of the Visual Arts Faculty of Aesthetics University.



Rehearsing for cultural concert

Rehearsals of the cultural concert held at 'Nelum Pokuna' international theatre were conducted with the participation of over 500 children who were guided by the resource personnel from the University of Visual and Performing Arts. This presented an excellent opportunity for these children to showcase their inborn talents.



“Children of Colombo” –Children’s Cultural Show

On October 04, 2014, a children’s cultural show was held at Nelum Pokuna theatre with the participation of nearly 700 children from urban settlements. Many cultural items were on display at the rehearsals were carried out under the supervision of veterans of the field.

The script was written and directed by Mr.Amiththa Weerasinghe and music was composed by Mr. Navaratne Gamage. Make up was handled by Vasanta Vitatchchi and a group led by Mrs Swineetha Perera and Miss Ama Wijesekara were in charge of dress designing.



Commemorating World Habitat Day-2014

As per the provisions of the Urban Settlement Development Authority Act, the responsibilities with regard to the celebration of Word Habitat Day in Sri Lanka have been entrusted to our authority.

The presentation of awards, certificates, and cash gifts for the winners of the art and drama competition and cricket tournament was conducted at Habitat Day national ceremony held at Sugathadasa Indoor Stadium under the patronage of His Excellency the President on 06th October 2014.



Drawing competition of children of urban settlements –First Round

An art competition with the objective of promoting creative and artistic skills of children of urban settlements was conducted from the first week of August 2014 and the event was organized with the involvement of community activists and community leaders. More than 13,000 of urban settlements in Colombo children were mobilized for the competition held under three age categories to mark World Habitat Day.



Drawing competition of children of urban settlements –Second Round

Five thousand best creations were selected from the first round and a live drawing competition was held on 20th September at Vihara Maha Devi Park. 50 academics from the University of Visual and Performing Arts joined hands with as a support group to conduct the event successfully.



“Swashakthi” –Children’s art exhibition

600 drawings of students excelled in the final round of the drawing competition were displayed in an art exhibition held at the Arts Gallery for three days from 01st to 03rd October 2014.

The presentation of awards, certificates, and cash gifts for the winners of the art competition took place at the World Habitat Day national ceremony held at Sugathadasa Indoor Stadium, Colombo on 06th October 2014 under the distinguished patronage of His Excellency the President.



Short Drama competition for developing skills of children of urban settlements

Our Authority also organized a children's drama festival as part of the events organized for World Habitat Day-2014 to promote artistic skills of the children of urban underserved settlements.

For all groups who participated in the drama competition, required training and guidance were offered by lecturers and academics of the University of Visual and Performing Arts.

63 groups staged dramas at the first round covering settlements in Colombo metropolitan area. 27 dramas (400 children) were selected for the second round by an expert panel of judges and a special drama workshop was organized to help improve the quality of these dramas.

A drama festival was organized to stage dramas selected for the second round was held at New Town Hall, Green Path, Colombo on 28th and 29th September 2014. Best dramas and best performers were selected and the awards and certificates were presented to the winners at the World Habitat Day national ceremony held at Sugathadasa Indoor Stadium, Colombo on 06th October 2014 held under the distinguished patronage of His Excellency the President.



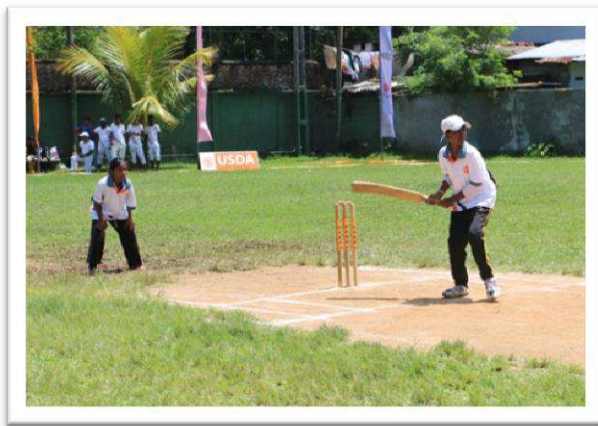
Sports skills development 2014 –Six-a-side cricket tournament (Men/ Women)

With the aim of improving sports skills of young men and women of underserved urban settlements, the Urban Settlement Development Authority organized an open six-a-side men and women's cricket tournament (Men/ Women) to coincide with World Habitat Day-2014. 150 teams representing settlements in Colombo Urban Zone competed in the first round of matches and the number of players participated in this round exceeded 1,200. The matches were played at Shalika Grounds, Bandaranaikepuram Grounds, Sri Wickremapura Grounds and Railway Grounds-Baseline Road.



2014 Sports skills promotion - Six-a-side cricket tournament (Men/ Women) **Final Round**

20 teams (men/women) qualified for the second round and the matches of this round were played at , Bandaranaikepuram Grounds, Rajagiriya and the presentation of certificates and awards to winners took place at the World Habitat Day national ceremony held at Sugathadasa Indoor Stadium, Colombo on 06th October 2014 held under the distinguished patronage of His Excellency the President.



Pre-awareness on street food festival



400 persons engaged in the preparation and sale of street foods were mobilized under the banner of “Association of Street Food Producers and Vendors of Colombo” under the leadership of 26 community activists covering the zones of Colombo North, Colombo Central, Colombo East/West and Borella and a preliminary discussion was held at the Magazine community hall, Borella on 31.10.2014 on devising a street food production and sales promotion programme with the participation of officials of the USDA, community leaders and activists and similar programmes were conducted in 04 zones.

The street food festival for promoting small scale street food producing self employed persons in urban settlements was held at Green Path, Colombo on October 1st, 2nd and 3rd.



Distribution of gas cylinders and gas burners

Distribution of gas cylinders and gas burners among 185 self employed persons engaged in sale of food items took place at Vihara Maha Devi Open Air Theatre on 01st October 2014 with the objective of encouraging and incentivizing these small sale food vendors.



Urban Settlement Development Authority

Financial Statements for the year ended 31/12/2014

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

Urban Settlement Development Authority

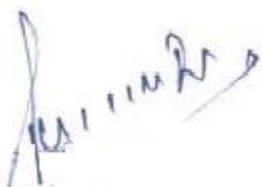
Statement of Financial Position

As at 31 December 2014

	Notes	2014	2013
<u>Assets</u>			
<u>Current assets</u>			
Cash and bank balance	01	81,041,114.83	93,992,917.10
Stocks -For resource centers සඳහා	02	11,441,401.85	
Advances	03	290,404.00	171,780.00
Staff loans		7,466,185.85	8,294,237.96
Welfare loans		10,000.00	-
REEL Company		12,100,000.00	13,103,674.00
Receivables	04	16,741,364.25	6,235,456.34
Contract advances	05	170,562,116.84	259,824,529.27
		299,652,587.62	381,622,594.67
<u>Non-current assets</u>			
Housing loans	06	124,192,218.57	38,155,965.87
Ongoing work	07	1,775,592,625.62	1,073,530,511.93
Property plant and equipment	08	12,970,151.34	15,210,611.60
48 Watta, housing project)14 houses)		34,500,000.00	-
Thuruithurugama housing project) 8 houses)		6,328,507.81	85,434,855.31
		1,953,583,503.34	1,212,331,944.71
Total assets		2,253,236,090.95	1,593,954,539.37
<u>Liabilities</u>			
<u>Current liabilities</u>			
Accrued expenditure	09	242,944,312.78	155,557,145.04
Management Corporation Fund		7,830,000.00	-
Retained money	10	44,179,170.33	43,774,968.40
Housing Development Authority	11	2,959,364.16	
Angulana rent advances		8,250,000.00	
		306,162,847.27	199,332,113.44
<u>Non current assets</u>			
Allocation for gratuity		5,738,637.50	4,605,240.63

		5,738,637.50	4,605,240.63
Total liabilities		311,901,484.77	203,937,354.07
Net assets		1,941,334,606.19	1,390,017,185.30
Equity and reserves			
Treasury grants	12	1,878,411,960.70	1,408,558,466.22
Income reserves		93,094,358.50	
		1,971,506,319.20	1,408,558,466.22
Accrued funds		(19,887,113.92)	(24,574,155.13)
Deficit for the year		(10,284,599.09)	6,032,874.21
		(30,171,713.01)	(18,541,280.92)
Total equity		1,941,334,606.19	1,390,017,185.30

Accounting policies given in pages 03 and 04 and the notes given from pages 09 to 11 form an integral part of these financial statements. The preparation and presentation of the final account statements is the responsibility of the Board of Directors of the USDA. Approval of the Board of Directors has been received for these financial statements and signed on behalf of them.



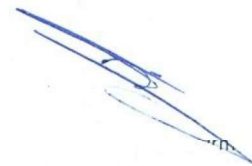
.....
.....

Director (Finance)
USDA



.....

Director General
USDA



Chairman
USDA

Urban Settlement Development Authority

Income and expenditure account for the year ended 31 December 2014

	Note	2014	2013
<u>Income</u>			
Ministry of Housing		49,136,399.70	28,240,483.90
Treasury grants		67,000,000.00	55,158,000.00
Interest income	13	8,287,240.82	6,928,216.76
Other income	14	1,677,350.82	829,382.67
Angulana income		-	9,900,000.00
187 watta		-	200,000.00
Community organizations		-	3,741,000.00
Total income		126,100,991.34	104,997,083.33
<u>Expenditure</u>			
<u>Administrative expenses</u>			
Salaries		33,652,379.26	29,843,026.80
Overtime allowances		2,749,329.60	1,783,320.52
Other allowances		2,889,803.52	1,612,177.00
Bonus		1,335,000.00	1,150,000.00
Board allowances		897,460.00	974,000.41
Travelling expenses		629,771.00	321,717.00
Foreign tours expenses		2,211,339.47	2,327,781.31
Stationary		2,310,209.87	1,246,239.37
Fuel		2,290,876.10	1,961,315.69
Welfare expenditure		629,909.00	942,272.00
Newspapers		35,125.00	34,345.00
Stamps		80,305.00	74,207.00
Bank expenses		15,000.00	15,375.00

Telephone expenses	1,441,799.26	835,944.70
Office rent expenses	6,914,421.64	5,579,506.20
Repairs and maintenance)Office equipment(	471,299.21	384,686.40
Vehicle repairs and maintenance	2,087,204.23	2,967,173.41
Buildings repairs and maintenance	352,476.50	12,499.30
Building renovations	3,451,546.86	
Insurance expenses	471,781.70	513,211.40
Janitorial expenses	376,875.00	228,015.00
Expenditure for training programmes	493,850.00	461,833.34
Printing expenditure	1,018,633.90	660,481.00
Purchasing consumer items	38,167.00	73,385.00
Publicity	244,093.00	349,260.80
Other expenditure -materials	26,924.00	166,654.69
Other expenditure –services	135,558.72	362,258.00
Audit fees	115,320.00	-
EPF	8,922,837.38	6,148,256.46
ETF	1,337,258.87	922,836.26
Security expenditure	289,000.00	310,553.00
Gratuity	1,499,716.87	784,415.38
Electricity expenditure	136,298.26	175,713.38
Water bills	181,484.06	116,034.20
Entertainment expenditure	8,710.00	-
Medical expenditure	2,500.00	-
Deyata Kirula	208,800.00	-
Scattered housing loan collection commission	143,690.70	-
Legal expenditure		120,300.00
Trincomalee –sundry expenditure		2,000.00
Exhibition expenditure		946,321.00
Furniture and fittings –maintenance andr repairs		1,350.00

Depreciation	08	2,389,984.05	6,515,240.59
		82,486,739.03	70,923,706.61
<u>Development expenditure</u>			
Sinhapura housing project		3,617,773.33	71,156.00
Swashakthi community society constructions		5,174,563.71	1,505,018.11
Sahasapura housing renovations		343,750.00	4,515.69
Habitat Day		24,074,474.18	6,494,553.00
Ceremony expenditure		14,000.00	4,828,670.06
Transport expenditure		5,404,151.55	7,060,430.00
Swashakthi human development		15,261,553.63	5,931,036.67
Anuradhapura housing project		8,585.00	2,145,122.98
		53,898,851.40	28,040,502.51
Total expenditure		136,385,590.43	98,964,209.12
Deficiency for continued work		(10,284,599.09)	6,032,874.21

Urban Settlement Development Authority

Cash flow statement for the year ended 31 December 2014

	2014	2013
Cash flow for operational activities		
<u>Receipts</u>		
Treasury grants (current)	67,000,000.00	55,158,000.00
Other income	951,470.00	2,828,948.90
Interest income	2,219,950.61	2,177,927.52
Recovery of distress loans	798,580.96	
Rent income	315,000.00	220,000.00
Tender fees		51,000.00
	71,285,001.57	60,435,876.42
<u>Payments</u>		
Salaries and wages	52,666,392.31	51,049,779.49
Travel expenses	2,808,721.97	2,811,890.16
Service expenses	4,923,098.65	3,029,485.98
Payments for contractual services	19,816,337.97	15,635,271.79
Maintenance expenditure	7,042,858.38	3,935,255.18
Cash advance	67,839.00	
	87,325,248.28	76,461,682.60
Net cash flow for operational activities	(16,040,246.71)	(16,025,806.18)
Investment activities		
<u>Receipts</u>		
Housing Development Authority – Sahaspura renovations	31,141,388.49	13,761,693.79

Loan installments for scattered housing	3,833,684.86	6,715,438.51
Funds received- REEL	1,003,674.00	
Receipt of funds for Angulana project		9,900,000.00
Installments –Anuradhapura Katukeliyawa housing project	246,000.00	437,051.00
Swashakthi loan installments	232,710.32	593,771.20
	36,457,457.67	31,407,954.50
<u>Payments</u>		
Angulana housing project	241,357,521.01	321,335,244.02
Lunawa housing project	197,901,493.05	190,712,228.46
Talawakele housing project	40,957,707.24	4,345,156.63
Chilaw housing project	47,510,561.35	3,882,147.77
Seethawaka project	1,514,682.50	-
Trincomalee project	738,354.49	-
Anuradhapura project		8,217,791.57
Sahasapura renovations	28,525,774.33	13,763,923.79
Purchasing fixed assets	4,176,057.60	1,409,483.20
Human development expenditure	47,584,974.09	15,753,155.61
48 watta	4,520,948.75	8,072,738.00
Scattered housing loan	21,425,000.00	6,947,500.00
	636,213,074.41	574,439,369.05
Net cash flow for investment activities	(599,755,616.74)	(543,031,414.55)

Financial activities		
Treasury grants (capital expenditure(	596,664,061.18	599,204,466.22
Angulana management corporation fund	6,180,000.00	
Cash flow for financial activities	602,844,061.18	599,204,466.22
Net increase/decrease in cash and cash equivalents	(12,951,802.27)	40,147,245.49
Cash and cash equivalents at the beginning of the year	93,992,917.10	53,845,671.61
Cash and cash equivalents at the end of the year	81,041,114.83	93,992,917.10

Note – Cash flow statement

Cash book balance as at 31/12/2014

Bank of Ceylon, Battaramulla (recurrent(	1,237,936.65
Bank of Ceylon, Battaramulla (capital(	27,810,011.23
Bank of Ceylon, Battaramulla (Anuradhapura (	254,445.26
Bank of Ceylon, Battaramulla (Urban settlement promotion programme	16,450.39
Savings account	44,107,167.68
Savings account –Management corporation fund	7,615,103.62
	81,041,114.83

Urban Settlement Development Authority

Statements of changes in equity for the year ended 31/12/2014

Description	Capital	Cumulative fund	Government grants	Retained funds	Write off against income	Total
Balance 01/01/2014	-	(19,887,113.92)	1,315,464,107.72	4,605,240.63	199,332,113.44	1,499,514,347.87
Main receipts during the current year			562,947,852.98			562,947,852.98
Income reserves				93,094,358.50		93,094,358.50
Surplus/(deficiency) for continued work(		(10,284,599.09)		1,133,396.87		(9,151,202.22)
Payments during the year					106,830,733.83	106,830,733.83
2014/12/01 Balance	-	(30,171,713.01)	1,878,411,960.70	98,832,996.00	306,162,847.27	2,253,236,090.96

Auditor General's Report

Chairman

Urban Settlement Development Authority,

Report of the Auditor General on the Financial Statements of the Urban Settlement Development Authority for the year ended 31 December 2014 in terms of Section 14 (2) (c) of the Finance Act No. 38 of 1971.

The audit of the financial position statement of the Urban Settlement Development Authority for the year ended 31 December 2014 comprising the financial performance statement, as at 31 December 2014 and the Income and expenditure Statement, statement of changes in equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka which should be read together with Section 13(1) of the Finance Act No 38 of 1971 and Section 17(20) of the Urban Settlement Development Authority Act No 36 of 2008. My observations which I consider should be published with the annual report of the Authority in terms of section 14 (2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (I) of the Finance Act will be issued in due course.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of the material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of Accounting Policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub section (3) and (4) of section 13 of the Finance Act No. 38 of 1971 give discretionary powers to the Auditor General in determining the scope and extent of the Audit.

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

1.4 Qualified audit opinion

My opinion is qualified on the basis of matters set out in paragraph 2.2 in this report.

2. Financial statements

2.1 qualified audit opinion

I am of the opinion that except for the effects on the financial statements for the of the matters referred to in paragraph 2.2 of this report, the Urban Settlement Development Authority had maintained the financial statements for the year ended 31 December 2014 in accordance with Sri Lanka Accounting Standards and the financial statements give a true and fair view.

2.2 Comments on Financial Statements

2.2.1 Institution as a going concern

The following observations are made.

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

2.2.2 Sri Lanka Public Sector Accounting Standards

As per Sri Lanka Public Sector Accounting Standard No.2, net assets/changes in equity statement has not been prepared with changes in the year previous to the year under review and to be corresponding with the net assets or equity existed as at the last date of the year under review. Similarly, in contravention of the standard, the gratuity provision amounting to Rs. 5,738,638 which has been classified as noncurrent liabilities and current liabilities of Rs. 306,162,847 have been included under the reserve fund and deferred income grants in the net assets/ changes in equity statement.

2.2.3 Accounting deficiencies

The following observations are made.

- (a) Building materials with an aggregate value of Rs. 129,900 purchased in January 2015 had not been brought into accounts as purchases of the year under review.
- (b) Due to non-accounting of cheques to the value of Rs. 656,410 cancelled during the year under review, the cash balance and the current liabilities balance had been understated by that amount.
- (c) Fees of Rs. 615,776 payable for newspaper notices had not been brought into accounts.
- (d) Air conditioners and equipment to the value of Rs. 1,144,718 purchased on loan basis during the year under review had been overlooked in accounts.
- (e) Sahaspura and Sinhapura housing project
 - i. As the accounting of Rs. 13,761,694 received from the National Housing Development Authority in the year 2013 for the above renovations and the advance of Rs. 13,766,209 paid to the contractor by setting them off against each other had not been corrected even during the year under review, the current liabilities and current assets have been understated by that amount.
 - ii. Of the advances paid to contractors for the repairs in the housing scheme and repairing electrical lifts, Rs. 5,085,600 which was not settled and an advance of Rs. 1,904,928 respectively had been accounted as expenditure of the financial year without bringing them into accounts as non-settled advances under current assets.
 - iii. Withholding tax of Rs. 3,858,048 receivable from the Housing Development Authority as at the last date of the year under review for the renovations of the housing scheme and payable to the contractor had not been brought into accounts.
- (f) Though the difference between the cost of 14 houses to be sold and the net realized value should have been identified as a revenue reserve, the assessed value of Rs. 34,500,000 had been credited to the capital reserve fund without considering the cost of houses.

- (g) Though the lower value out of the fair value or the cost of 288 house of the Angulana housing scheme costing Rs. 1,172,520,527 which were completed to be sold by 31 December of the year under review should have been shown under current assets, the housing cost had been indicated under noncurrent assets as ongoing work.
- (h) The depreciation provision of Rs. 4,490,000 in respect of the year under review of a motor vehicle costing Rs. 22,450,000 received as a grant from the government and the deferred income identified equal to that expenditure had not been indicted in the financial performance statement.
- (i) Though the receipt of housing loan installments should be credited to a fund established in terms of the Authority Act, scattered housing loan installments amounting to Rs. 3,583,819 had not been credited to the revenue of the Authority.
- (j) The balance of the capital reserves amounting to Rs. 93,094,359 as at 31 December of the year under review had been shown in financial statements as revenue reserves.
- (k) Though the understating of rental income of Rs.370,000 in respect of the previous year in accounts, the overstating of income amounting to Rs. 9,900,000 and the under-provisioning of motor vehicle depreciation of Rs. 8,184,167 had been adjusted to the balance of the profit and loss account that had been brought forward, the accounts had not been readjusted retrospectively.
- (l) The opening balance of the government grant had been understated in the net assets/equity change statement and the receipts had been overstated by that amount during the year under review.
- (m) Though a grant of Rs. 65 million had been received from the government for the construction of 108 houses in the Thuruithurugama housing project, Rs. 85,434,855 had been incurred on the construction. The financial statements had not disclosed as to how the additional expenditure of Rs. 20,434,855 was financed.
- (n) Instead of accounting Rs. 54,213,472 received from the sale of 99 houses of the Thuruithurugama housing project as deferred income and Rs. 4,380,887 in respect of unsold houses as government grant as at 31 December 2014, the entire amount of Rs. 58,594,358 had been credited to the capital reserve account. Further, though the value of the 08 houses that remained unsold as at 31 December of the year under review should have been accounted to the lower value out of the net realized value or the cost of 08 houses, it had been accounted to the cost of Rs. 6,328,507.
- (o) Though five vehicles of REEL Estate Exchange Private Limited after its liquidation were used by the Authority, no action has been taken acquire and bring them into accounts.

2.2.4 Accounts receivable and payable

No action has been taken to settle debtor balances aggregating to Rs. 3,891,912 for a period of four years.

2.3 Noncompliance with laws, rules and regulations

Though the payment of a bonus of Rs. 15,000 had been recommended for employees of profit making ventures by the Department of Management Services Circular 05/2014 dated 21 November 2014, the Authority had paid bonuses amounting to Rs. 1.3 million for 89 employees on the basis of that circular on the approval of the governing board despite there being a deficiency of Rs. 10 million.

3 Financial Review

3.1 Financial Results

According to the financial statements presented, the operation result of the Authority for the year ended 31 December 2014 was a deficit of Rs. 10,284,5990 and since the surplus of the preceding year was Rs.6,032,874, a decline of Rs. 16,317,473 was observed. This declined was mainly influenced by the increase of development expenditure and administrative expenditure by Rs. 25,858,349 and Rs. 11,563,032 respectively.

4 Operational Review

4.1 Management Inefficiencies

The following inefficiencies were observed.

- (a) 15 houses of the Sinhapura housing scheme had been given on lease basis of Rs 5000 per month for a period of 05 years and in terms of the agreement, if lease rent was not paid for 03 consecutive months, the agreement had to be terminated. However in 10 houses of which lease rent had not been paid from 5 to 24 months, lease agreement had not been terminated and the relevant lease files and documents pertaining to lease arrears had not been properly maintained.
- (b) Rs. 23,449,601 had been spent on a drama competition titled “Children of Colombo” and a street food promotion programme conducted to mark World Habitat Day and though 42 percent, 18 percent and 17 percent had respectively been spent on dress designing and sound systems, trainees and hiring equipment and publicity, the productivity of the expenditure had not been substantiated.

- (c) Though the retention money of Rs. 45,491,256 of the Angulana housing project had been released on bank securities, the said bank security had expired on 06 November 2014. Further, bank securities amounting to Rs. 22,722,883 had not been obtained even by 30 September 2015.

4.3 Staff Administration

As at 31 December 2014, the approved cadre was 111 and the number employed was 122. Accordingly, there were 04 vacancies while the number of employees in excess was 15.

5. Accountability and Good Governance

5.1 Budgetary Control

Though a budget document had been prepared for the purpose of annual estimates of the government, the budget had not been prepared in such manner so as to identify the variances between the actual information given in the financial statements of the Authority and the budgeted information.

6. Systems and Controls

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

- (a) Accounting
- (b) Financial management
- (c) Vehicle utilization
- (d) Staff administration
- (e) Contract administration

.....

H.M. Gamini Wijesinghe

Auditor General