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01. Introduction

Urban Settlement Development Authority

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

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

Vision

02. Vision

"To ensure enhanced life-style within sustainable

urban human settlements"

Mission

03. Mission

" Offering solutions to housing problems

of residents of under served

urban settlements in compliance with

a holistic urban development

plan and concurrently

empowering them socially, economically

and culturally. "

04. Chairman and Board of Directors

Board of Directors from 01.01.2010 to 05.05.2010

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

04. Chairman and Board of Directors

Board of Directors from 24.05.2010 to 31.12.2010

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

Senior Management

Senior Management from 01.01.2010 to 05.05.2010

	Post	Name	Date of appointment
1	Director General	Mr. G.G.K.Gamini	02.02.2009
2	Director (Project Management and Development	Mr. Y. R. De Silva	01.08.2009
3	Accountant	Mr. S. Sumanthiran	07.05.2009
4	Chief Internal Auditor	Mr. N.G.P. Dias	01.10.2009
5	Senior Engineer	Mr. G.J.Gunasekara	01.10.2009
6	Legal Officer	Mrs. D.A. Devika Dissanayake	01.11.2009
7	Senior Project Officer	Miss. P.S.Gamage	26.01.2009

Senior Management

Senior Management from 06.05.2010 to 31.12.2010

	Post	Name	Date of appointment
1	Director General	Dr. Sumith Wanniarachchi	26.05.2010
2	Director (Project Management and Development	Mr. Y. R. De Silva	01.08.2009
3	Accountant	Mr. S.Sumanthiran	07.05.2009
4	Chief Internal Auditor	Mr. N.G.P. Dias	01.10.2009
5	Senior Engineer	Mr. G.J.Gunasekara	01.10.2009
6	Legal Officer	Mrs. D.A. Devika Dissanayake	01.11.2009
7	Senior Project Officer	Miss. P.S.Gamage	26.01.2009

05. Review of the Chairman

The year 2010 is the second year of this Authority established under the Urban Settlement Development Authority Act No. 36 of 2010. Even at the beginning of the year, a cadre had not been approved for the Urban Settlement Development Authority. and as at 30.12.2010 on the recommendations of the Salaries and Cadre Commission, a cadre consisting of 81 was approved by the Department of Management Services.

The appointment of a new Chairman and a new Board of Directors took place in May 2010 and the new Board of Directors commenced functioning from June 2010. As per the provisions of the Urban Settlement Development Authority, the 1% service charge was collected and remitted to the Urban Settlement Development Authority by the Urban Development Authority from property developers for the provision of funds for the low-cost housing program was not remitted to the Urban Settlement Development Authority since April, 2010 thus depriving the Authority of its main source of income. However subsequent discussions with the Ministry of Finance on the matter enabled the Authority to secure funds for recurrent expenses and development activities. Accordingly, 'Arunodaya Urban Poor' Kusum Housing Programme for the urban poor and the Cities without Slums ' were completed this year as programmes continued from last year. Under the Arunodaya Urban Poor programme 664 houses were constructed within the Colombo District and 334 outside the Colombo District while construction of 109 houses were completed for beneficiaries from Ivan Watta- Moratuwa, Bambarakele- Nuwaraeliya, Badulupitiya- Badulla and Kailagoda under the 'Cities without Slums' programme.

Under new housing projects, construction work of the Phase II of Sinhapura, Baseline Mawatha, Borella multistoreyed housing scheme was launched and another multistoreyed housing scheme for shanty dwellers living along the coastal belt whose abodes are threatened due to sea erosion was initiated during the year.

Renovation activities were carried out in three housing schmes- Sahaspura housing scheme-Borella, Sinhapura Phase I housing complex-Borella, Wadulusevana Housing Complex-Orugodawatta- under the Nagamu Puravara programme.

Further, preliminary activities of the social mobilization programme introduced with the objective of uplifting the living standard of the residents of urban settlements and brining about an attitudinal change were launched concurrent to 2010 World Habitat Day.

Another significant achievement of the year was the formulation of a corporate plan for the first time which grounded in the basic objectives of the Urban Settlement Development Authority.

While recalling that the training of the staff of the Authority and establishing a fund for the Authority are the two most urgent requirements for the attainment of the objectives of the Authority, I am pleased as Chairman with what we have achieved with the limited resources available during the second year of existence and the state of preparedness for future programmes.

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

06. Ongoing Programmes -2010

The following six development programmes were implemented by the Urban Settlement Development Authority in the year 2010

1. "Arunodaya Urban Poor Kusum" housing programme for the urban poor continuation
2. "Cities without Slums" programme- continuation
3. Infrastructure development Programme- continuation
4. Urban mutistoreyed housing Programme
5. "Nagamu Puravara" Programme
6. World Habited Day Programme

1."Arunodaya Urban Poor" Kusum housing programme for the urban poor- continued

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

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

The programme which was in operation in 2009, had to be suspended midway in the year 2010. This was due to the suspension of the remittance of 1% service charge by the Urban Development Authority which was collected from property developers for the provision of funds for the low-cost housing programme to the Urban Settlement Development Authority since April, 2010 with the reallocation of subjects of Ministries in April 2010 under which the Urban Settlement Development Authority was placed under the purview of the Ministry of Construction, Engineering Services, Housing & Common Amenities.

Accordingly, the development projects that were being carried out using this service charge had to be stopped. However, with the subsequent intervention of the Minister of Construction, Engineering Services, Housing & Common Amenities, the Ministry of Economic Development released provisions amounting to Rs. 86.794 million to the Ministry of Construction, Engineering Services, Housing & Common Amenities to complete these housing projects as continued programmes.

Colombo District – Continued

Completion of construction work in 664 houses in 13 local government authority areas in the Colombo District (Total expenditure - Rs. Million. 56.238)

S.No	Local Government Area	No of beneficiaries who completed construction
1.	Homagama Pradeshiya Sabha	51
2.	Maharagama Pradeshiya Sabha	66
3.	Kesbewa Pradeshiya Sabha	42
4.	Kaduwela Pradeshiya Sabha	46
5.	Dehiwala-Mt. Lavinia Municipal Council	3
6.	Moratuwa Municipal Council	59
7.	Seethawakapura Urban Council	47
8.	Seethawaka Pradeshiya Sabha	201
9.	Boralesgamuwa Urban Council	9
10.	Kottikawatta –Mulleriyawa Pradeshiya Sabha	16
11.	Sri Jayawardanapura Kotte Municipal Council	13
12.	Kolonnawa Urban Council	10
13.	Colombo Municipal Council	101
	Total	**664**

Outside Colombo District – Continued

Completion of construction work in 334 houses in the districts of Matara, Kurunegala, Kalutara, Gampaha, Galle, Hambantota and Ampara

S No	District	No of beneficiary families
1.	Gampaha	57
2.	Kalutara	27
3.	Ampara	09
4.	Galle	05
5.	Hambantota	137
6.	Kurunegala	64
7.	Matara	35
	Total	**334**

2. Cities without Slums Programme

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

This was a programme conducted with the assistance of the local government authorities and with the participation of the community.

For each house constructed under this programme, a grant of Rs. 175,000.00 was provided to the beneficiary in installment basic and construction was carried out with community labour contribution.

Though this programme which was implemented in the year 2009 was suspended in 2010 due to non-receipt of funds, It was completed as a programme continued from previous year using the provisions received from the Ministry of Economic Development in 2010.

District	Project	No of Houses	Amount (Rs Million)
Colombo	Ivanwatta-Moratuwa	30	3,880
N’Eliya	Bambarakele	27	2,796
Badulla	Badulupitiya	37	4,000
	Kailagoda	15	1,575
Total		**109**	12,251

3. Infrastructure Development Programme - continued

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

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

Though this programme which was implemented in the year 2009 was suspended in 2010 on the non-receipt of funds, it was completed as a programmed continued from previous year using the provisions received from the Ministry of Economic Development in 2010.

District	Project	Description	Amount (Rs million)
Nuwaraeliya	Bambarakele	Upgrading sanitary facilities, construction of septic tanks, laying pipes, constructing supporting wall	2.5
Total			2.5

4. Urban Multistoreyed Housing Programme

In line with the Mahinda Chintana National Policy Framework, multistoreyed housing schemes have been proposed for developing underserved settlements in urban areas.

During this year, preliminary arrangements were made to launch Sinhapura 48 Watta multistoreyed housing scheme at Baseline road, Borella to relocate 46 families residing at tenement 187 Watta in Torrington Mawatha, Colombo.

Planning of preliminary activities to commence a multistoreyed housing project for the shanty dwelling community threatened by sea erosion in the coastal areas of the Moratuwa urban zone too was carried out this year.

5. Nagamu Purawara Housing Programme

This programme was launched with the intention of basic developing infrastructure facilities in underserved urban settlements.

Accordingly, the following projects were carried out at a cost of Rs 0.999 million during this year.

1. Borella- construction of protective fence around the Sahaspura flats housing scheme
2. Upgrading the main waste water disposal drain network at the Sinhapura housing Scheme, Borella
3. Renovating the rainwater and waste water drainage system of the Wadulu Sevana housing scheme, Orugodawatta and regularizing the electricity meter system.

6. World Habitat Day Programme -2010

An open art competition was organized under three age categories targeting 75 underserved urban settlements in Colombo parallel to the "Thunkal Dekma" exhibition held to mark World Habitat Day - 2010 and more than 1300 children participated in the event.

In addition, an open short drama festival for children of the same settlements too was organized under the theme of World Habitat Day and 25 dramas from 25 settlements were staged at the festival.

07. Financial Report

URBAN SETTLEMENT DEVELOPMENT AUTHORITY
BALANCE SHEET AS AT 31ST DECEMBER 2010

2009		Notes	For the year 2010		
	Assets				
	Non Current Assets				
672911.43	Furniture & fittings	1	1,142,639.18	330,546.19	812,092.99
588762.17	Equipments	2	1,053,666.50	328,986.53	724,679.97
	Current Assets		2,196,305.68	659,532.72	1,536,772.96
500000.00	**Advance to construction**				
10000.00	Advance			50000.00	
674060.36	Cash and Bank balance			29266556.80	
	Cash and Bank balance			16450.39	
	Cash and Bank balance			3139000.00	
	REEL			7597195.67	40,069,202.86
.445733.96	**TOTAL ASSETS**				**41,605,975.82**
	Equity & Liabilities				
5000000000.00	Authorised capital				5,000,000,000.00
3,388,468.92	U.S.I.P Assets			3,388,468.92	
	Non Current Liability				
5192654.63	Excess over income/expenditure			21,083,577.69	24,472,046.61
(1,804,185.71)					
	Current liability				
	Retention money			191,722.40	
3437919.67	Accruede expences	3		16,559,206.81	
812000.00	Provission for Grativity	4		383000.00	17,133,929.21
2,445,733.96	**TOTAL LIABILITY**				**41,605,975.82**

The board of management of the Authority responsibility for the preperation and presentation of these financial statements.

Director Finance
U.S.D.A

Director Genaral
U.S.D.A

Chairman
U.S.D.A

URBAN SETTLEMENT DEVELOPMENT AUTHORITY INCOME & EXPENDITURE ACCOUNT YEAR ENDED 31st DECEMBER 2010

2009	Balance incom&expenditure A/C 2009.12.31		(5,192,654.63)
	Renenue		
	Ministry of housing	117,219,000.00	
	N.H.D.A	1,000,000.00	
	UN habitat	1,795,200.00	
148545294.29	INCOM (UDA Grant)	31,418,161.48	151,432,361.48
	Expenditure		146,239,706.85
134596347.1	Development expenditure	89,684,680.06	
	NagamuPurawara	999,880.00	
277117.35	Indirect Development expenditure		90,684,560.06
13671829.86			55,555,146.79
	Administrative expences		
7315622.86	Salary	17,144,285.62	
	Security	450,485.44	
	Director fees	214,220.00	
47675.00	Wages	45,500.00	
228211.40	O.T	291,979.21	
57430.00	Other Allownce	130,024.90	
240712.75	Travelling	73,787.20	
938417.11	E.P.F	3,291,260.60	
133366.41	E.T.F	398,088.95	
32905.12	Welfare	167,426.16	
422303.60	Stationary	236,806.39	
297745.50	Fuel & Lubrican	543,749.90	
9560.00	News Paper	7,940.00	
36645.00	Stamp	30,808.00	
279011.11	Telephone Chargers	323,747.26	
1482789.80	Office rent	4,389,467.69	
	water bill	19,871.26	
621914.79	Printing	506,743.82	
1044874.00	Advertising	79,150.00	
2679663.51	Transport	2,457,510.55	
60841.56	Electricity	66,109.60	30,868,962.55
-2257859.66			24,686,184.24
	Indirect Operational Expences		
1000808.50	Ceremony expences	789,253.00	
175899.38	Other expences	126,189.00	
25778.50			
401091.24	Training expences	356,954.35	
21388.00	Purchase of concumable items	16,856.40	
101850.00	Exibition expences	1,450,200.00	2,739,452.75
-3984675.28			21,946,731.49
	Other expences		
98368.91	Repair & maintenece of office Equpment	281,579.08	
77338.76	Cleaning Charges	142,313.68	423,892.76
-4160382.95			21,522,838.73
	Provissons		
102018.35	Depreciation Furniture & Fitiings	228,527.84	
118253.33	Depreciation Office Equipments	210,733.20	439,261.04
812000	Grativity provission		
-5192654.63	Excess over incoming/expences		21,083,577.69

URBAN SETTLEMENT DEVELOPMENT AUTHORITY - CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2010

Total received		153,432,361.48
Operating Activities		
Administrative expences	32,459,322.12	
Indirect Development Activities	423,892.76	
Indirect Operational Activities	2,739,452.75	
Advance	50,000.00	35,622,667.63
		117,809,693.85
Investing Activities		
Development Expences	77,730,703.59	
Fixed assets	733,847.40	
REEL	7,597,195.67	
		86,061,746.66
		31,747,947.19
		31,747,947.19
Opening cash & Bank balance		674,060.00
Closing cash balance as at 31.12.2010		32,422,007.19

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

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

විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல / My No: TH/B/USDA/FA/01/2010
ඔබේ අංකය / உமது இல / Your No.:
දිනය / திகதி / Date: 24 June 2011

The Chairman
Urban Settlements Development Authority

Report of the Auditor General on the Financial Statements of the Urban Settlements Development Authority for the year ended 31 December 2010 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971.

The audit of Financial Statements of the Urban Settlements Development Authority for the year ended 31 December 2010 was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 17(2) of the Urban Settlements Development Authority Act, No. 36 of 2008. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act will be issued in due course.

1:2 Responsibility of the Management for the Financial Statements

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

නිදහස් චතුරශ්‍රය, කොළඹ 07, ශ්‍රී ලංකාව
சுதந்திர சதுக்கம், கொழும்பு 07, இலங்கை
INDEPENDENCE SQUARE, COLOMBO 07, SRI LANKA

දුරකථනය / தொலைபேசி / Telephone. 2691151
ෆැක්ස් අංකය / பக்ஸ் இல / Fax No. 2697451
ඉලෙක්ට්‍රොනික් තැපැල් / ஈ-மெயில் / E-mail. oaggov@sltnet.lk

1:3 Scope of Audit and Basis of Opinion

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

2. Financial Statements

2:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Urban Settlements Development Authority had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to the paragraph 2:2 of this report the financial statements have been prepared in accordance with the Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the Urban Settlements Development Authority as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

2:1:1 Initial Capital of the Authority

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

2:2 Comments on Financial Statements

2:2:1 Going Concern of the Institution

According to Section 16(e) of the Urban Settlements Development Authority Act, No. 36 of 2008, all moneys collected by the Urban Development Authority as service charges from property developers should be credited to the Fund of the Urban Settlements Development Authority for financing the Low Cost Housing Programmes. Nevertheless, the Authority had not received such money after March 2010. In addition, according to the Cabinet Decision No. 10/2951/504/012 dated 14 December 2010 the collection of such service charges by the Urban Development Authority had been ceased. Thus the Authority had been deprived of its major source of income and the going concern of the Authority depends on the financial subsidy from the Treasury.

2:2:2 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard No. 03

The financial statements had been prepared contrary to the Standard as shown below.

i. Set off of building rent payable against the service charges income receivable.

ii. Non-rendition of the Statement of Changes in the Equity that should be presented as a part of the financial statements.

(b) Sri Lanka Accounting Standard No. 09

The Cash Flow Statement had not been prepared in accordance with the requirements of the Standard.

(c) Sri Lanka Accounting Standard No. 16

A Gratuity Fund had not been built up and the money thereof had not been invested.

2:2:3 Accounting Deficiencies

The following observations are made.

(a) The provision for the additional sum of Rs.1,564,000 payable to the housing beneficiaries resulting from the delay in the completion of the 187 Watta Housing Project, had not been made in the financial statements.

(b) A sum of Rs.200,785 payable for the purchase of fixed assets had been brought to account as Rs.257,100 thus resulting in an overstatement of Rs.56,315. Therefore, the depreciation for the year had also been overstated by a sum of Rs.11,263.

(c) According to the Cabinet Decision No. CM/07/0140/226/013 dated 22 February 2007, the REEL institution should have been liquidated immediately after the establishment of the Urban Settlements Development Authority and the staff and assets should have been taken over by the Authority. Nevertheless, action thereon had not been taken even up to the end of the year under review. The Chairman informed that the taking over of the staff and the assets after the liquidation of the institution had been delayed due to the delay in the legal action and the existence of a large amount of liabilities of the company.

2:2:4 Non-compliance with Laws, Rules, Regulations etc

The following non-compliance were observed.

	Reference to Laws, Rules, Regulations etc.	Non-compliance
(a)	Section 14(1) of the Finance Act, No.38 of 1971 and the Public Finance Circular No. PF/PE/21 of 24 May 2002.	The Draft Annual Report for the year under review had not been presented to audit with the annual financial statements.
(b)	Financial Regulation (FR)	
	F.R. 133	The Authority had not established an Internal Audit Unit.

3. Financial and Operating Review

3:1 Financial Review

According to the financial statements presented, the operations of the Authority during the year under review had resulted in a surplus of Rs. 21,083,578 and after the elimination of the erroneous adjustment of the deficit of the preceding year to the income it amounted to a surplus of Rs.26,276,233. This represented an improvement of Rs.31,468,888 as compared with the deficit of Rs.5,192,655 for the preceding year. Nevertheless, it was observed that such favorable position was reflected due to not incurring expenditure out of the money received during the latter part of the year for development works.

3:2 Operating Review

3:2:1 Performance

The following observations are made.

(a) It was observed that none of the following projects included in the Action Plan of the Authority for the year 2010 had not been commenced. Nevertheless, the Chairman informed that such situation had arisen due to the non-receipt of the one percent service charges receivable from the Urban Development Authority.

Project	Number of Units proposed for implementation in 2010	Value Rs. (Million)
Visiri Housing	2,750	340.0
Visiri Housing (Recurrent)	1,549	111.1
Cities without Shanties Programme (New)	200	20.3
Line Housing (Recurrent)	133	9.0
187 Watta Housing Flats	56	167.1
40,000 Housing Flats for City of Colombo	40,000	1,200.0
Total		1,847.5

(b) It was, therefore, observed that the Authority had prepared an unrealistic Action Plan without carrying out a study on the possibility of obtaining financial provision.

(c) Further, it was observed that the sum of Rs.85,219,680 shown in the financial statements as development expenditure did not constitute any expenditure incurred on any new project while it represented expenditure incurred on the continuation work of the preceding year.

3:2:2 Corporate Plan

A Corporate Plan for the Authority covering the year 2010 had not been prepared in terms of Section 5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

3:2:3 Audit and Management Committee

The Audit and Management Committee for the year 2010 had not been established in terms of Section 7.4 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

3:2:4 Uneconomic Transactions

The following observations are made.

(a) 187 Watta Re-establishment Projects

(i) Plans had been prepared for the construction of a housing scheme on a land 52 perches in extent belonging to the Urban Development Authority without a written agreement on securing the transfer of the land. In this connection, a memorandum of understanding had been entered into with 46 identified families and a sum of Rs.4.6 million had been paid to 46 occupants.

(ii) According to Clause 7(iii) of the memorandum of understanding entered into between the Urban Settlements Development Authority and the relevant owners of houses on 02 December 2009. if the period of completion of the Project exceeds 12 months from the commencing date of the agreement, the Authority which is the first party to the agreement should pay a lump sum of Rs.33,500 within 10 months from the commencing date of the agreement to the second party to the agreement for each such excess period of 03 months or a part thereof. Even through a period of one year had already elapsed after signing the agreement, no development work had been started, the creation of a situation in which the second party demanding house rent or resorting to legal action against the Authority was observed.

3:2:5 Management Inefficiencies

Even though the Authority had taken steps for the commencement of a housing project called 187 Watta, the Authority had failed to take any steps whatsoever for construction. Further the risk of facing a financial crisis in the future due to the contractual commitments entered into by the Authority was also observed. Thus it was observed that the Authority had acted without any understanding, efficiency and effectiveness in the management of public property.

3:2:6 Human Resources Management

Even though about 02 years had elapsed after the establishment of the Authority, all 73 members of the staff other than the Chairman and the Director General of the Authority are deployed in service on contract basis. The Chairman informed that the approval for the cadre has already been received and that recruitment will be done expeditiously.

3:2:7 Irregular Transactions

The following observations are made.

(a) The Authority had spent a sum of Rs.2,457,511 during the year for the procurement of motor vehicles on hire basis. The provisions of Circular No. MPDI/MPRD/VEH dated 11 October 2002 of the Ministry of Policy Development and Implementation had not been followed in this connection.

(b) A sum of Rs.7,597,196 spent by the Authority for carrying out repairs to the Housing Schemes of the REEL Company and the Payment of Salaries of the employees of the REEL Company had been brought to account as a current asset. Nevertheless adjustments had not been made to the provision for this purpose received from the Ministry of Construction, Engineering Services, Housing and Common Amenities.

4. Systems and Controls

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

(a) Capital Employment
(b) Accounting
(c) Management of Development Expenditure
(d) Human Resources Management

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