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# Annual Report - 2012



Urban Settlement Development Authority  
Ministry of Construction, Engineering Services, Housing and Common Amenities

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## 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.

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## Vision

To ensure enhanced life-style within sustainable urban human settlements



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## Mission

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

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2012

### Chairman and Board of Directors from 01.01.2012 to 31.12.2012

	<b>Post</b>	<b>Name</b>	<b>Date of appointment</b>
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	25.05.2010
4.	Member of the Board of Directors	Mr. W.M.P.G.Wickremesinghe	05.01.2012
5.	Member of the Board of Directors	Mr. Nimal Perera	05.01.2012
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 Chaminda Kumara Sudasinghe	24.05.2010
12.	Member of the Board of Directors	Mr. Ajith Kithsiri Bandara	24.05.2010

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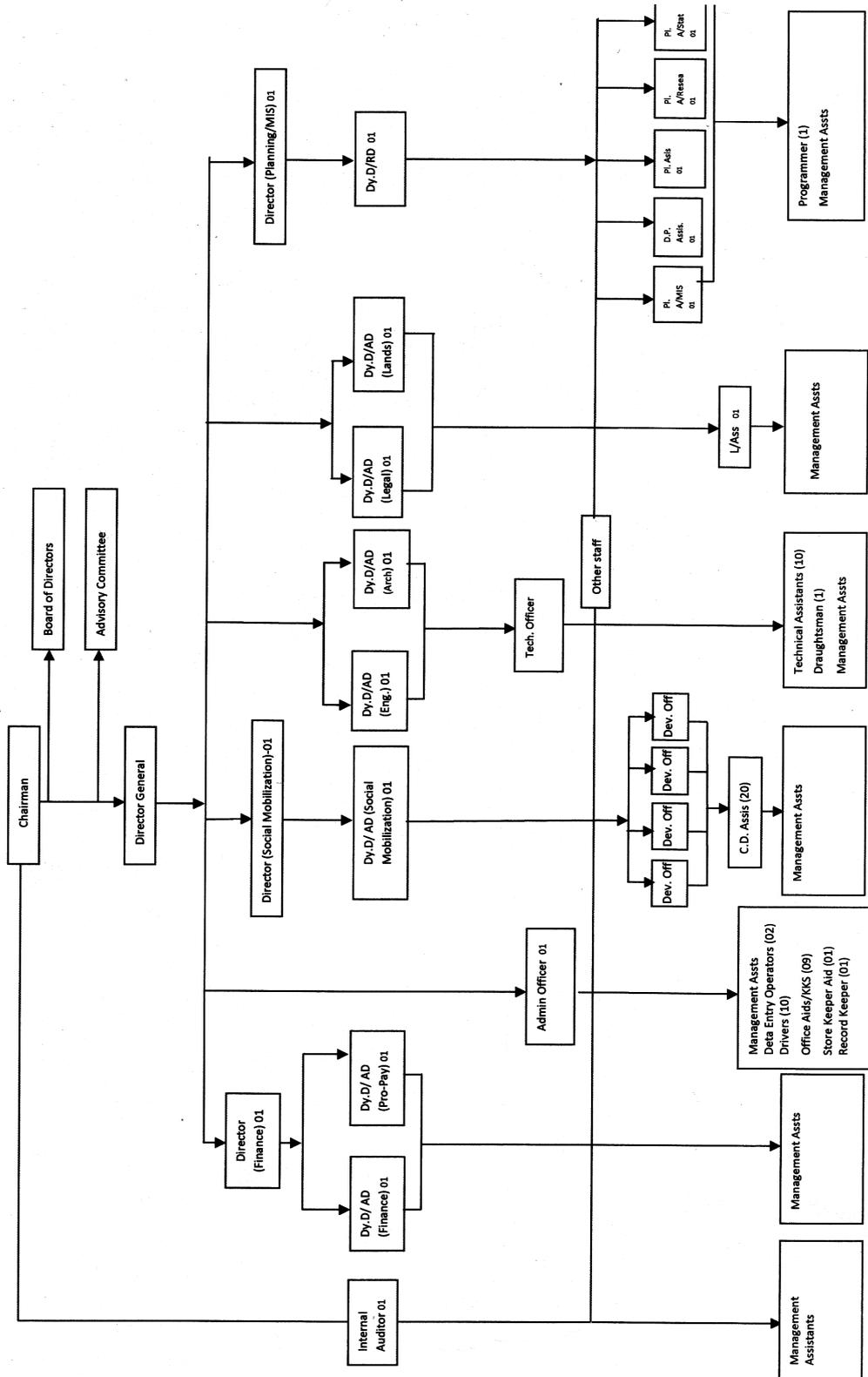
2012

**Senior management from 01.01.2012 to 31.10.2012**

<b>S.No</b>	<b>Post</b>	<b>Name</b>	<b>Date of Appointment</b>
1	Director General	Dr. Sumith Wanniarachchi	26.05.2010
2	Director (Social Mobilization)	Mr. Y.R.De Silva	01.11.2011
3	Director (Finance)	Mr. N.G.G.Dias	01.02.2011
4	Director (Planning & M.I.S)	Me. M.K.D.Chandrasena	20.01.2011
5	Senior Engineer	Mr. G.J.Gunasekara	01.11.2011
6	Internal Auditor	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	01.11.2009
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

# Organization Chart

## URBAN SETTLEMENT DEVELOPMENT AUTHORITY



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## Chairman's Review

The year 2012 was the fourth year the Urban Settlement Development Authority was in operation since its inception.

This year saw the commencement of the second phase of the multistoreyed housing scheme consisting of 288 units for the families displaced by sea erosion and low income urban community in the Moratuwa urban zone under the Janasevana Sahasralanka housing development programme. 82% of the construction work of the first phase as well as 42% of the second phase was completed by the end of the year.

Another multi storeyed housing scheme with 356 units targeting the community of the Moratuwa urban zone too was initiated and the progress of the construction work of this scheme was about 10%.

Nagarika Diriya housing project was launched as a new programme this year with a view to converting temporary and partially built houses in urban zones into standardized houses. Under the first phase of the programme programmes were launched for 252 selected beneficiaries.

The construction work of "Thuru Ithurugama" housing project with 108 housing units targeting families constantly affected by floods and other natural disasters in the Anuradhapura urban zone which was launched parallel to the Deyata Kirula national exhibition was completed during this year.

The Janasevana Swashakthi human development programme aimed at uplifting the living standard of the residents of underserved urban settlements, was also initiated and implemented in four zones in the Colombo metropolitan area as Colombo North, Colombo Central, Colombo East- Colombo West and Borella. 12,621 families from 88 urban settlements were involved in the Swashakthi programme and 71 community based organizations too were strengthened under the programme. In addition 2,136 Children's Savings Accounts for children of underserved settlements were opened in collaboration with National Savings Bank.

Another programme carried out during the year was to grant loans to 142 women of urban settlements engaged in small scale self employment to help them to expand their activities.

Creating awareness among nearly 2,000 families on the importance of enhancing health and nutrition level of the urban settlement communities with the assistance of various institutions and the launch of 22 community projects employing the community participatory contract system to improve the primary health care and sanitary facilities of the communities of urban settlements and vesting 65 % of theme with people having completed their work were another significant achievements of the year.

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A host of programmes connected with urban settlements in Colombo city were implemented concurrent to 2012 World Habitat Day and nearly 3500 children from underserved urban settlements actively participated in various events and around 3,000 young men and women of these settlements too participated enthusiastically in the activities of the “Jana Sevana Swashakthi” human development programme. The programme served as a catalyst in bringing about attitudinal changes among these people while instilling confidence and understanding about the ongoing developmental activities.

The Authority is pleased that it was able to carry forward the programmes initiated during the year while commencing several new programmes. However the failure to have its own seed capital can be termed as a major setback for the Authority.

**Palitha Gamage, Attorney at law**  
Chairman  
Urban Settlement Development Authority

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## Ongoing Programmes- 2012

1. 'Janasevana Sahasra' Lanka Urban Housing Program
  - 1.1 Anuglana multi-storeyed housing project
  - 1.2 Luna wa multi-storeyed housing project
2. 'Janasevana Diriya' urban housing programme
3. "Janasevana Swashakthi" human development programme
4. Deyata Kirula National Developmen Programme

### 01. "Janasevana Sahasra Lanka" Urban Housing Programme

As envisaged in the "Mahinda Chintana-Vision for the Future", the Jana Sevana national housing and settlement development drive is being implemented with the full intervention of the government to offer ownership of a house to all homeless families within the next six years.

"Janasevana Sahasra Lanka" urban housing programme is implemented to provide formal housing facilities for people residing in underserved settlements in Colombo and other urban areas of the island.

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

Two housing development programmes are being carried out under this programmed in the Moratuwa urban zone.

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## 1.1 Angulana multi storeyed housing project, Moratuwa (Phase I & II)

The Angulana multi-storeyed housing scheme was initiated targeting economically backward community in the coastal belt affected by sea erosion at Angulana in the Moratuwa urban zone. The total number of housing units in the scheme is 288 with each house having a floor area of 531 square feet.



Each house is equipped with a living room, a dining room, two bed rooms, a kitchen, a balcony and a toilet and a bathroom. Other common amenities too will be provided. The construction of this project carried out in two phases is nearing completion and is expected to be completed by December 2013. The total estimated cost for the project is Rs. 920 million.

Each house is equipped with a living room, a dining room, two bed rooms, a kitchen, a balcony and a toilet and a bathroom. Other common amenities too will be provided. The construction of this project carried out in two phases is nearing completion and is expected to be completed by December 2013. The total estimated cost for the project is Rs. 920 million.



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## 1.2 Lunawa multi-storeyed housing project

The Moratuwa Lunawa housing project targeting the low income urban community was launched on 28th June, 2012. This project is a multi storeyed housing scheme consisting of 356 housing units and its total estimated cost is Rs 875 million (without VAT).



Each unit has a floor area of 456 square feet and is equipped with a living room, a dining room, two bed rooms, a kitchen, a balcony and a toilet and a bathroom. Other common amenities too will be provided.

This project has achieved a physical progress of 10% during the year 2012.



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## 2. “Janasevana Diriya” Urban Housing Programme

This program was introduced with the objective of solving the housing problem of the poor who are unable to secure housing loans and other financial facilities from banking or financial institutions through a participatory approach for converting temporary or partially constructed houses into standard houses.

Identification of low income beneficiaries is carried out by the Grama Niladhari of the Division of the Divisional Secretariat and following an interview with the beneficiary to ascertain his needs and potential contribution, the house will be planned. The financial assistance required for the construction of the house and the repayment period is determined consequent to a discussion with the beneficiary. A standout feature of this programme is the extension of the required financial and technical assistance by visiting the beneficiary personally.

This programme was inaugurated in the year 2012 as a pilot project targeting 252 selected beneficiaries in the Kaduwela urban zone. The repayment period of loans under this programme is 10 years and the maximum loan granted is Rs. 300,000.00.

Our technical officers visit the sites to offer support for housing planning and the required technical assistance.



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## Creating awareness among beneficiaries



## Construction of houses by beneficiaries



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### 3. Janasevana Swashakthi Human Development Programme

In addition to the responsibility of implementing housing development programmes for the urban settlement community, the Urban Settlement Development Authority has also been entrusted with the task of introducing and carrying out programmes for socio-economic development of these people.

The “Janashakthi Swashakthi” Human Development Programme was officially launched in the year 2011 for implementing programmes for uplifting living standard of the residents of underserved urban settlements and a host of programmes are currently being implemented with the objective of attaining this goal.

#### 01. Creating community awareness on Swashakthi Human Development Programme

Creating awareness among families on the Swashakthi Human Development Programme and collecting information for the registration of Swashakthi families were carried out in the year 2012 and residents of settlements were made aware of the objectives and activities of the programme. Accordingly, 12,621 families from 88 settlements representing all four urban zones in Colombo were briefed about the programme in 2012.

#### 02. Strengthening community based organizations

Swashakthi programme established a strong organizational structure in settlements by mobilizing vibrant community based organizations in settlements and establishing Swashakthi community development societies in settlements where CBOs were dormant. Accordingly, Swashakthi programme was conducted in 2012 in the Colombo City with the involvement of 71 community based organizations.



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### 03. Organizing people as small groups



Creating awareness among the urban settlement community about the importance of mobilizing as small group and building collective strength and offering guidance to organize as groups and making logistical arrangements towards this end is the focus of this activity.

Savings and micro-financing programmes too are implemented under this activity.

### 04. Child Development Programme

Forming Swashakthi Children's Societies and implementing programmes for overall development of children with the objective of enhancing knowledge, attitude and skills of children of urban settlements and conducting various competitions, aesthetic skills development programmes, tree planting campaigns, savings and religious programmes and establishing children's libraries.

The number of children's societies thus established in the year 2012 was 63. Conducting awareness programmes 2410 children covering the 04 urban areas and involving them in the Swashakthi Children's Programme.



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## 05. Save little by little

The absence of the savings habit among the communities of these settlements as a result of being left out by the prevailing banking network was identified as major stumbling block in improving their economic wellbeing. As we identified that this situation had to be addressed immediately, discussions were held with the relevant banks to design a suitable programme for them to promote savings habit and introduced appropriate programmes for the community by integrating adult and children savings with the banking process.

Initiating a children's savings scheme in collaboration with National Savings Bank and in the year 2012, 1136 children's savings accounts were opened. A parallel adult saving program too was implemented.



## 06. Urban Agro Project

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

Awareness was created at the settlement level together with the Agriculture Department of the Western Province in 14 settlements covering the 04 urban zones and action was taken to implement agricultural programmes by involving adults as well children of children's societies.



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## 07. Solid Waste Management



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

Accordingly, an awareness programme was conducted in collaboration with the Solid Waste Management Authority of the Western Province.

## 08. City devoid of drugs and alcohol –Drug eradication programme



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

The programme was launched in the year 2011, with the National Authority on Tobacco and Alcohol 58 awareness programmes were organized to educate the settlement level were conducted in collaboration with the National Dangerous Drugs Control Board, Colombo Municipal Council and Sri Lanka Samurdhi Authority.

## 09. Vocational Training Programmes



The prime objective of this programme is to guide unemployed youths in urban settlements for vocational training in identified areas. During the year 2012, this programme was conducted as a solution to urban unemployment.

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## 10. Savings and micro financing credit scheme

A preliminary survey was conducted at the urban settlement level on beneficiaries engaged in small scale self employment. The survey identified beneficiaries from the 04 urban zones of Colombo and subsequently a basic feasibility study was conducted on them. 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 142 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%.



## 11. Community Health and Clinic Programme

Another problem identified in urban underserved settlements under the Swashakthi Human Development Programme was the lack of adequate knowledge among the settlement community on health, nutrition and sanitation. This was evident not only among adults but among children and young people as well. On the request of the community, community health programmes, community health clinics and awareness programmes were conducted with the help of various institutions.



Children's and Maternity Clinics

Eye clinics for people of urban settlements



Dental clinics for children of urban settlements



Ayurveda clinics for urban settlement community



## 12. Janasevana community participatory environment and sanitation programme

The prime objective of this programme is to develop common facilities that are 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. The number of projects implemented in the year 2012 under this programme was 22.

Some of these community projects are given below.

### Gothamipura Community Hall - Rajagiriya



### St. Anthony's Sinhala Maha Vidyalaya – Mattakkuliya installation of rain guards



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**T20 watta Community Hall –Borella**



**Kadiranawatta Community Hall- Mattakkuliya**



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## Commemorating World Habitat Day-2012

- As per the provisions of the Urban Settlement Development Authority Act, the responsibilities with regard to the celebration of World Habitat Day in Sri Lanka have been entrusted to our authority.
- Accordingly, to mark World Habitat Day, the Ministry of Construction, Engineering Services, Housing and Common Amenities organized a Habitat Week from 24th to 27th September 2012 under the theme “Changing Cities, Building Opportunities”. The Authority conducted the following programmes during this commemoration programme.
  - I. 24th September 2012- Community participatory environmental day
  - II. 26th September 2012\_Community leadership for settlement development
  - III. 29th September 2012- Promotion of savings and artistic skills for future security
  - IV. 30th September 2012- Promotion of Sports skills
- **Community participatory environmental day on 24th September 2012**

Under this programme, development of infrastructure facilities and common amenities which were in need of renovation was carried out on the theme “Let’s make people’s lives safe through health and sanitation” concurrent to the “Janasevana Swashakthi” human development programme.

Having identified facilities required to be developed through the community itself under the programme to mark World Habitat Day-2012, 22 projects were implemented in collaboration with various institutions to renovate preschools, community halls, drain systems, etc in underserved urban settlements and the Sri Wickremapura playground and the community hall renovated under this project were ceremonially vested with people on 24th September 2012.



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- **Community leadership for settlement development on 26th September 2012**

Activities conducted on this day were based on the theme “Empowering communities for urban good governance” and the programme focused on guiding and directing the community leadership to secure solutions to their hitherto unresolved socioeconomic, cultural and environmental problems through the interventions of the public sector institutions and other institutions.

Community leaders from 200 selected settlements were identified and based on their views and proposals, community development programmes were organized.

A programme to felicitate 1000 such community leaders in recognition of their services and to discuss future programmes was held on 26th September 2012 at John De Silva Memorial Theatre.



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- **Promoting savings for a secure future and promotion of artistic skills on 29th September 2012**

A programme to promote the habit of saving among children of urban settlements is implemented parallel to “Swashakthi” human development programme to ensure a more secured future for these children. This programme was implemented targeting children of 200 urban settlements in Colombo and as part of the activities to mark World Habitat Day 2012, a savings programme targeting 1000 children was organized.

1000 savings accounts were opened at the ViharaMaha Devi Open Air Theatre on 29th September 2012, under this savings scheme for children of urban settlements implemented by the Urban Settlement Development Authority in tandem with National Savings Bank.

- **Art competition of children of urban settlements**

An art competition with the objective of promoting creative and artistic skills of children of underserved settlements was organized under the theme of Habitat Day with the participation of 5000 children under three age categories.

One thousand best creations were selected from the first round and a live drawing competition was held at the Viharamaha Devi Open Air Theatre on 22nd September 2012 and these drawings were put on display at the Art Gallery on the same day.

The presentation of awards, certificates, awards and cash gifts for the winners of the art competition was conducted under the distinguished patronage of His Excellency the President at the World Habitat Day conference held at the Colombo Municipal Council grounds



- **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-2012 to promote artistic skills of the children of urban underserved settlements and 57 short dramas from Colombo urban zone were staged at the festival.

15 dramas 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, Greenpath on 22nd September 2012. Best dramas and best performers were and the awards and certificates were presented to the winners at the World Habitat Day conference held on first of October. The drama which won the first place was staged at the Habitat Conference.



- **Essay competition for developing creative skills of children of urban settlements**

With the aim of enhancing knowledge of schoolchildren on housing and settlement, an essay competition for children of urban settlements was organized to mark World Habitat Day-2012.

Nearly 600 children took part in the competition and the winners elected under three age categories were presented with awards, certificates and cash gifts at the national conference held to mark World Habitat Day.



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- **Sports skills development –Six-a-side cricket on 19th September 2012**

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 to coincide with World Habitat Day.

127 teams representing settlements in Colombo Urban Zone competed in the first round of matches and the number of players participated in this round exceeded 1000.

For the quarter finals of this tournament 20 teams were elected and the matches were played on 19th September at the Railway Department Sports Grounds at Baseline Road.

The finals were played on 24th September at the opening of the newly renovated Sri Wickremapura Grounds, Mattakkuliya and the winning teams received their awards and certificates at the World Habitat Day national conference.



- **Sports skills development- Marathon on 30th September 2012**

The Urban Settlement Development Authority organized a marathon on World Habitat Day for adults, young men and women and children of urban settlements.

The marathon was held under two age categories as under and over 18 years and more than 500 entries were received for the race. It was flagged off opposite the Vihara Maha Devi Park at 9.00 a.m. on 30th September and ended opposite Nelum Pokuna Theatre.

In addition to the winners, all participants were presented awards and certificates at the World Habitat Day national conference.



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## 4. Deyata Kirula National Development Programme

### Thuruithurugama Housing Project, Anuradhapura

The Katukeliyawa Green Settlement Project was started in September 2011 parallel to the Deyata Kirula national development exhibition. 102 houses of this 108-unit housing scheme were constructed using traditional technology while the remaining 06 houses were constructed employing energy friendly low cost technology (clay technology). In the year 2012, 95% of the construction work was completed at a cost of Rs 74.50 million.



URBAN SETTLEMENT DEVELOPMENT AUTHORITY  
BALANCE SHEET AS AT 31ST DECEMBER 2012

2011		Notes			
	<b>Assets</b>	1			
	<b>Non Current Assets</b>				
858,377.54	Furniture & Fittings		1,553,926.26	938,562.37	615,363.89
323,903.79	Office Equipment		796,458.50	440,327.41	356,131.09
	Vehicle		22,450,000.00	3,694,167.00	18,755,833.00
654,440.58	Computers		4,453,658.60	3,219,147.60	1,234,511.00
1,836,721.91			29,254,043.36	8,292,204.38	20,961,838.98
50,193,090.00	Anguiana working Progress			396,064,240.46	
	Lunawa Working progress			69,912,751.29	
	Anuradhapura Working Progress			86,377,355.31	552,354,347.06
	<b>Advance to construction</b>				
93,681,151.29	Construction advance	2			364,394,354.79
	<b>Scattered Housing Loan</b>				
	Scattered Housing Loan			38,016,847.00	
	Receivable installments			537,021.18	
	Social Mobilization - Loan			621,710.00	39,175,578.18
	<b>Current Assets</b>				
98,860.00	Advance	3		289,645.00	
39,619,234.06	Cash and Bank balance	4		6,530,716.06	
11,416,004.11	Savings A/C			47,314,955.55	
11,482,369.04	7 Days Called Deposit				
13,103,674.00	REEL			13,103,674.00	67,238,990.61
147,474.00	Interest Receivable				
<b>221,578,578.41</b>	<b>TOTAL ASSETS</b>				<b>1,044,125,109.62</b>
	<b>Equity &amp; Liabilities</b>				
5,000,000,000.00	Authorized capital				5,000,000,000.00
228,334,000.00	Treasury Grant	5		835,184,000.00	835,184,000.00
1,694,234.46	U.S.I.P Assets				
21,083,577.69	<b>B/F Balance ( Income/ Expenditure)</b>			(36,193,155.21)	
(57,276,732.90)	Excess over income/expenditure			11,619,000.08	(24,574,155.13)
193,835,079.25	<b>Total Equity</b>				810,609,844.87
	<b>Non Current Liability</b>				
3,759,834.00	Provision for Gratuity	8		3,996,885.25	3,996,885.25
	<b>Current liability</b>				
15,329,044.22	Retention money	6		61,389,788.25	
8,654,620.94	Accrued expenses	7		168,128,591.25	229,518,379.50
<b>221,578,578.41</b>	<b>TOTAL Equity &amp; LIABILITY</b>				<b>1,044,125,109.62</b>

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

Director Finance  
U.S.D.A

Director General  
U.S.D.A

Chairman  
U.S.D.A

**URBAN SETTLEMENT DEVELOPMENT AUTHORITY CASH FLOW STATEMENT FOR THE YEAR  
ENDED 31st DECEMBER 2012**

<b>Total received</b>		
Recurrent Expenses( Treasury Fund)	53,608,000.00	^
Development	645,734,000.00	*
Financial	3,324,297.70	*
		702,666,297.70
<b>Operating Activities</b>		
Administrative expenses	57,438,713.03	
Advance	190,785.00	57,629,498.03
<b>Investing Activities</b>		
Development expenditure	538,738,941.04	
Loan Disbursement	38,206,912.00	
Fixed assets	2,412,190.60	
Construction Advance	74,352,066.63	653,710,110.27
		(8,673,310.60)
Opening cash & Bank balance		62,517,607.21
Closing cash balance as at 31.12.2012		53,844,296.61

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

**URBAN SETTLEMENT DEVELOPMENT AUTHORITY  
INCOME & EXPENDITURE ACCOUNT  
YEAR ENDED 31st DECEMBER 2012**

2011		2,012.00	
111,764,387.50	Revenue	117,913,032.70	
1,694,234.46	Differed of USIP	1,694,234.46	119,607,267.16
113,458,621.96			
122,718,180.68	Development expenditure	39,872,062.10	
46,570,551.05	Administrative expenses	61,725,131.45	
1,446,623.13	Other expenses	6,391,073.53	107,988,267.08
(57,276,732.90)	Excess over Income / Expenses		11,619,000.08
(57,276,732.90)	Excess over Income / Expenses		11,619,000.08



විගණකාධිපති දෙපාර්තමේන්තුව  
கணக்காய்வாளர் தலைமை அறிப்பித் திணைக்களம்



**AUDITOR GENERAL'S DEPARTMENT**

මගේ අංකය எனது இல.	} EH/C/UDSA /ABCDEF/13/2012/26	මගේ අංකය உமது இல	} 27 October 2013
My No		Your No.	

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 2012 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 2012 comprising the balance sheet as at 31 December 2012 and the statement of income and expenditure and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13 (1) of the Finance Act, No. 38 of 1971 and Section 17(2) of the Urban Settlements Development Authority Act, No. 36 of 2008. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14 (2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (a) of the Finance Act will be issued in due course.

1;2 Management's Responsibility for the Financial Statements

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

අංක 306/72 පොල්දූව පාර,  
බත්තරමුල්ල, ශ්‍රී ලංකාව

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E-mail.

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### 1.3 Auditor's Responsibility

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of the Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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

### 1.4 Basis for Qualified Audit Opinion

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

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2. Financial Statements

2:1 Qualified Opinion

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In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Urban Settlements Development Authority as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

2.2 Comments on Financial Statements

2.2.1 Consistency of the Authority

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An uncertainty had prevailed in the consistency of the Authority without other financial assistance of the Treasury or Government due to the following matters.

- (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 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 2012.
- (b) According to provision 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.

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#### 2.2.2 Liquidation of Real Estate Exchange Private Company and taking over of Assets and Liabilities

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According to the Cabinet Decision No. CM/07/0140/226/013 of 22 February 2007, immediately after the establishment of the Urban Settlements Development Authority the Real Estates Exchange Private Company should have been liquidated and its assets and liabilities and the staff should have been taken over by the Authority. Nevertheless, only the absorption of the staff had been done even by 15 August 2013.

The Chairman informed me that the Attorney General had advised that it was unable to wind up voluntarily as liabilities had exceeded the assets of the Company.

#### 2.2.3 Accounting Deficiencies

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Expenditure of the Employees Provident Fund and the Employees Trust Fund for the year 2012 had been brought to account understating by Rs.1,862,687 and Rs.279,418 respectively.

#### 2.2.4 Accounts Receivable and Payable

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Even though the Board of Directors had decided in the year under review for not settling a sum of Rs.3,741,000 payable to the Community based Societies, action had not been taken to make necessary adjustments in the accounts.

#### 2.2.5 Lack of Evidence for Audit

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The Bank balance amounting to Rs.16,450 disclosed as an asset had not been confirmed as an asset belonging to the Authority.

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## 2.1.6 Non-compliances with Laws, Rules, Regulations and Management Decision

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The following non-compliances were observed in audit.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
Section 09(2) of the Employees Provident Fund (Amendment) Act No.01 of 1985.	Contrary to the provision of the Act, contribution less of Rs.1,862,687 had been remitted to the Employees Provident Fund.
Section 5(1) of the Employees Trust Fund (Amendment) Act No.18 of 1993.	Contrary to the provision of the Act, contribution less of Rs.279,418 had been remitted to the Employees Trust Fund.
Financial Regulations 371(2) (b)	Even though the maximum amount of ad-hoc sub imprest that could be granted to a staff officer for an activity should have been Rs.20,000, ad-hoc sub imprest totalling Rs.22,054,409 had been granted to officers in 45 instances exceeding the above limit.

## 3. Financial Review

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### 3.1 Financial Results

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According to the financial statements presented, the operation of the Authority for the year under review had resulted in a surplus of Rs.11,619,000 as against the deficit of Rs.57,276,733 for the

preceding year, thus indicating an increase of Rs.68,895,733 in the financial results. The reasons mainly attributed to increase the financial results are given below.

Item of Income/ Expenditure	Favourable/ Unfavourable Effect
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	Rs.
Grants Received from the Treasury	4,657,000
Other Income	344,114
Interest Income	1,147,531
Development Expenditure	82,846,119
Administrative Expenditure	(15,154,580)
Other Expenditure	(4,944,451)
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	<u>68,895,733</u>

#### 4. Operating Review

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##### 4.1 Transactions of Contentious Nature

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The following observations are made.

- (a) Advances totalling Rs.2,416,900 issued to two officers for payment of salaries to the labourers of the project of making clay houses had been deposited to their private Bank accounts. A sum of Rs.150,000 had been overpaid exceeding the estimated rate of daily pay

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and considering the days in which the labourers were absent as the days in which the labourers were present.

- (b) Hundred and sixty four watches at the value of 103,320 purchased for the purpose of distributing to evaluate the beneficiaries who had completed the construction under the Scattered Housing Assistance Programme had been distributed to various other parties by taking action contrary to the above objectives.
- (c) A sum of Rs.493,490 had been spent as entertainment expenditure for one day during the year under review for a total number of 180 persons including entire staff of the Authority and all the officers in staff grade of the Ministry and Corporations functioning under the Ministry in order to introduce a training programme for evaluation and training of staff.

The following observations are made in this connection.

- (i) Information had not been submitted for audit to prove that the authority had been obtained for this entertainment expenditure and also the provision had not been obtained.
  - (ii) Any supporting documents such as purpose of conducting entertainment and attendance register of persons participated therein had not been submitted for audit.
  - (iii) Payments had been made on the basis of quotation submitted instead of making payment on the basis of invoices and also receipts had not been obtained for payments.
- (d) A sum of Rs.639,300 had been paid to a private advertisement company for supply of banner, T-shirt, pandol and notice board and decoration works in respect of advertisement activities of the World Habitant Day Programme.

The following observations are made in this connection.

- (i) Bids had not been properly presented and the bids had not been opened in front of the Procurement Committee. Those bids had been opened in two days and the officers who had opened the bids had not placed their signature.
- (ii) Documentary evidence relating to receipts and issues of materials or recommendation of the responsible officer in respect of relevant activities had not been obtained before making payment for supply of relevant materials and decoration works to

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prove that the above materials had been supplied according to the relevant standard and the installations had been properly carried out.

- (iii) Pandol, banner etc. which were installed had not been returned to the stores.

#### 4.2 Personnel Administration

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Number of excess staff recruited exceeding the approved cadre stood at 06 whilst the shortage of staff stood at 16. Even though there was a possibility to recruit on permanent basis, number of staff recruited on contract basis stood at 19.

#### 4.3 Utilisation of Vehicles

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Total amount paid for 06 vehicles obtained on hire basis during the year under review was Rs.7,067,405.

The following observations are made in this connection.

- (a) The procurement procedure had not been followed to select economically viable supplier.
- (b) A sum of Rs.68,893 had been overpaid for the total distance of 17,849 kilometers travelled by 05 vehicles during the month of February 2012 contrary to the provision of Sections 7 and 8 of the agreement entered into with the vehicle supplier.
- (c) Even though the Board of Directors had decided to pay at the rate of Rs.35 per kilometer for the entire distance travelled from the month of March 2012 on the request of the supplier, the procurement procedure had not been followed even in that instance.
- (d) Even though a vehicle had been provided by the General Treasury in the month of February 2012 on the basis of removing a vehicle supplied on hire basis in terms of provision of paragraph 8 of the Budget Circular No.150 dated 07 December 2012, any vehicle supplied on hire basis had not been removed. The vehicles obtained from the Ministry had been handed over instead.

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5. Accountability and Good Governance

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5.1 Action Plan

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The progress report had not been prepared in order to properly review the progress in the Action Plan prepared for the year under review. Even though the financial target expected to achieve by 31 December 2012 in respect of 06 projects was Rs.1,413,980,000, the financial target as at that date amounted to Rs.998,540,000 only and as such the deterioration of the financial results was 30 per cent and the physical performance had also been subjected to deterioration by the same amount. Non receipt of adequate imprest was the reason for this situation.

5.2 Tabling of Annual Report

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The Annual Reports for the years from the year of commencement of the Authority in 2009 up to the year under review had not been tabled in Parliament up to October 2013.

6. Systems and Controls

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

- (a) Accounting
- (b) Expenditure Management
- (c) Human Resources Management

W.P.C. Wickramaratne

Acting Auditor General



## REPORT OF THE BOARD OF DIRECTORS

The Directors of the Board of Urban Settlement Development Authority as at 31.12.2012 were as follows.

Mr. Palitha Gamage, Attorney at law  
Chairman

Ven. Ittekande Sadhdhatissa Thera  
Director

Mr. W.M.P.G.Wickremesinghe  
Director

Mr. Nimal Perera  
Director

Mr. A.W.Dayananda  
Director

Miss M.I.V.Amarasekara  
Director

Mr. Bernard Kariyawasam  
Director

Mr. Ranil Priyantha Fernando  
Director

Mr. A.H.Suresh Indika  
Director

Mr. Chaminda Kumara Sudasinghe  
Director

Mr. Ajith Kithsiri Bandara  
Director

The Board had twelve (12) meetings during the year under review.

The Audit Management Committee which functioned as a Sub-Committee of the Board of Directors had Four (04) meetings during the year 2012.

The following Directors of the Board functioned as members of the Audit Management Committee.

Miss. M.I.V.Amarasekara - Chairman

Mr. Bernard Kariyawasam

Mr. Ranil Priyantha Fernando

Mr. A.H.Suresh Indika

Mr. Chaminda Kumara Sudasinghe

Urban Settlement Development Authority provides housing solutions to the people of underserved settlements and converts the substandard housing stock into standard housing stock in urban areas. Simultaneously, a Human Development Programme is being implemented to develop the socio-economic status of the households living in urban settlements.

Under section (12) & (13.6) of the Finance Act No 38 of 1971, Directors of the Authority have responsibility for ensuring that the Urban Settlement Development Authority keeps proper books of accounts of all the transactions and prepares financial statements that give a true and fair view of the state of affairs and of the Excess/Deficit for the year.

Accordingly, the Directors have directed the Authority to maintain proper books of accounts and reviewed the financial reporting system at their regular meetings and through the Audit Committee.

In preparing the financial statements exhibited in this booklet, Directors have considered adopting appropriate Accounting Policies on a consistent basis and supporting by reasonable and prudent judgments and estimates.

The Directors have taken such steps as are reasonably open to them to safeguard the assets of the Authority and to prevent and detect frauds and other irregularities. In this respect the Directors have instituted an effective and comprehensive system of internal controls comprising of internal check, internal audit and financial and other controls required to carry out the services of Urban Settlement Development Authority in an orderly manner to safeguard its assets and secure as far as practicable the accuracy and reliability of our records.

By order of the Board



Dr. Sumith Wanniarachchi  
Secretary to the Board

## REPORT OF THE AUDIT COMMITTEE

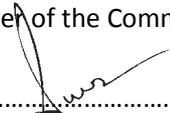
The Audit Committee is empowered to review and monitor to ensure a good financial reporting system in place and is managed well in order to provide accurate, appropriate and timely information to the Management and the relevant authorities as well as for the Management of Accounting and Internal Controls, Compliance with laws and Authority policies, statutory and corporate governance.

The Audit Committee consisted of the Treasury Representative to the Board, and four other Board Directors. As had been the practice in the past, a few other Directors of USDA including the Director (Finance) also served as Committee members. As per Public Enterprise Guidelines, the Treasury Representative of the Board, Miss. M.I.V.Amarasekara, Assistant Director Public Enterprises as the Committee Chairman in 2012. Mr. Bernard Kariyawasam, Mr. Ranil Priyantha Fernando, Mr. A.H.Suresh Indika and Mr. Chaminda Kumara Sudasinghe as a member of the Committee.

Superintendent of Government Audit attended the meetings as Observer, while a number of other senior officials of the Urban Settlement Development Authority attended the meetings as needed. Director General functioned as Secretary to the Committee. The Committee considered and accepted the comprehensive audit programme for 2012 prepared by the Internal Auditor. During the year the Committee held four meetings. The Committee discussed audit reports, issues and responses to audit queries and observations of both the Internal and External Audit, Internal Control Systems as well as other areas where improvement are needed, including special emphasis on the need for the timely submission and publication of the Annual Report. Corrective actions have been taken and follow-up actions on decisions were also discussed. The salient points discussed were reported to the Board.

I acknowledge with sincere appreciation the valuable contribution made by the members, the officials and in particular for the most valuable observations and comments of the Auditor General in the audit process.

By order of the Committee

  
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Dr. Sumith Wanniarachchi  
Secretary to the Committee