

Urban Settlement Development Authority - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Urban Settlement Development Authority for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and Financial Act No.38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Urban Settlement Development Authority as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

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

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

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

1.4 Audit Scope (Auditors Responsibility with regard to audit of the financial statements)

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

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

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Authority, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority;
- Whether the Authority has performed according to its powers, functions and duties; and
- Whether the resources of the Authority had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the preparation of financial statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that, transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards, and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Sri Lanka Public Sector Accounting Standards

Audit Observation	Comment of the Management	Recommendation
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In terms of Section 4 of the Sri Lanka Public Sector Accounting Standard - 17, the value of 68 commercial units and 57 service units which could be identified as assets of Authority had not been valued and shown in financial performance statement. As well, the rent income/lease rent had not been	Comment had not been given.	The asset vested to the Authority, should be valued and shown in the financial statements.

identified and shown in the financial statements.

1.5.3 Accounting Policies

Audit Observation

The accounting policy for accounting of government grants had not been disclosed in the financial statements.

Comment of the Management

Comments had not been given.

Recommendation

The accounting policy for accounting of government grants should be disclosed in the financial statements.

1.5.4 Accounting Deficiencies

Audit Observation

- (a) Even though the Authority had provided 5 per cent for doubtful debts for the debtors as at end of the year under review amounting to Rs.185.55 million, the provision had not been made by analyzing the recoverability of the debts.

Comment of the Management

The Authority has provided full provisions for the receivable balances of the housing schemes.

Recommendation

The recoverability of the debtors should be identified after being evaluated the debtor balances.

- (b) Even though the Authority had disposed 129 housing units to the owners from housing projects of Chilaw, Talawakele and Anuradapura housing projects up to end of the year under review, the value of the above houses amounting to Rs.39.81 million had been shown as housing stocks in the financial statements. As a result, the value of the housing stack had been overstated by that amount. Further, the accrued expenditure amounting to Rs.300,752 had not been accounted for as expenditure of the year under review.

Even though the houses belonging to those housing project had been disposed in time to time, there are some houses in the stock. Hence, the houses disposed without the agreements, are still in the accounts. Action will be taken to account the overtime payments for the year 2020.

Duly transferred houses to the owners should be deducted from the housing stock and shown in the financial statements. All accrued expenditure should be identified.

- (c) Action had not been taken to acquire the lands extent of about 5

The lands of which valuation reports were received had been

Action should be taken to acquire the lands belonging to

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| <p>acres belonging to 5 housing projects, that construction works of the houses were completed and transferred to the owners.</p> | <p>already brought to the accounts.</p> | <p>established housing projects.</p> |
| <p>(d) The accounting software package costing Rs.500,000 had been accounted under the property plant and equipment instead of being shown under the intangible assets.</p> | <p>As this cost of intangible assets were brought into accounts on 31.12.2020, the depreciation thereon has not been made.</p> | <p>Action should be taken to correctly categorize the assets and shown in the financial statements.</p> |
| <p>(e) A settled accrued expenditure during the year under review relating to the Horana Housing project amounting to Rs.160,898 had been added to the Horana work-in-progress account. As a result that account had been overstated by that amount.</p> | <p>When accounting the accrued expenses, it had been erroneously debited to another account.</p> | <p>Action should be taken to identify the work-in-progress value correctly.</p> |
| <p>(f) Even though the accrued legal expenses as at beginning of the year amounting to Rs,161,000 were settle during the year under review, that had been adjusted to the legal expenditure account instead of being adjusted to the accrued expenditure account. Hence, the legal expenditure of the year had been overstated by that amount.</p> | <p>Action will be taken to make adjustment to the legal expenditure account by correcting the erroneous posting.</p> | <p>Action should be taken to correctly identify the expenditure for the year.</p> |
| <p>(g) The cost of revalued assets had been understated by Rs.717,110 due to not identifying of that assets when they were revalued the assets. Thus, those assets had not been revalued in the year under review. As a result of not showing those assets in the financial statements, the value of the assets had been understated by that amount.</p> | <p>When conducting of assets physical verification, all assets had been identified. Hence, according to the assets' verification reports, all assets had been identified.</p> | <p>Action should be taken to identify all assets and shown in the financial statements.</p> |

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| <p>(h) According to the decision made by the Cabinet of Ministers No.අම/19/1250/122/046 dated 22 May 2019, the works conducted by the Authority at a cost of Rs.8.79 million in the Horana Housing Project had been transferred to the National Housing Development Authority in order to continue the remaining works of the project. However, the cost incurred by the Authority for that project had been shown under the work-in-progress of the Authority. As a result, the value of the work-in-progress had been over stated by that amount.</p> | <p>Comment had not been given.</p> | <p>Action should be taken to remove the value of the work-in-progress that transferred to the National Housing Authority from accounts of the Authority.</p> |
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1.5.5 Going Concern of the Authority

Audit Observation	Comment of the Management	Recommendation
<p>(a) Even though in terms of sub-section 16(3) of the Urban Settlement Development Authority Act No.36 of 2008, the initial capital of the Authority should be Rs.5,000 million and it should be received by the Authority in installment basis from the consolidated fund, no capital had been provided by the Authority up to end of the year under review.</p>	<p>The requests had been made continuously in this regard and a request had been made to the Treasury through the Urban Development Ministry.</p>	<p>Action should be taken to obtain the capital to the Authority or if it will not possible to obtain, action should be taken to make the amendment to the relevant section of the Act.</p>
<p>(b) In terms of sub – section 16(f) of the Urban Development Authority Act No.36 of 2008, the service charges collected from the property developers, who invested in low income housing projects, by the Urban Development Authority should be credited to the Urban Settlement Development Authority Fund. However, according to the Cabinet decision made on 14 December 2010, No.10/2951/504/012, collection of the</p>	<p>Comment had not been given.</p>	<p>Necessary actions should be taken either to collect the receivable income as per the Act, or to make amendments to the relevant sections of the Act.</p>

service charges had been terminated. Thus, the Authority had lost its main source of income.

1.6 Accounts Receivable and Payable

1.6.1 Accounts Receivable

Audit Observation	Comment of the Management	Recommendation
<p>(a) Total value of the receivable loan installments under the first phase of scattered Housing Loan Programme as at end of the year under review amounted to Rs.28,185,096 and out of that receivables, the balances were existed as in arrears, between 1 to 2 years, 2 to 5 years and over 5 years amounted to Rs.6,658,702, Rs.11,059,074 and Rs.2,059,884 respectively. As well, the loan installments in arrears under the phase two of the above programme amounted to Rs.12,776,392. Out of that amount, receivable loan installment balances between 1-2 years amounted to Rs.3,270,671 and the balances over 2 years amounted to Rs.4,894,813.</p>	<p>A Separate Division had been established to recover the loans and separate staff had been assigned thereto. Thus, the authority had drawn its attention to strength the follow-up actions and to improve loan recovery progress.</p>	<p>Prompt action should be taken to recover the receivable loans in time.</p>
<p>(b) Total receivable loan installments from the houses transferred on selling basis from 4 housing schemes as at end of the year under review amounted to Rs.43,480,329. Out of that receivables, the balances were existed as receivables between 02 to 05 years and for over 5 years amounted to Rs.13,364,899 and Rs.19,217,258 respectively. As well, the rent in arrears for the</p>	<p>A Separate Division had been established to recover the loans and separate staff had been assigned thereto. Thus, the authority had drawn its attention to strength the follow-up actions and to improve loan recovery progress.</p>	<p>Prompt action should be taken to recover the receivable loans in time.</p>

houses given under the relocation basis amounted to Rs.11,884,936. Out of that amount, the receivable balances between 02-05 years amounted to Rs.3,171,868 and the rent existed as receivable for over 05 years amounted to Rs.5,721,850.

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| (c) | Even though the receivable rent income from the Agulana Housing Scheme as at end of the year under review amounted to Rs.60,881,263, only a sum of Rs.206,804 had been recovered during the year under review. | A Separate Division had been established to recover the loans and separate staff had been assigned thereto. Thus, the authority had drawn its attention to strength the follow-up actions and to improve loan recovery progress. | Prompt action should be taken to recover the receivable loans in time. |
| (d) | The distrust loan balances receivable from the retired and vacated post officers as at end of the year under review amounted to Rs.615,298 and out of that amount, a sums of Rs.385,889 and Rs.229,408 were remained as receivable between 1 to 2 years and 2 to 5 years respectively. The Authority had failed to recover the remaining balance of Rs.271,490 up to July 2021. Further, the housing loans receivable from the officers of the Authority amounted to Rs.1,241,632, and out of that amount, a sum of Rs.873,769 had not been recovered up to July 2021. | Out of the balance in arrears amounting to Rs.615,298, the balance receivable from the officers had been settled. Action had been taken to recover the loan balances from the sureties. The management had drawn their attention to take legal action relating to the loan in arrears. | Action should be taken to recover the staff loans even from the sureties. |

1.6.2 Accounts Payables

Audit Observation	Comment of the Management	Recommendation
(a) Action had not been taken by the Authority to settle the payables for the services obtained for 8 projects, amounting to Rs.124,842	Due to not completing of the projects within the scheduled time periods and weaknesses in monitoring process, there were	If there is no further liability to settle, action should be taken to written back them to the income and attention should be

for over 5 years and another sum of Rs.922,276 was remained as unsettled for over 2 years up to July 2021.

drawn about the officers those who not perform the follow-up actions.

- (b) Out of the retention money to be settled as at end of the year under review amounting to Rs.1,344,641, unsettled balance between 2-5 years amounted to Rs.922,276 and unsettled balance for over 5 years amounted to Rs.124,842. Due to not completing of the projects within the scheduled time periods and weaknesses in monitoring process, there were delay to settle those retention money. If there is no further liability to settle action should be taken to written back them to the income and attention should be drawn about the officers those who not perform the follow-up actions.
- (c) Out of the unsettled mobilization advances as at end of the year under review amounting to Rs.3.47 million, a sum of Rs.3.44 million had not been settled between 1-5 years. Those unsettled advances were related to the project which were not achieved 100% physical progress. If there were no further liability to settle those advances, action should be taken to written-back them to the income.

1.7 Non – compliances with Laws, Rules, Regulations and Management Decision etc.

Reference to Laws, Rules, Regulations etc.	Non - Compliance	Comment of the Management	Recommendation
(a) (i) Urban Development Authority Act No.36 of 2008	Even though the Urban Development Authority had been established to prepare a National Policy for urban development and to ensure the implementing of such a policy, the Authority had failed to prepare a such a National policy and implement it even since lapsed of 12 years after the establishment of the Authority. As well in terms of section 15(a) of the Act, the Authority should formulate and executive proposals, plans, projects	Comment had not been given.	Adhere to the objectives of Authority's Act.

and action programmes also giving due consideration to such as may be received from communicate of the urban settlement to improve living condition of such settlements. However, the Authority had failed to implement such a participatory development processors during the last 12 years period.

(ii) Section 10 of the Act

In terms of Section 10 of the Act, the Authority had appointed a consulting committee by April 2017, less than 14 members comprising a Chairman. However, the functions which are related to the objectives of the Authority such as proposals of the Authority, plans, projects and action plans etc., had not been identified by the Committee up end of the year under review.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka :

(i) FR 104

As soon as a loss or damage occurred, inquiries should be instituted to ascertain the extent and courses of the loss, and to fix responsibility. However. The Authority had not taken action relating to misplaced goods valued at Rs.115,000.

Comment had not been given

Action should be taken relating to the misplaced goods in terms of the Financial Regulations.

(ii) FR 371(2)(b)

The advances amounting to Rs.133,900 given in 13

All the Divisions had been informed to settle

If the advances were not used for the intended

	instances had been redeposit without being utilized to the desired purpose and after being kept the advances with the officers.	the sub-impress without being delayed. As well, due to the pandemic situation delays were existed in practice.	purposes, action should be taken to surrender those advances immediately.
(iii) FR 386(7)	Even though cancelled cheque's and counter files of cheques should be held in the custody, the Authority had not followed above procedure relating to 3 cancelled cheques in the year under review amounting to Rs.1,113,920.	Necessary action will be taken with regard to those misplaced cheques, after being identified	Action should be taken with regard to the cheques according to the Financial Regulation.
(iv) FR 394(b)	A cheque has been cancelled and no cheque is in lien of is issued, particulars of cancellation should be noted in the cash book and relevant bank reconciliation statements. However, the Authority had not adhered to above procedure relating to 5 cheques amounting to Rs.1,163,181 that cancelled in the year under review.	Action will be taken to put the notes in the relevant books and records with regard to omitted cancelled cheques.	Action should be taken with regard to the cheques according to the Financial Regulation.
(v) FR 756(5)(b)	At the Board of Survey, T and A 66 Forms should be used for reporting of verification of goods and form General 47 should be used for reporting of unserviceable goods. However, the Authority had not use those forms for the Annual Board of survey. As a result, the Authority had failed to identify the excess and shortages of the goods.	Comment had not been given.	Relevant forms should be used for the Board of Survey.

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| (vi) FR 770 | According to this regulation, action should be taken with regard to the Unserviceable Articles identified at the Board of Survey. However, action had not been taken accordingly. | Comment had not been given. | Action should be taken with regard to unserviceable Articles according to the Financial Regulation. |
| (c) Public Enterprises Circular No.PED/12 dated 02 June 2003 | | | |
| (i) Paragraph 9.4 | The officers of a Public institute should not be assigned to another public institution without obtaining approval of the cabinet of Ministers and also the payments should not be made for such officers. However, without obtaining such approvals, two officers had been released to a project in the year under review and a total sum of Rs.248,384 had been paid for them by the Authority. As well, those two officers had been released to the project without having the substitute officers for them on 01 April 2021 was a questionable issue in audit. | When releasing the officers to other institutions, it had not been informed to respective divisions. As a result, the payments had been made. | When releasing the officers to other functions or institutions, it should be adhered to the provisions in the circular and the provisions in the Establishment code. |
| (d) Treasury Circular No.842 dated 19 December 1978 | Even though it had been reported through the preceding years audit reports, the Authority had not maintained an asset Register in the General Format 287. | The Authority has maintained an asset register in a computerized system by including all particulars and a printed copy also maintained by the Authority. | The asset register should be maintained in accurate manner. |

(e) Government Procurement Guidelines::

Paragraph 2.3.1 (b)	The land acquisition activities and other related requirements should be completed by the procuring entity before stating the procurement activities in order to ensure uninterrupted implementation of construction works. However, the land acquisition activities relating to the Lunawa Housing Project had not been carried out up to end of the year review.	The land belonging to the Lunawa housing project had been acquired by the Urban Settlement Development Authority on 07 April 2021. The house owners who completed payments, had been issued an agreement.	Action should be initiated according to the Procurement Guidelines.
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2. Financial Review

2.1 Financial result

The operation of the Authority for the year under review had resulted a surplus of Rs.2,170,456 and as compared with the corresponding surplus of Rs.10,282,734 for the preceding year indicating an deterioration in the financial results by Rs.8,112,278. Decrease of the Treasury Grants under the human resources development programmes was mainly attributed for this situation.

2.2 Trend Analysis of Major Income and Expenditure Items

As compared with the preceding year, the Treasury grant for recurrent expenditure was decreased by Rs.24 million or 16 per cent the salary expenditure by 18 per cent, repairing expenditure of buildings by 218 per cent, other expenses (supplies) by 158 per cent, stationary expenditure by 51 per cent had been increased during the year under review except the Government grants, the net assets of the Authority was represented low value of Rs.180 million.

2.3 Ratio Analysis

Compared to the preceding year, net surplus ratio had been decreased by 79 per cent and decrease of receiving of the Treasury provisions for recurrent expenditure and the human resource development programme by 64.6 per cent had been mainly attributed to that situation.

3. Operational Review

3.1 Management Activities

Audit Observation

Due to not implementing of a favorable financial management procedure, an approximate amount of Rs.42 million was in idle in the bank current account of the Authority. Thus, an interest income about Rs.3.7 million was lost by the Authority for the year under review.

Comment of the Management

The received Treasury grants were in the bank current accounts. Although there were excessive bank balance in the accounts due to not implementing of scheduled programme or works within the planned periods. However, the unsettled bills are furnished immediate payments. Hence, a decision had not been made to invest the Treasury funds in the saving accounts. Based on the decision made by the Board of Directors, the excess funds had been invested in the fixed deposits.

Recommendation

Action should be taken to invest the excess funds at least in short term investments with a view to earn income.

3.2 Operating Activities

Audit Observation

In order to empower the victimized families by the Ester Sunday terrorist attack took place in April in the preceding year a sum of Rs.94.81 million had been allocated by the Cabinet of Ministers. However, only a sum of Rs.20.83 million had been expended for the purpose and any programme in that regard had not been implemented during the year under review.

Comment of the Management

Comment had not been given

Recommendation

Annual Provisions Provided by the Treasury should be utilized for the planned programmes which not come under the preview of the Authority.

3.3 Transactions in Contentious Nature

Audit Observation	Comment of the Management	Recommendation
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(a) It was observed in audit that external persons, non-beneficiaries, had been occupied in 45 houses and 3 shops in the housing projects of saurupura, Thuruethurugama, Talawakele and Rajagama. However, The Authority had not taken effective actions to remove those persons.	The legal action had already been proceeded against rented houses and unauthorized occupants in the Saurupura and Thuruethurugama housing schemes.	According to the objectives of the Authority, it should be allowed to use the properties only to authorized persons and necessary actions should be taken against the use of properties by unauthorized persons..
(b) Even though a sum of Rs.4.03 million had been incurred by the Authority for the opening ceremony of the Lunawa low income housing project, the provision thereon had not been allocated through the budget. Further, that expenditure had been accounted for as work – in – progress of that project.	The higher management had decided to incurred that administration expenditure of the opening ceremony using the debt collection funds and the approval thereto had been given by the Board of Directors. However, the fund had been already established using the fixed income. To achieve the objectives and functions those funds are utilized.	Uneconomical expenses should not be incurred for opening ceremony.

3.4 Contract Activities

Audit Observation	Comment of the Management	Recommendation
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(a) The contract for construction of welfare building of the Saurupura Housing complex at a cost of Rs.14.19 million had been abandoned only after completing of works valued at Rs.5.85 million. As a result, the Authority was unable to recover the mobilization advance paid to the contractor amounting to Rs.2.26 million up to end of the year under review. Abandonment of the contract without being completed was directly attributed for this situation.	Comment had not been given.	Action should be taken according to the agreement and the losses should be recovered.

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| (b) | Even though the renovation activities of the Shaspura housing scheme had been completed in the year 2017, the Authority had failed to rectify the deficiencies in renovation works from the contractor up to end of the year under review. As well, further payable amount to the contractor amounting to Rs.8.80 million had also not been settled. | Comment had not been given | After being rectified the deficiencies in the contract works, action should be taken to settle the advances. |
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3.5 Staff Administration

Audit Observation

Comment of the Management

Recommendation

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| (a) | The approved cadre of the Authority as at 31 December 2020 was 171 and the actual cadre as at that date was 103. Thus, 68 vacancies and 03 excess staff were observed in the cadre of the Authority. | Comment had not been given. | Vacancies should be filled as early as possible. |
| (b) | Since the recruitment procedure of the Authority has been prepared based on the old format, it was instructed to update the procedure as per the new formatted from the letter of the Director General of Management Services, NoDMS/1523/ (vol-1) dated 22 May 2019. However, that requirement had not been fulfilled up to July 2021. | Comment had not been given. | Action should be taken to furnish the relevant formats according to the instructions given. |

4. Accountability and Good Governance

4.1 Corporate Plan

Audit Observation

Comment of the Management

Recommendation

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| (a) | The Corporate Plan had been prepared without including the officers those who responsible for | The current Corporate Plan (2021-2025) had been prepared based on the prevailing new | Action should be taken to prepare the Corporate Plan according to the instructions |
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each of the functions shown in the Corporate plan,, in terms of paragraph 5.1.2 of the Public Enterprise Circular No.PED/12 dated 02 June 2003.

Public Finance Circular No.01/2014, including available physical and human resources, progress of operating results of preceding 3 years etc.

given by the Treasury and the Ministry.

- (b) The flowing activities which should be carried out to achieve the objectives of the Authority according to the Urban Development Act No.36 of 2008, had not been include to the Corporate Plan.
- (i) Conducting of studies and researches relating to identifying of the economic and social condition of the urban settlers.
- (ii) Implementing of national wide loans schemes.

- (i) It is expected to update the Corporate Plan by including the information of the social surveys, when preparing the programme proposals of the Authority.
- (ii) With a view to increase the standard housing reserves in the urban areas of the country, it is expected to include the loan programme of the “Sathutu Pawlak Soubagyamath Newasak”to the Corporate Plan, in order to complete the half completed and decayed houses.

The Corporate Plan should be prepared aiming to achieve the objectives of the Authority.

4.2 Action Plan

Audit Observation

Comment of the Management

Recommendation

- (a) According to the Urban Settlement Development Authority Act No.36 of 2008, Physical resources Development Programmes should be conducted by the Authority in order to increase the social and economic conditions of the low income urban settlers. However, any physical resource development programme had not been implemented during the year under review and only 06 human resource development programmes had been conducted.

According to the implemented action plan of the year 2020, the physical resource development programme of “Diriya Niwasa” had been included to the human resource development programme. The activities related to the Talawakele housing project had been conducted under that programme.

The action plan should be prepared in realistic manner and activities should be conducted according to the plan.

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| <p>(b) The programmes which had been included to the action plan of the year under review, for improvement of infrastructure facilities at the Chilaw and Talawakele housing projects, had not been implemented during the year under review.</p> | <p>According to the Action Plan of the year 2020, a sum of Rs.4.35 million had been allocated from the internal earning, to renovation activities of the Chilaw housing scheme. As well, a sum of Rs.2.00 million had been allocated, from the provision received for the human resources development program, to the Talavakele housing scheme.</p> | <p>The action plan should be prepared in realistic manner and activities should be conducted according to the plan.</p> |
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4.3 Internal Audit

Audit Observation	Comment of the Management	Recommendation
<p>(a) Only the post of the Internal Auditor had been approved in the approved cadre. Although that matter had been pointed out in the audit reports of the Preceding years, action had not been taken to strength the Internal Audit Division. Only two Management Assistant officers had been recruited to that Division.</p>	<p>Comment had not been given.</p>	<p>The internal audit activities should be strengthen, as a part of the internal control system of the Authority.</p>
<p>(b) The audit inspection programmes related to the projects that included to the approved internal audit plan for the year under review had not been conducted.</p>	<p>Comment had not been given.</p>	

4.4 Achievement of Sustainable Development Goods

Audit Observation	Comment of the Management	Recommendation
<p>According to the “Agenda” of the United Nation’s Sustainable Development goals 2030, the every Public institution perform their activities. The Urban Settlement Development Authoriy (USDA) had identified only 02 goals for the year under review. However, in order to evaluate the performance</p>	<p>According to the activities come under the USDA, the sustainable goal-1 (eliminate of poverty), and sustainable development goal 11(sustainable cities and community) sustainable urban population have been conducted. After being</p>	<p>Action should be taken to achieve the sustainable development goals after being identified the sustainable development objectives.</p>

of those developed goals, required performance indicators had not been identified and the goals that should be achieved after the year 2025 had also not been identified.

identified the sustainable development programmes up to 2025, they have been implemented. By conducting an Island wide survey, the information relating to social and economic condition of the low income urban community will be collected and using that information, action will be taken to identify the sustainable development goals of 2030.

4.5 Unresolved Audit Paragraph

----- Audit Observation -----	----- Comment of the Management -----	----- Recommendation -----
<p>(a) A sum of Rs.1,179,062,714 had been incurred for the construction of the Agulana Housing Project. However out of that cost, a sum of Rs.700,074,056 had been writted-off against the income, without having any policy decision thereto and only a sum of Rs.478,988,658 had been shown as assets of the Authority. As a result, the non – current assets had been understated by Rs.684,298,437.</p>	<p>Comment had not been given.</p>	<p>Action should be taken to explain the effect thereof and details.</p>
<p>(b) The payables to the Sri Lanka Land Development Corporation for repairing of an office building of the Authority amounting to Rs.3,891,911 had been credited to the income without being settled.</p>	<p>Comment had not been given.</p>	<p>After being asked that from the respective Corporation, action should be taken accordingly.</p>