

1.1 Qualified Opinion

The audit of the financial statements of the Urban Settlement Development Authority for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 2019, 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
In terms of Section 4 of the Sri Lanka Public Sector Accounting Standard - 17, the value of 68 commercial units which could be identified as belonging to the Authority had not been valued and shown in financial performance statement.	According to the decision made by the Board of Directors of the REAL Company, it had been decided to credit those units income to the Management Corporation. Therefore, those income had not been included to the financial statements.	Since that asset had been vested to the Authority, the asset should be valued and shown in the financial statements according to the Accounting Standard.

1.5.3 Accounting Policies

Audit Observation	Comment of the Management	Recommendation
(a) According to the accounting policy No.1.3 (ii), it had been stated that the non – current assets are revalued in every 5 years period. However, none of the assets had been revalued since the incorporated year of the Authority in 2009.	Attention had been drawn to take necessary actions in this regard.	According to the accounting policies/ standards the Property Plants and Equipment should be revalued.
(b) Even though according to the Notes to the Accounts Nos.2.5, 2.16, it was for sale basis stated that disposing of 37 housing units in the housing schemes are deposited with a profit margin, the profit margin of the disposed housing units had not been identified even up to end of the year under review.	According to the practice of the Authority the basis of sale of houses is sale the houses except dispose of houses under the resettlement basis. Accordingly, there are no identified profit margin.	According to the accounting policy, the profit margin of dispose houses by sale should be identified.
(c) The government grants amounting to Rs.2,028 million had been received by the Authority up to end of the year under review to perform functions. Intern, entire functions of the Authority are depend on those government grants. However, the accounting policy for accounting of government grants had not been disclosed in the financial statements.	After being finalized the policy for dispose of houses of the Authority, action will be taken on that regard.	Since the Authority is implemented the programmes using the government grants, the accounting policy for accounting of government grants should be promptly identified.

1.5.4 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
(a) The value of 6 houses constructed under the Sudaraka Technology situated at Thuruithurugama in Anuradhapura and lands belonging to them had not been valued and brought to the accounts. As a result, the value of lands and buildings had been understated by that amount.	The valuation report of those houses had been received. Accordingly, the values will be included to the statement of financial performance in future.	The houses owned by the Authority should be valued and brought to the accounts.
(b) A sum of Rs.5,423,025 received from disposing of 3 motor vehicles during the preceding year had been credited to the Consolidated Fund as per the direction given by the Treasury and that amount had been erroneously shown as an expenditure in the preceding year's financial statements of the Authority. That error had not been rectified even during the year under review. As a result, the equity shown in the statement of financial position had been understated by that amount.	Crediting of the received amount from the disposing of Motor vehicles to the Consolidated Fund was a significant event. Thus, that amount had been debited to the income and expenditure account.	Only the net profit/ loss derived from the disposing of assets by the Authority, should be identified and shown in the statement of financial performance.
(c) The payables to the external institutions amounting to Rs.21.31 million up to end of the year under review had not been accounted. As a result, current liabilities had been understated in the statement of financial performance by that amount.	There must have clarifications relating to the payables of Rs.21.31 million to the external institution, in order to identify the paybles.	Entire liabilities of the Authority as at end of the year under review should be accounted.

1.5.5 Going Concern of the Authority

Audit Observation	Comment of the Management	Recommendation
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, no capital had been provided to the Authority up to end of the year under review. As well, in terms of sub-section 16(f) of the 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 service charges had been terminated. Thus, the Authority had lost its main source of income. Accordingly, a situation of which the Authority is unable to carry out its functions without having the Treasury funds has been created.	The cabinet papers had been furnished to obtain the initial capital of Rs.5,000 million in several times. In addition, the plans have been initiating to create a revolving fund in order to obtain the initial capital using the loan installments recovering from the beneficiaries of the housing projects and it is planned to furnish the plan to the Treasury.	Recommendation in terms of the Provisions in the Authority's Act, actions should be taken to initial capital offer being discussed with the Treasury, and to repossess forfeited service charge income.

1.6 Accounts Receivable and Payable

1.6.1 Accounts Receivable

Audit Observation	Comment of the Management	Recommendation
(a) Total value of the receivable loan installments under the phase one of scattered housing loan programme as at end of the year under review amounted to Rs.25,899,632 and out of that receivables, the balances were existed as unrecoverable, between 1 to 2 years, 2 to 5 years and over 5 years amounted to Rs.6,174,908, Rs.10,380,575 and Rs.1,340,264 respectively. As well, the loan installments in	Court cases had been filed against the loan Defaulters. Due to not recognizing of a permanent debts collecting group and due to not planning to establish of a formal debts collection procedure the loan collection progress was at a lower level.	Adequate action should be taken to recover the loan installments in accelerated manner.

arrears under the phase two of the above programme amounted to Rs.9,877,863. Out of that amount, receivable loan installment balances between 1-2 years amounted to Rs.2,737,854 and the balances over 2 years amounted to Rs.3,017,541.

- (b) Out of the receivables to the Authority amounting to Rs.85,266,498 from 8 housing projects up to end of the year under review, only a sum of Rs.9,236,881 had been recovered as at 31 December of the year under review and that value was represented only 11 per cent of the receivable amount. Although the Authority had paid debt collection commission of Rs.736,211, the debt collection progress was at weaker level. Further, it was further observed that loan collection progress of 5 projects was as low as at below 10 per cent.
- Legal actions had been taken against the loan Defaulters, informing to the court.
- Debt collection procedure should be formalized.

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)	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 11 years after the establishment of the Authority. In terms of Section 10 of the Act, the Authority had appointed a consulting committee by	Due to dissatisfaction expressed by the Board of Directors of the Authority with regard to the drafted national policy by the consulting committee relating to urban settlement development, a new consulting committee had been appointed to draft a national policy with directions of the Ministry.	Adhering to the objectives of Authority's Act, action should be taken to achieve the objectives.

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
FR 371 (2)(b)

To made the settlement of sub imprest amounting to Rs.696,000, given in 44 instances to 24 officers, had been taken a period from 33 days to 266 days. As well, out of the Ad-hoc advances amounting to Rs.554,000 given in 32 instances, a sum of Rs.325,300 had been redeposited without being utilized to the desired purposes, after being delayed a period from 17 days to 266 days.

All the Divisions had been informed to settle the sub – imprest without being delayed.

According to the Financial Regulations, actions should be taken to settle the advances immediately after being completed the desired works.

- (c) The Treasury Circular No.842 dated 19 December 1978

Even though it had been highlighted through the audit reports of the preceding years, the Authority had not maintained as Assets Register according to Formant 287.

An assets Register is maintained according to the Format 287 incorporating the particulars of the lands and motor vehicles.

An Fixed Assets register should be maintained according to the Circular directions.

(d) Government Procurement
Guideline

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| (i) Paragraph 2.3.1 (b) | The land acquisition activities and other related requirements should be completed by the procuring entity before starting 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 under review and action had been taken to sale the houses during the year under review. Hence, it was further observed that the deeds of houses could not been able to given to the house holders. | The land acquisition activities are in the final stage. | Procurement activities related to the constructions should be initiated, according to the procurement Guidelines, |
| (ii) Paragraph 5.4.12 | In order to identify the payment of the Value Added Tax (VAT) to the contractors, the details relating to such payments should be furnished to the Director General of Inland Revenue with a copy to the Auditor General on or before 15 th of the subsequent month. However, the Authority had not followed that procedure for the payment of VAT. | The instructions had been given to the respective officers, employing that give the required instructions with regard to the payment of VAT. | Actions should be taken according to the instructions of the Guideline. |

2. Financial Review

2.1 Financial result

The operation of the Authority for the year under review had resulted a surplus of Rs.10,282,734 and as compared with the corresponding deficit of Rs.31,002,552 for the preceding year indicating an improvement in the financial results by Rs.41,285,286. Receiving 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 salary expenditure by 18 per cent, repairing expenditure of buildings by 100 per cent, other expenses (supplies) by 126 per cent, stationary expenditure by 33 per cent had been increased during the year under review except the Government grants. The net assets of the Authority was as low value as 90 per cent.

2.3 Ratio Analysis

Compared to the preceding year, net surplus ratio had been increased by 117 per cent and increase of receiving of the special Treasury provisions for the human resource development programme had been mainly attributed to that situation.

3. Operational Review

3.1 Management Functions

Audit Observation	Comment of the Management	Recommendation
(a) In order to empower the victimized families by the Ester Sunday terrorist attack took place on 21 April of the year under review, a sum of Rs.94.81 million had been allocated by the Cabinet of Ministers under the “Swashakthi” Programme conducted by the Authority. However, only a sum of Rs.20.83 million had been expended for the purpose up to end of the year under review and without being completed the programme by obtaining the remaining balance of the allocation amounting to Rs.73.98 million up to August 2020, the project had been	With a view to provide the relief services to the victimized families from Easter – Sunday bomb attack and considering the national level disaster condition, entire staff of the Authority had involved to provide relief services as a priority service. Further, due to carrying out of the functions following the written instructions given by the Secretary to the Ministry, it was unable to carry out the scheduled “Swashakthi” Programme during that scheduled period.	Annual Provisions Provided by the Treasury should be utilized for the annual planned programmes.

abandoned. As a result, the expected objectives of the Cabinet of Ministers could not be achieved. Further, a None Government Organization had been selected by the Authority to conduct the mental relief Programmes for Rs.5.61 million. The selection Procedure of that organization was a Problematic issue in audit. Furthermore, the particulars of the conducted programme by that organization had not been explained to audit.

- (b) Even though action had been taken to acquire the lands from various institutions since the year 2011, extent of 3.63 hectares where 868 completed and uncompleted housing units are located and belonging to 5 housing schemes, it had been failed to acquire the lands up to end of the year under review. It was further observed in audit that due to that reason delays were occurred to handed over the deeds to the recipients.

Due to the delays in the land acquisition procedure of the Government, it was unable to acquire the lands belonging to 5 housing projects (Agulana, Singhapura, Wadulu Sevana, Lunawa, Talawakale)

In order to accelerate the providing activities of deeds to the recipients of houses, the lands should be acquired to the Authority.

- (c) Three hundred and fifty six housing units had been constructed by the Authority as at end of the year under review incurring a sum of Rs.1,172 million at Lunawa Housing scheme. However, according to section 3 of the Cabinet memorandum submitted by the Minister of Housing on 22 March 2012, action had not been taken to identify under facilitated urban settlers belonging to 356 families living in the Moratuwa Municipal Council area, and contrary to that decision, the Authority had disposed the houses as at end of the year under review.

The Procedure of disposing of houses had been amended by the Cabinet decision made on 30 October 2019. Accordingly, selection of beneficiaries have been started.

According to the Cabinet decision, the urban settlement families should be identified.

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| <p>(d) Even though the Authority had disposed the houses to the house holders of the Anuradapura “Thuruithurugama” Chilaw and Talawakele housing projects, the Authority had not entered into selling agreements with 68 house holders.</p> | <p>It is expected to entered into agreements with the remaining beneficiaries.</p> | <p>When disposing of houses, the agreements should be signed with the beneficiaries.</p> |
| <p>(e) Even though the Authority had taken action to liquidate the Real Estate (Private) Company Ltd on 29 December 2018, the bank balance amounting to Rs.979,908 and the payables to out side parties by the Authority amounting to Rs.7,107,859 had not been settled up to end of the year under review. Further, the recoverable rights vested to the Authority after liquidating the Company amounting to Rs.47.71 million, that had been derived from the court case filed by the Company against the cash fraud, action had not been taken by the Authority to acquire the right up to end of the year under review and no disclosure had been made in the financial statements in that regard.</p> | <p>The cheques had been issued and due to not appearing to obtain the money, only a sum of Rs.7.1 million was remained as unrepresented cheques and unsettled balance up to 31 December 2017. As this Company had already been liquidated, considering the legal position, action will be taken relating to the cash fraud.</p> | <p>According to the Cabinet decision, assets and liabilities should be immediately acquired to the Authority. Further, examinations should be conducted relating to the reasons for not including the receivable values to the Authority in the financial statements.</p> |

3.2 Operating Activities

	Audit Observation -----	Comment of the Management -----	Recommendation -----
(a)	<p>A sum of Rs.11,655,000 had been given to the “Shadow Management Committee” of which had been established for management of the Agulana Saurupura housing project, to deposit in a fixed deposit with the approval of the Board of Directors. However, without considering the establishment of a Management Committee, a sum of Rs.4.34 million had been incurred by the Authority during the year under review for the maintenance activities of that housing project.</p>	<p>In order to handed over the remaining houses of the project to the recipients, the renovation expenses amounting to Rs.4.34 million had to be incurred by the Authority.</p>	<p>Maintenance activities of the housing project should be conducted by the Management Committee of the project.</p>

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| <p>(b) The Authority had failed to achieve any financial or physical progress from 6 projects scheduled to be conducted from the Treasury funds amounting to Rs.1,621.60 million even up to end of the year under review. This situation was further observed as a management weakness.</p> | <p>Even though the Authority had planned to implement many projects/ programme during the year 2019, relevant approvals/ recommendations (National Planning Department recommendation, Cabinet approval) had not been received. The funds had been allocated only for the Human Resource Development Programme.</p> | <p>After being identified the annual activities to be implemented, the activities effectively implemented.</p> |
| <p>(c) Even though it had been planned to commence construction works of the Kandy Mahiyawa Urban Housing Project at a cost of Rs.13.43 billion in the preceding year, the construction works of the project had not been commenced up to end of the year under review. Due to the failure of the Authority to find out a suitable investor had been attributed to this situation. Further, the cost incurred on that project as at end of the year under review amounted to Rs.1,885,441.</p> | <p>According to the recommendations given by the National Building Research Organization (NBRO), the project's site is not suitable for constructions, due to the several ground slopes (1/5 of the total land area).</p> | <p>The planed project should be promptly completed and handed over to the beneficiaries.</p> |

3.3 Transitions in Contentions Nature

Audit Observation	Comment of the Management	Recommendation
<p>(a) The Authority had transferred 23 housing units in Agulana housing scheme valued at Rs.62.8 million on free transfer papers without being charged money. According to the Cabinet memorandum No.19/2761/122/085 dated 16 October 2019, it had been decided to charge a reasonable price from the beneficiaries. However, the Authority had not followed that direction and without being adhered to the objectives of the Authority, houses had been provided to the sports men and</p>	<p>Recoverability of the considerations had been referred to the Attorney General for the directions, on 10.02.2020.</p>	<p>According to the directions given by the Cabinet of Ministers, the Authority should perform its functions. As well, a procedure for dispose of houses should be identified.</p>

actors. Further, the Authority had failed to identify a procedure for disposing of houses up to end of the year under review.

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| <p>(b) The interest in arrears of the Hambantota housing loan project as at end of the year under review amounting to Rs.3,656,154 had been suspended only on the Board approval without being obtained the approvals of the Treasury or the Line Ministry and action had not been taken to obtain the Treasury approval even during the year under review. Further, even though it had been informed to audit in the preceding year that actions have been taken to recovered, the action had not been taken that regard even up to end of the year under review.</p> | <p>While being actions recovered the loans action will be taken in that regard.</p> | <p>To recover the Treasury grants, the Treasury approvals should be obtained.</p> |
| <p>(c) In order to enhance the living condition of the low income families living in the urban areas, the Treasury grants amounting to Rs.2,028.34 million had been provided to the Authority during period from the year 2011 to 2019, for 9 housing projects and to provide scattered housing loans. The value of the houses given to low income families under various projects and scattered housing loan installments had been recovered from the beneficiaries by the Authority without obtaining the approval of the Treasury. The loan installments amounting to Rs.9.76 million that had been recovered by the Authority in the year under review from the beneficiaries of scattered housing loans granted had been expended for the recurrent expenditure of</p> | <p>According to section 16(1) of the Act, there must have a separate fund to the Authority. Accordingly, entire receipts and payments of the Authority shown in the accounts.</p> | <p>To recover the Treasury grants from the beneficiaries, the Treasury approval should be obtained. Further, to utilize the recovered funds too, the Treasury approval should be obtained.</p> |

the Authority instead of being credited to a Fund in terms of section 16 of the Urban Settlement Development Act No.36 of 2008.

(d) Out of the Treasury capital grants, a sum of Rs.11.97 million had been utilized to create a fund for payment of distress loans to officers of the Authority and for providing of “Swashakthi” loans to the beneficiaries in urban settlements, as at end of the year under review without obtaining the Treasury approval.	Based on the approval of the Board of Directors, distress loan had been given to the officers of the Authority.	To utilize the Treasury funds for other objectives and targets, the Treasury approval should be obtained.
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3.4 Idle and underutilize Assets

Audit Observation -----	Comment of the Management -----	Recommendation -----
(a) Seventeen housing units in 3 housing schemes of the Authority had been closed down for a period from 2 to 5 years with out being occupied. As a result, the rent income could have been collected was lossed by the Authority.	Action had been taken to dispose those houses. At present, there are only 16 housing units to dispose.	The rent income of the Authority should be effectively collected.
(b) The Authority had planned to provide the Paris of spectacles valued at Rs.1,190,400 and 11 showing machineries valued at Rs.844,965 to the beneficiaries under the Swashakthi Programme up to end of the year under review. However, without being distributed those items, had been kept in idle at the stores.	Prior coordinating activities had been completed as per the decision made by the Board of Directors, to distribute the Paris of spectacles kept at the stores of the Administration Division, to the Secretariat for the Disabled person of the Ministry of Social Services,	Prompt actions should be taken to provide those items to the beneficiaries for their benefits.

3.5 Procurement Management

Audit Observation	Comment of the Management	Recommendation
According to Section 4.2.1 (a) of the Government Procurement Guideline, a detailed procurement plan for the year under review with the approval of the Secretary to the Line Ministry had not been prepared.	A procurement plan for the year under review had been prepared with the approval of the Secretary to the Line Ministry	Procurement Plan should be prepared according to the Procurement Guidelines.

3.6 Contract Process

Audit Observation	Comment of the Management	Recommendation
(a) Even though a sum of Rs.2.86 million had been received by the Authority in 2015 to construct the drainage lines of the Chilow Housing Project, that function had not been completed even up to end of the year under review and no any physical progress had been achieved.	The Plan prepared to construct that drainage line and the cost estimate had been amended to match with the current situation. Accordingly, it had been planned to restart the works.	The activities vested to the Authority should be completed within the given time targets. Further, efficiency of the construction section should be enhanced.
(b) The contract period of the construction of the shopping complex and the garbage disposal unite of the Agulana Saurupura Housing Project had been terminated on 27 September 2016. However, action had not been taken to complete the project activities up to end of the year under review and the Authority had failed to recover the advances paid to the contractor amounting to Rs.2,260,419. Further, action had not been taken to recover the advances given to other contractors amounting to Rs.2,855,769 even after lapsed of over 5 years.	The contract agreement had been cancelled on 01 July 2020 and action will be taken to recover the receivable amount by reconciliation of certified works and the payments had been made.	The activities vested to the Authority should be completed within the given time targets. Further, efficiency of the construction section should be enhanced.

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| <p>(c) Even though the value of 3.95 million contract for construction of the Wimalasiri Pre Child Development Centre had been awarded to a construction firm on 30 June 2019 with a view to complete the construction works within 75 days, the construction works had not been completed even up to end of the year under review. The construction activities had been abandoned up to June 2020.</p> | <p>The construction works of that building had been temporally stopped and the construction works had been restarted on 23.07.2020 by the State Constructions and Development Corporation.</p> | <p>The activities vested to the Authority should be completed within the given time targets. Further, efficiency of the construction section should be enhanced.</p> |
| <p>(d) 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.</p> | <p>The State Development and Construction Corporation had informed that the renovation works to be completed within 3 months from the date of 23 July 2020.</p> | <p>The activities given to the Authority should be completed within the given time targets. Further, efficiency of the construction section should be enhanced.</p> |

3.7 Staff Administration

Audit Observation	Comment of the Management	Recommendation
<p>(a) The approved cadre of the Authority as at 31 December 2019 was 158 and the actual cadre as at that date was 147. Thus, 36 vacancies and 11 excess staff were observed in the cadre of the Authority.</p>	<p>The cadre of the Authority except the Chairman as at 21 August 2020 was 123. Due to resigning and removing of the service, the excess cadre was reduced to 3 employees up to now. The Board approval had been given to recruit the staff for vacancies after publishing news paper advertisements up to 21 August 2020.</p>	<p>The approved cadre by the Management Services Department should be recruited immediately and the approval should be obtained for the excess cadre.</p>
<p>(b) Even though 11 officers had been recruited to the Authority according to the Public Administration Circular No.25/2014 dated 12 November 2014, action had not been taken to absorb to the approved cadre even up to end of the year under review.</p>	<p>When reviewing the approved cadre, action had been taken to include those officers in personal basis.</p>	<p>All staff members those who are currently employing, should be included to the approved cadre.</p>

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| <p>(c) Without considering the prescribed qualifications and experiences in the recruitment procedure of the Authority, the post of Director - Finance had been filed.</p> | <p>The relevant qualification, 10 years of experience after obtaining the first degree had been determined since the qualified date of the first degree. Accordingly, the recruitment had been done.</p> | <p>According to the approved qualifications, the recruitments should be done.</p> |
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4. Accountability and Good Governance

4.1 Corporate Plan

Audit Observation	Comment of the Management	Recommendation
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<p>(a) The Corporate Plan had been prepared without including the particulars such as the current resources available in the institute, the progress of the operating results for preceding 3 years, the officers those who responsible for each of the functions shown in the Corporate plan etc, in terms of paragraph 5.1.2 of the Public Enterprise Circular No.PED/12 dated 02 June 2003.</p>	<p>The current Corporate Plan had been prepared based on the prevailing new Circular No.01/2014.</p>	<p>According to the circular instructions the Corporate plan should be prepared.</p>
<p>(b) The activities i.e acquisition of lands belonging to the Government and the Local Authorities for the functions of the Authority and Implementation of national wide urban housing loan schemes, which should be carried out to achieve the objectives of the Authority according to the Urban Settlement Development Act No.36 of 2008, had not been included to the Corporate plan.</p>	<p>According to the Public Enterprises Circular No.PED/12 and 01/2014, it is not required to include the particulars in paragraph 28(b)(i)(ii).</p>	<p>The Corporate Plan should be prepared aiming to achieve the objectives of the Authority.</p>

4.2 Action Plan

Audit Observation	Comment of the Management	Recommendation
(a) The Particulars relating to included activities the plan, i.e. extend of activities to be performed by the responsible officers for each activity and the performance evaluation indicators had not been included to the Action Plan prepared for the year under review.	The extend of functions to be performed, the responsible officers for each functions and performance evaluation indicators had been included to the Action Plan prepared for the year 2019.	The Action Plan should be made use as a management instrument.
(b) Only the activities to be performed under the Treasury grants in the year under review had been included to the Action Plan and the activities conducted from the earnings of the Authority had not been included to the Action Plan.	Since it had not been decided to conduct the Programme using the internal earing of the year 2019, such Programmes had not been included.	Every expected Programmes scheduled to be carried out during the year, should be included to the Action Plan.

4.3 Internal Audit

Audit Observation	Comment of the Management	Recommendation
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. 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.	The requests had been made in several instances to the Department of Management Services to create an Internal Audit post based on HM 1.1 salary scale.	The internal audit activities should be strengthen.

4.4 Budgetary Control

Audit Observation	Comment of the Management	Recommendation
Significant variances ranging from 4 per cent to 310 per cent were observed between the budgeted expenditure and actual expenditure. Thus, it was observed that the budget had not been made use as an effective tool of management control.	Attention will be drawn to minimize the variances.	The budget should be made use as an effective management tool.

4.5 Achievement of Sustainable Development Goals

Audit Observation	Comment of the Management	Recommendation
According to the “Agenda” of the United Nation’s Sustainable Development goals 2030, the every Public Institution should be performed their activities accordingly. However, the Authority had not made aware the manner of which conducting of its activities come under the scope of the Authority. As a result, the Authority had not identified its sustainable development objectives, targets and implementation plan for the achievement of targets and indicators to evaluate the performances.	The programmes have been implemented after being identified the Sustainable Development Goals, targets and implementation plans for the achievement of targets.	According to the United Nation’s Agenda, the sustainable development goals promptly identified.