Urban Development Authority and its subsidiaries - 2021

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1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial consolidated statements of the Urban Development Authority ("The Authority") and its Subsidiaries ("The Group") for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of comprehensive income , statement of changes in equity and cash flow statement 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 Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Authority and the Group. I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion due to significance of the matters described in paragraph, Basis for Disclaimer of Opinion, of this report.

1.2 Basis for Disclaimer Opinion

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

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 disclaimer 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 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 Scope of Audit (Auditor's Responsibilities for the 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 scepticism 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 Authority, 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 Group has complied with applicable written law, or other general or special directions issued by the governing body of the Authority;

- Whether the Group has performed according to its powers, functions and duties; and

- Whether the resources of the Group had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standards

	Non-Compliance with the reference to particular Standard	Management Comment	Recommendation
(a)	Sri Lanka Accounting standard 01- In contravention of paragraph 15 of the Standard on presentation of Financial Statements, the cost of the assets which is disclosed as the assessed value in the Financial Statements for the year under review was Rs. 511,722 million but it had been taken to the Financial Statements as Rs. 184,790 million. Therefore, it was observed that the value of the assets mentioned in the Financial Statements as at 31 December of the year under review had not been fairly presented as per the standard requirement.	Action will be taken to correct in Financial Statements for the year 2022.	Action should be taken to present the fair value of the investment property in the Financial Statements.
(b)	Sri Lanka Accounting Standard 01- In contravention of Paragraph No. 30 of the standard on presentation of Financial Statements, the total development expenditure of Rs.185,876.66 million had been	This is to inform that, further consultations will be taken by the Government Audit division and arrangements will be made to revise and present the balance sheet in year 2024.	The accounting system should be reviewed and the accounting system should be corrected as per the assets, liabilities, income and expenses recorded correctly.

	incurred in respect of all the projects executed in time to time during the period from 1979 when the Authority was established to 31 December of the year under review, had been recorded in the Authority's ledger at the transaction level and then at the Financial Statements level it had been recorded under the 5 asset items which are coming under the work in progress, investment property, land and buildings, customer projects and completed houses, through a calculation and classification done outside the ledger. Thus, since the ledger was not prepared to classify and identify the Authority's development expenses, transactions and events as assets, it was contrary to the normal accounting process to prepare the values for these 05 assets. Hence, It was unable to satisfy the accuracy of the values of those assets.		
(c)	As per the accounting policy disclosed by the Authority for compensation payable on the land acquisition, had been identified as non-current liabilities of Rs. 22,440.78 million and current liability of Rs. 4,485.07 million and that liabilities had been recognized after consideration of the Authority's aggregate cash flow for the year using proceeds from the sale of land and interest from long-term investments. But it was observed that this was an explanation of funding rather than an accounting policy. Furthermore,	In order to formalize the payment of compensation, in accordance with the approval of the Board of Directors dated 28 March2024 and no: 63/2024 and considering the allocation of annual budget, compensation payments will be made in the future.	Current and non-current liabilities should be identified considering the nature of the liability for compensation and interest.

	the obligations arising from the nature of paying the compensation for the land acquired by the Authority should comply with the definition of current liabilities in Sri Lanka Accounting Standard No. 01. But instead of identifying the full compensation to be paid for the land as current liabilities, the authority had been identified 80 percent of the compensation value as non-current liabilities in the Financial Statements.		
(d)	The Authority had identified Rs.471.34 million as long-term lease income receivable under current assets related to deferred lease as at the reporting day of the year under review. However, the Authority had not identified the present value of the amount to be received for the leased property in accordance with section 5.2 of Sri Lanka Financial Reporting Standard no. 09. Also, according to Section 61 of Sri Lanka Accounting Standard no. 01, the receivable balance exceeding 12 months from the balance sheet date should be recognized under non-current assets, but it had not been recognized as such.	The relevant corrections will be made at the time of submission to the final accounts for the year 2023 to the audit.	Deferred lease income should be recognized at present value.
(e)	According to the fair value of an entity's assets, liabilities and equity had not been reflected from the Financial Statements in accordance with Sri Lanka Financial Reporting Standard 13, It had observed that users of Financial Statements could not be able to obtain an assurance of the fair value of investment property, Government Grants to be taken as assets included in the Financial Statements.	Based on the valuation reports obtained in the year of 2020, action is currently being done to show them at fair value.	As per the Financial Reporting Standard, the fair value of assets, liabilities and equity should be shown in the Financial Statements.

(f)	According to the fixed asset register submitted to the Audit, the value of 381 asset items that the Authority had received as donations from various parties since the year 2017 had been shown as zero value in the fixed asset register and Financial Statements and as per Sri Lanka Financial Reporting Standard No. 13, these assets had not been measured at fair value. The accounting policy or measurement methods in relation to the recognition and measurement of such assets had not been disclosed in the Financial Statements.	Donated vehicles had already been revalued and the adjustments will be made in the Financial Statements for the year 2023.	The received assets as donations should be valued and taken into the books, and the accounting policy related to these assets should be disclosed.
(g)	According to Sri Lanka Financial Reporting Standards No. 15, the income and expenditure related to the client projects of the authority had not been recognized separately. Instead, the balance amount had been recognized as deposits and advances under the current liabilities after the deduction of the expenditure incurred by the Authority for those projects till that date was Rs.3,788.26 million from the deposit amount of Rs.6,074.72 million received from the clients at the end of the year under review. As a result, it had not been possible to identify the profits or losses arising from the projects as per the requirements of the standard regarding each projects.	As stated in the Sri Lanka Financial Reporting Standard no. 15 - The revenue arising from contracts with clients, there is no recognition of revenue or completion of the 05 main conditions required for it or for client projects carried out by the Urban Development Authority.	The Financial Statement should be prepared accurately in accordance with the standard.
(h)	Contrary to paragraph no. 47 of the Sri Lanka Financial Reporting Standard No. 16 -Leases, the value of Rs.263 million of 28 vehicles acquired by the Authority under	As per the observation made by the Audit, it will be adjusted in the Financial Statements from the year 2022.	Financial statements should be prepared accurately in accordance with the standard.

	the lease basis had been recognized under property, plant and equipment.		
(i)	Contrary to paragraph 07 and 55 of the Sri Lanka Accounting Standards no. 16-, the works of 19 projects with a value of Rs. 682.86 million which had been shown under the work-in-progress as at 31 December for the year under review had been completed as at 31 December 2021 but those assets had not been recognized as property plant, completed houses or investment properties. As a result, the balance of the work-in progress had been overstated by that amount and due to adjustment had not been made to the non-current assets, the accumulated depreciation had been understated and the profit had been overstated for the year under review.	The relevant corrections will be made in the Financial Statements for the year 2022.	Financial Statements should be prepared accurately in accordance with the standard.
(j)	As per paragraph no. 51 of the Sri Lanka Accounting Standard no. 16, the useful life and scrap value of an asset should be reviewed at the end of each financial year and if the expected useful life and scrap value are different from the previous year, it should be taken to action in accordance with the Sri Lanka Accounting Standard no. 8 Accounting Policies, Changes in Accounting Estimates and Errors. However, the useful life had not been reviewed until the cost of assets of Rs. 745 million was fully depreciated.	Other fully depreciated assets are revalued as per the Asset Valuation Report of 2023 and given new asset codes and adjusted in accounts of 2024.	Financial Statements should be prepared accurately in accordance with the standard.
(k)	As per Sri Lanka Accounting Standards No. 20-paragraph of 12, the grants had been presented in	That grant had not been amortized due to the difficulty in finding information related	The Financial Statement should be prepared accurately in accordance with the standard.

	the Financial Statements without amortization up to now because the constructed or acquired of specific assets had not been identified using the government grants of Rs. 357.39 million which had received from the Treasury as at 31 December for the year under review.	to the recognition of the specific assets constructed in relation to grants valued at Rs.357.39 million.	
(l)	The project of constructing 615 housing units in Colombage Mawatha and the project of constructing 115 housing units in Torrington Avenue which had been incurred Rs. 1,163.21 million and Rs. 88.91 million respectively as at 31 December for the year under review had been stopped up to now and they had been recorded under work-in-progress in Financial Statements of the Authority. As per the paragraphs 59-64 of the Sri Lanka Accounting Standard no. 36, the impairment test had not been done in relation to such projects.	When this project is re-assigned to a contractor, an impairment test will be carried out in future and the additional value will be adjusted to the relevant contract cost.	Financial Statements should be prepared accurately in accordance with the standard.
(m)	It had observed that the deferred lease balance as at the last day for the year under review was higher than the lease value by Rs.112.54 million as per the leased ledger submitted to the Audit by the Authority. Accordingly, the Authority had not properly recognized the deferred lease value and deferred lease income in the Financial Statements. Therefore, the income of the Authority had been overstated by that value for the year under review.	The relevant adjustments will be made in the second quarter of 2024 through journal entries for the amount of Rs.219.84 million which has been overstated.	Deferred lease value and deferred lease income should be properly recognized in the Financial Statements.
(n)	As per the paragraph 9 (c) of Sri Lanka Accounting Standard no. 40, the circuit bungalows which cannot	Action will be taken to show in the accounts under the classification of property, plant	The Financial Statement should be prepared accurately in accordance with the standard.

	be considered as investment property used by the Authority and the buildings with a value of Rs. 59 million used in the general administrative activities of the Authority had been accounted as investment property.	and equipment from the year of accounting 2022.	
(o)	Contrary to paragraph 16 of Sri Lanka Accounting Standard no. 40, while the 12 projects which incurred Rs.642.80 million had been accounted as investment property, those were for city beautification can not be identified as an investment property. And also, these expenses are the operational expenses to be incurred in carrying out the tasks related to the general scope of the Authority. According to that, the value of the investment property had been overstated by that amount and also, the profit of the Authority for the year under review had been overstated by Rs.642.80 million due to decrease of expenditure.	Relevant checks are being conducted and relevant adjustments will be made in the future.	Financial Statements should be prepared accurately in accordance with the standard.
(p)	In accordance with paragraph 20 of Sri Lanka Accounting Standard No. 40, when recognizing the investment property, it should be valued at cost, and how the cost should be measured according to the manner in which the property is acquired for the entity had been described in paragraph 05 of this standard. When recognizing the cost of the investment properties acquired by the Authority through free grants, it should be accounted at the market value at that time as per the Sri Lanka Accounting Standard No. 40 but, the miscellaneous expense of Rs. 6.04	When the presentation of the final accounts of 2022, the cost of the investment property acquired through the free grants will be accounted at the market value at that time in accordance with Sri Lanka Accounting Standard No. 40.	Financial Statements should be prepared accurately in accordance with the standard.

	million incurred during the acquisition of the property such as survey fees had been accounted as the cost of 20 properties based on sample checking. However, the value of this asset is Rs. 24.11 million according to the assessment made by the Authority as at 01 January 2020.		
(q)	Even though the value of work-in-progress which was Rs.102.28 million for 10 abandoned projects had been carried forward as unchanged in the Financial Statements from the year 2018 as per the paragraph of 12 of Sri Lanka Accounting Standard no. 36, the impairment test had not been done regarding the work-in-progress at the end of the year under review.	Relevant observations regarding this will be provided in the future.	Financial Statements should be prepared accurately in accordance with the standard.

1.5.2 Accounting Deficiencies

	Audit Issue	Management Comment	Recommendation
(a)	Among the properties included in the schedule of the Financial Statements of deferred income that submitted to the Audit by the Authority, 162 properties had been used for income generation, but those properties had not been accounted as investment properties. The assessment value of 106 properties out of these was as Rs.2,997.92 million. And also, the assessment value of the remaining 56 properties had not been recognized. Therefore, the accuracy of the value of the investment properties cannot be ascertained.	The assessment value of the investment property will be disclosed in the Financial Statements for the year ending 31 December 2022 in accordance with generally accepted accounting policies and principles.	Recognition and measurement of investment property should be done correctly.
(b)	Even though the value Rs.59.16 million of 38 properties extent to 48 acres, 02 rood, 39.6 perches which had been included in	Accordingly, action will be taken to account at market value when present the	All assets belonging to the Authority should be included in the Financial

	the valuation report as at 31 December 2020 it had been omitted from the Financial Statements.	Financial Statements for the year 2022.	Statements.
(c)	The depreciation for the investment property had been shown as Rs.208.69 million in the Statement of Comprehensive Income. However, the accuracy of depreciation had not been ascertained because whether it would be land or a building and it had not been indicated clearly in the schedule of property that had been presented to the Audit. And also, the depreciation of Rs. 36.51 million had not been accounted for 11 properties worth of Rs.1,825.75 million which can be considered buildings to be depreciated annually.	This is to inform that the necessary adjustments will be made in the Financial Statements for the year 2022.	Schedule of investment property should be submitted to the Audit.
(d)	Provision of Rs. 13.86 million had been made in work-in-progress for the uncertainties which could be arisen in future. The policy regarding basis for such provision, provision rate, annual provision had not been mentioned in the financial statements and that amount of the provision had not been changed for many years.	This is to inform the arrangements will be made to remove it from the accounts in the year of 2022.	Allocation for work-in-progress should be reviewed periodically.
(e)	In calculating the depreciation for the property plant by the Authority for the year under review, the depreciation had been calculated on net value by deducting the cost of disposed assets from the purchased assets in previous years. Further, the disposed assets had been fully depreciated. Thus, due to the calculation of depreciation on the basis of net value the annual depreciation had been under stated by Rs. 3.6 million. As a result, the net profit of the Authority had been overstated by same amount.	Action will be taken to make the relevant corrections in the Financial Statement for year 2022.	Depreciation should be accurately calculated in relation to the value of the property plant.
(f)	The capital contribution received from the General Treasury for the Authority had	It had been informed by the General Treasury that the	The corrected value should be shown in the Financial

	been shown as Rs. 1,257.55 million in the Island Account of Sri Lanka, but that amount was Rs.100 million in the Financial Statements of the Authority. Therefore the difference of Rs.1,157.55 million had been observed.	contribution should be accounted as per the equity of the Urban Development Authority.	Statements after verification of the balances.
(g)	According to the Fixed Asset Register submitted to the Audit by the Authority, the acquired assets before 31 December 2015 had not been shown separately, but it had been shown as an aggregate value of adding several assets. While the assets had not been shown separately as per the classification of the property, plant and equipment, the assets that were lower value had been recognized as the property, plant and equipment without considering the value of capitalization threshold. The detailed information such as the current place installed of assets had not been included in the Assets Register. Therefore, the recorded assets and actual assets could not be compared and the physical verification could not be conducted in relation to the property, plant and equipment.	The asset register will be updated with adjusting the accounts for the year 2024 by assessing and giving new asset codes as per the Survey Reports of Assets for the year 2023.	Assets should be shown separately and the minimum threshold should be decided by the management for recognizing the assets.
(h)	The cost of motor vehicles which were obtained under lease had been shown in the ledger more than the Asset Register value by Rs.12.4 million and the cost of other motor vehicles had been shown in the ledger less than the Asset Register value by Rs.12.3 million.	Action has been taken to correct this difference.	Motor vehicles should be indicated in the ledger at the correct value.
(i)	Although, 1,941 of leased properties had been included in the schedule in relation to deferred lease account the only 1,468 of properties had been included under the note no of 28 in the Financial Statements. And also, the lease consideration or the lease agreement had not been made in relation to 473 of leased properties.	This is to inform that there is no a lease consideration or a lease agreement.	While the management should conduct a formal investigation and make corrections, identify the responsible party and take appropriate action in this regard.

(j)	When comparing the land compensation payable schedule as at 31 December 2020 and compensation payable schedule as at 31 December 2021 the audit observed that the compensation and interest values of Rs.1,223.84 million had been removed from the opening balance which were brought forward to the schedule for the year 2021 and that compensation and interest were paid to the respective beneficiaries, had not been confirmed to the Audit.	Actions were taken to prevent the accounting errors that occurred in the year 2021 in the preparation of the compensation schedule from the year 2022.	Evidence related to payment of compensation and interest should be submitted to the Audit.
(k)	Work-in-progress of the Authority had been overstated by totalling Rs.3,569.01 million due to the 788 completed housing units of Maligawatta construction project and the 528 housing units of Kalinga Mawatha construction project that were incurred Rs. 1,329.39 million, and Rs. 2,239.63 million respectively and those housing units had been shown as work-in-progress in the Financial Statement as at 31 December for the year under review. Also, the depreciation had not been accounted for these assets, and the profit had been overstated.	While the values related to these 2 projects have been removed from the account of work-in-progress, they have been transferred from the account of work-in-progress to the account of the completed houses in the Final Accounts for the year 2022.	The completed projects should be removed from the work-in-progress.
(l)	Prior year adjustment of Rs.192.83 million included in the Statement of Changes In Equity of the Financial Statement had been adjusted to the profit for the year under review, the information about that adjustments had not been furnished to the Audit.	Actions are taken to show in the Statement of Changes in Equity of the Financial Statement as prior year adjustment.	Information relating to prior year adjustments should be submitted to the Audit with the Financial Statements.
(m)	31 rest houses, which administrative activities were owned by the Authority had been handed over to the Lanka Rest Houses Limited which was the subsidiary of the Authority. However these assets had not been accounted as investment property.	Action will be taken to shown in the Financial Statements as at 31 December 2022.	Rest houses should be recognized as investment property of the Authority.

(n)	According to the financial statements of the Authority as at 31 December for the year under review the accounting errors had been observed for Rs.54.2 million out of Rs.10,319 million which was payable to contractors.	The relevant accounting corrections have been made in the accounts for the year 2022.	Actions should be taken to correct the relevant accounting errors.
(o)	The authorized capital grants balance of Rs.891.21 million as at 31 December for the year under review for the construction of Setshiripaya Administrative Complex, Colombo Central Market and Sellakataragama Stores, had been classified under Non-Current Liabilities instead of indicated in the Statement of Changes In Equity.	The government grant has been amortized and the action has been taken to show under the non-current liabilities as net government grants based on the recommendations given by the Sri Lanka Accounting and Auditing Standards Monitoring Board.	The Government Grants should be included in the Statement of Changes In Equity.
(p)	The receivable rent income of Rs.9.4 million as at 31 December 2021 had been shown as a credit balance due to rent income received in cash had been accounted for. According to that, ground rent receivable and ground rent income had been understated by that amount. And also, the schedule related to the ground rent had not been submitted to the Audit.	This situation has been arisen due to the ground rent receivable related to the lease properties has not been accounted in the computer system. The relevant divisions have already been informed about this situation and the relevant accounts will be corrected in the second quarter of 2024.	Transactions should be recorded on accrual basis and necessary information should be submitted to the Audit.
(q)	Value Added Tax receivable from lease debtors of Rs. 27 million and monthly rent receivable as National Building Tax Control Account of Rs. 11 million had been shown as credit balance. Evidence in respect of these credit balances included in short term debtors had not been submitted to the Audit.	Those accounting errors will be identified and necessary corrections will be made during submission of the Final Accounts for the year 2023 to the Audit.	Relevant source documents should be submitted to the Audit.
(r)	The lease liability of Rs.1,701.23 million had been recognized in the Financial Statement in relation to the 227 lease assets which were not recognized the lease period. Further the lease period could not be identified of 372 lease assets as per the deferred lease schedule the value of these	Identified leases will be further checked, and transactions included in the lease account and leases will be removed and the account updated in the second quarter of 2024.	Property given on lease basis should be identified correctly.

	assets was as Rs.8.39 million. And also, deferred lease income had been identified as Rs.51.69 million by the Authority without identifying the lease period. According to that the accuracy about the lease liability and the lease income could not be verified in the Audit.		
(s)	Due to the annual lease rent of Rs.40.51 million had not been identified in relation to the deferred lease properties of Rs. 2,005.77 million which were owned by the Authority. The income of the Authority had been understated by that amount Even though the annual lease income of Rs.13.70 million had been recognized in the Financial Statements based on sample check, the difference of Rs.29.42 million had been observed as per the calculation of the Audit.	Deferred lease properties are currently recognized affected to the understated of income for the year under review and the correct lease rent to be accounted for up to 31 December 2023 will be take action to accounted in the second quarter of 2024.	Properties given on lease basis should be identified correctly.
(t)	The lease value was Rs.569.85 million in relation to the 168 lease properties in the lease schedule but the annual income or the value of deferred lease as at the last day for the year under review had not been recognized in relation to that. Furthermore, the information had not been submitted to the Audit check whether the leases have been cancelled or not.	The information related to 141 properties had already been found, and information related to 27 properties has to be found in relation to these.	Properties given on lease basis should be identified correctly.
(u)	The stores of Peliyagoda Warehouse Complex Company which had been rented out to external parties by the Authority had been earned the rent income of Rs.379.41 million until 31 December for the year under review. However, the premises had not been shown in the Financial Statements as an asset of the Authority at the end of the year under review. Accordingly, recognizing the income and not recognizing the relevant assets in the financial statement was contrary to the Matching Concept for Financial Reporting.	The legal possibility of appointing a liquidator will be examined and action will be completed soon.	The assets of the Authority should be disclosed in the Financial Statements.

(v)	The Authority does not maintain a contract document which includes contract cost, advance for mobilizing of works, settlement of advance, retention, release of retention etc. Accordingly, the accuracy of bills payable to the contractors shown in the financial statements as Rs. 10,319 million and the retention payable of Rs.2,480 million had not been ascertained accurately during the Audit.	The necessary action will be taken in this regard in future.	A contract document should be maintained.

1.5.3 Preparation of Consolidated Financial Statements

	Audit Issue	Comment of the Management	Recommendation
(a)	As Audited Financial Statements of the Peliyagoda Warehouse Complex Company Ltd, had not been available since 2017, the true and fair of assets worth of Rs. 267.88 million and liabilities worth of Rs.25.74 million pertaining to the said Company that had been taken into consideration in preparing the consolidated financial statements as at 31 December of the year under review, could not be verified in the audit.	The Consolidated Financial Statements have been prepared using the company's accounts as at 31 December 2017 and after that transaction had not been occurred and carrying value of the assets had not changed.	Audited Financial Statements should be consolidated.
(b)	As only the Authority and Waters Edge Company Limited are considered in the consolidation out of the 05 business entities commencing under purview of the Group had been made adjustments on gratuity as at 31 December of the year under review in terms of Sri Lanka Accounting Standard 19, it was observed that provision for gratuity relating to the Group had not been accuracy and completed in accordance with said Standard.	Necessary instruction had been given to the relevant subsidiary companies in this regard by the parent company and the necessary adjustments in the final accounts will be made by the Urban Investment and Development Company from the year 2023 and the Lanka Rest Houses Company from the year 2024.	It maintains a Consistency of accounts when preparing Consolidation Financial Statements.
(c)	Approved financial statements for the year 2021 had not been submitted for the audit by the Lanka Rest houses company.	The draft financial statements for the year 2021 had been submitted to the National	Audited financial statements should be a consolidated.

Accordingly, the financial statements of the group had been prepared base on the unapproved and unaudited financial statements of Lanka Rest Houses Company. Furthermore, since the fair value of 31 rest houses operated by the company had not been reflected in the Financial Statements, value of those assets belonging to the group had been omitted from the financial statements.	Audit Office by the relevant company. The fair value of the 31 rest houses cannot be included in the Financial Statements of Lanka Rest Houses Company due to company receives only rental income.

1.5.4 Lack of Documentary Evidence for Audit

Item	Amount Rs. billion	Audit Evidence Not Furnished	Comment of the Management	Recommendation
Investment Properties.	97.36	It had not been classified as land or building and information such as lessee period, the lease had not been submitted.	The Authority currently identify the properties it's owns and prepared a valuation report for those assets and taking necessary actions for taking those values to the Financial Statements.	This information should be provided to the audit at the time of audit.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

	Audit Issue	Comment of the Management	Recommendation
(a)	The 500 unit housing scheme in Weeramawatha, Pannipitiya, Consisted of 5 towers, namely A,B,C,D and E. 71 houses in tower B of this housing project had been given to the members of the parliament on the basis of recovering rent from the Treasury. However, the total amounting to Rs.11.84 million in respect of water, electricity and management fee are in arrears as at 30 October 2023.	A cabinet paper has been submitted to obtain necessary approval for sale of housing units in the open market which have not been reserved and contractually not yet occupied.	Immediate action should be taken to recover the dues.
(b)	The Authority collects a monthly instalment of Rs.3,000 from the housing units provided for the low-income	Necessary actions are already being taken to recover outstanding water	Immediate action should be taken to recover the relevant outstanding.

	families under the Urban Regeneration Project and the Authority had been failed to recover a total amount of Rs.170.48 million for rent and water bills as at 31 December 2023.	chargers by disconnecting water connections and providing payments plans.	
(c)	The outstanding/receivable loan installment and interest under the Urban Sector Development Project (USDP) as at 31 December 2021 were Rs.315 million and Rs.393 million respectively and it was observed that these arrears have been placed for a period ranging from the year 1995 to the year 2021.	Various actions are being taken to recovery these outstands loan and instalment and interest.	Immediate action should be taken to recover the relevant outstanding.

1.6.2 Payables

	Audit Issue	Comment of the Management	Recommendation
(a)	The value of bills payable to contractors was Rs. 10,319 million as per the financial statements as at 31 December of the year under review and out of this Rs. 894 million bills payable over 5 years, and out of these Rs. 275.60 million arose from correction of project number and transaction number and over calculation.	Agree with the Observation.	Long Standing commitments should be settled immediately.
(b)	The value of payable to retention was Rs.2,480 million as per the financial statements as at 31 December of the year under review and out of this Rs.429 million required more than 5 years. Furthermore, out of these payable over 5 years, Rs. 195 million projects had been completed or abounded but contractors had not requested retention.	Agree with the Observation.	Long Standing commitments should be settled immediately.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions

	Reference to Laws, Rules, and Regulations	Non-compliance	Comment of the Management	Recommendation
(a)	Paragraph 270 (b) of the Companies Act No. 07 of	It has being stated that business activities of	In order to remove the company name	Action should be taken to follow up

	2007.	companies suspended for a period of one year, such companies shall be liquidated by the Court, but the Companies established as subsidiaries by the Authority 04 subsidiaries had not been functioned at present and action had not been taken to wind up.	from the register of companies for liquidate and these companies have been sent to the company register.	and expedite the wind up process
(b)	Section 8 (a) (i) in Part II of the Urban Development Authority (Amendment) Act No. 04 of 1982.	Only 54 development plans had been prepared for 85 declared areas.	Development plans are expected to be gazetted for the declared areas as at 2030 by issuing 22 development plans per each year.	Preparation of development plans should be expedited.
(c)	Part II of the Urban Development Authority (Amendment) Act No 4 of 1982			
(i)	Section 8 (h)	Capital investment programs had not been prepared in development area.	Draft plans had been prepared for arears where development plans had not been finalized.	Preparation of development plans should be expedited.
(ii)	Section 8 (j)	Proposals had not been prepared for develop the environmental condition and improve the environment in the development area.	The covid pandemic in 2021 and before had affected to some setback	Preparation of development plans should be expedited.
(d)	Section 7(1) in part I of the Urban Development Authority (Amendment) Act No. 04 of 1982	Although an advisory committee should be formed each development area, such advisory committee had not been formed.	It is inform that If there is a special need to establish such an advisory committee could be considered in future.	Action should be taken in accordance with the provision of the Act.

(e)	Section 7.7 of the operations manual dated 16 November 2021 issued by secretory to the ministry of finance.	Although, the review policy should be prepared for subsidiaries, this policy had not been prepared for any subsidiary owned by the Authority as at end of date of this report.	The Subsidiary review policy has been formulated and submitted to senior managements.	Preparation of subsidiary review policy should be expedited.

2. Financial Review

2.1 Financial Results

The operating result of the Group and the Authority amount to a profit of Rs. 798.59 million and Rs. 288.30 million respectively for the year under review and the corresponding profit in the preceding year amounted to Rs. 2,318.56 million and Rs. 1,879.21 million respectively. Thus, it was observed a deterioration of Rs. 1,519.97 million and Rs. 1,590.9 million in the financial result of the Group and the Authority respectively. This decline had been mainly due to a decrease in income from the housing project for middle- income earners by Rs. 988.21 million compared to the previous year and a decrease in interest income by Rs.549.32 million.

2.2 Trend Analysis on the Main Items of Revenue and Expenditure

Item	**Value Year 2021** **Rs.**	**Value Year 2020** **Rs.**	**Difference** **Rs.**	**Percentage of Difference in the Year under review as Against the Year 2020** **(%)**
<u>Revenue</u>				
Lease Rents	2,606,458,225	2,341,115,970	265,342,255	11
Interest Income	1,251,998,510	1,801,319,802	549,321,292	(30)
Sale revenue of Houses for Middle Income Earners	85,537,533	1,073,750,142	988,212,609	(92)
<u>Expenditure</u>				
Repairs and Maintenance	305,132,492	384,919,296	79,786,804	(20)
Electricity Charges	234,243,856	217,690,649	16,553,207	7
Transport, advertising, Security, and Other	393,699,022	211,090,838	182,608,184	86
<u>Item of the Statement of Financial Position</u>				
Trade Debtors	3,736,272,542	3,198,960,178	537,312,364	14
Fixed Deposits	15,004,214,002	24,797,038,485	9,792,824,483	(39)
Working Progress	44,693,519,138	22,469,007,370	22,224,511,768	98
Deposit, Prepayment advance	7,973,669,092	2,820,855,236	5,152,813,856	182
Trade Creditors	18,794,037,236	14,522,515,903	4,271,521,333	29

(a) The trade debtors balance had been increased by Rs.537.31 million compared to the previous year and main reasons for that are increase balances of long term lease receivable and other debtor balance by Rs. 284 million and Rs. 386 million respectively.

(b) The trade creditors balance had increased by 21 percent compared to the previous year and this had been due to the adjustment of compensation and interest payable for land acquisition in the year under review and the increase in payments to contractors by Rs.2,616 million.

2.3 Ratio Analysis

Ratio	2021	2020	Variation
Current Ratio	0.91	1.36	Adverse
Net Profit Ratio (Percentage)	14.2	25.62	Adverse

(a) Although the standard minimum current assets ratio should be 2:1 an unfavorable situation with regard to working capital requirement the Authority was maintaining it at 1.36:1 as at 31 December of the previous year and it had further intensified to 0.91:1 as at 31 December of the year under review, due to that the Authority had withdraw fixed deposits of Rs.9,792.82 million and increase of bank over draft by Rs. 1,083.28 million. Further it was observed that this adverse working capital behavior had resulted to the Authority had incurred an additional overdraft interest of Rs.15 million and losing fixed deposit interest income of Rs.563.44 million compared to the previous year.

(b) Although income had increased by 12 percent compared to the previous year, interest income and other income had decreased by 31 percent, administrative expenses had increased by 7 percent compared to the previous year had caused to the net profit ratio and it had declined from 25.62 to 14.2 percent

3. Operating Review

3.1 Uneconomic Transactions

Audit Issue	Comment of the Management	Recommendation
(a) The Authority had not received any dividend from the Urban Development and Investment (Pvt) Ltd Incorporated by the Authority in the year 2006 under an investment made of Rs. 345 million and the Lanka Rest Houses Limited which was incorporated in the year 2010 as a subsidiary. Furthermore, the Authority had not received any dividend for the year under review also from the Waters Edge Company, for which a sum of Rs. 236.81 million had been invested. The total	Management of the Authority will consider and take necessary action in future regarding institutions that do not issue dividends.	The Company should be enforced through the Board of Directors to ensure that they receive adequate returns on investment.

investment cost of subsidiaries and associated companies as at 31 December of the year under review had been Rs.677 million, but the dividend income received during the year under review had been only Rs. 444,079. This was equivalent to 0.067 percent of the total investment.		
(b) In order to construct an urban park under the Meethotamulla Regeneration Project, a private institution had been awarded the contract valued at Rs. 269.5 million on 9 June 2020 for applying a blanket layer to stabilize the garbage dump that had collapsed in the year 2017 and install a greenhouse gas emission unit. However, The Authority had spent a sum of Rs. 441.74 million on this project, a park had not been constructed as planned, and it was observed in the physical inspection that the stabilized garbage dump had been encroached by wilderness and remained unused. Furthermore, the waste water disposal system planned to be installed at this location has been completed by 30 percent while the air emission system was only 25 percent completed.	Since the acquisition process has not been completed in terms of section 44 of the land acquisition Act, 12 acres of the land identified to the project to the Urban Development Authority so far. As the process for selecting an investor has not been completed.	Land acquisition activities should be expedited and this land should be used for productive, economic and environmental purposes.

3.2 Identified Losses

Audit Issue	Comment of the Management	Recommendation
(a) The land of 56.5 perches in Mayura Place, Colombo-05 belonging the Urban Development Authority, which had been valued at Rs.650,000 per month, was reduced by almost 70 percent of the assessed value by the Deputy Director (Land) who was the Chairman of the Internal Valuation Committee of the Authority at that time, without giving any reasonable reason and without following an accepted valuation methodology, and it had been given to a private institution for a period of 06 months from June to November 2016 at a monthly rent of Rs.200,000 without even entering in to a formal lease agreement;	The loss of Rs.18.90 million which is occurred in respect of the subject matter had been referred to Commission to Investigate Allegation of Bribery or Corruption (CIABOC) to recovery from the responsible officers. The next step will be taken as per the orders issued by the relevant institute once the relevant investigation are completed.	Internal control should be strengthened to prevent such an incident from happening again and the incurred loss should be recovered.

	Furthermore, after expiry of that 06 month period, the land had been lease again for 3 ½ years until 31 December 2020 without even obtaining the approval of Board of Directors. Furthermore, monthly rent had not been collected from the lessee during the period of use of the land. Therefore, the total loss incurred by the Authority was Rs.18.90 million and in addition, it was observed that the total loss incurred due to non- recovery of VAT and NBT on rent was over Rs.20 million. No steps had not been taken to recovery this loss from the relevant responsible parties.		
(b)	It was observed that, in cases where the monthly rent was charged to Rs100 or less from the customers as per the list of monthly rental transactions. According to the sample audit conducted, in relation to 20 projects from 285 tenants had been collected rental income as Rs100, 50, 40, 35 and 10 etc. Accordingly, the Authority had been lost a large amount of rent income that could have been collected based on the current assessment.	Deeds for freehold rights had already been issued for the residents of some projects and in granting that right, the amount of money paid so far as monthly rent or fee for use is deducted from the value of the property and the relevant fees are obtained.	Disciplinary action should be taken against the responsible parties after the comprehensive investigation has been conducted in this regard.
(c)	Without calling for public quotations, the land of the Authority facing D.R. Wijewardana Mawatha, Colombo Fort, in extent of 02 acres 02 roods and 21.4 perches, had been provided for a company for a mixed development project without an agreement and Cabinet approval since in the year 2007. After that approval of the Cabinet had been given on 12 August 2009 and position of this land had been handed over to relevant company by memorandum of understand on 18 February 2010 for a long term lease of 30 years at the lease rent assessed to the value of Rs. 1,300 million. Although or this purpose, only a sum of Rs. 557 million had been paid by the Company as lease rents in 07 instances during the period from August 2009 to 25 September 2013, As per the memorandum of	All information regarding this matters has been reported to the Board of Management of the Authority, and steps have been taken to obtain from the Attorney Generals Department as per the instructions of the Board of Management. Further action will be taken as per the instructions given by the Attorney Generals Department.	Action should be taken against the responsible parties for the losses incurred by the Authority and the steps should be taken to the relevant land for productive economic activities.

	understanding signed with the company any development activities in this land had not been carried out and income had been earned since 2007 by using the land as a vehicle park. After that a memorandum of understand had been signed on 25 March 2013, and contrary to that MOU, although the relevant payments had not been made to the Authority, the approval given by the Board of Directors on 16 February 2017, an agreement had been entered into with another Company owned by the owner of original company to give the land on lease for 50 years again at the value of Rs.3,352 million based on the value of chief value amounting to Rs.3,620 million dated 12 August 2016. However the investor had been agreed without proper approval of the Board of Directors of the Authority to pay of Rs.330 million accrued interest for the company paid amount to Rs.557 million paid by the company. Therefore, no action had been taken against the responsible parties for the loss incurred by the Authority. It was also observed that no development activity had been carried out on the land even up to 31 December 2023.		
(d)	As per the information obtained from the Department of Motor Traffic by the Audit, 31 vehicles that are not physical Existance in the Authority but it has been confirmed that the vehicle are still registered with the Department of Motor Traffic in the name of the Authority. Out of these, 07 vehicles have been sold to various parties and 01 vehicle has been handed over to the Katharagama Pradeshiya Saba. There are 03 vehicles that are missing and 20 vehicles for which no Information can be found 47 vehicles registered in the name of the Authority.	There are 03 missing vehicles and 20 vehicles for which no information can be found. Another 02 vehicles were registered under personal names even though they were shown under the address of the Authority.	The missing vehicles should be investigated and identified.

3.3 Management Inefficiencies

	Audit Issue	Comment of the Management	Recommendation
(a)	When low income households had been	With the commencement of the	Ownership of the

	resettled in housing schemes constructed under the Urban Regeneration Project, lands in 18 of their earlier settlements (estates) had been released. However, rights to lands in extent of 11.23 hectares relating to 06 of those estates, had not been acquired by the Authority so far. Furthermore, of the lands pertaining to 22 housing schemes constructed under the Urban Regeneration Project by the end of the year 2021, the lands where 08 of those housing schemes had been constructed, had not been acquired by the Authority so far. Further certificate of the Condominium Management Authority could not be obtained for 20 housing schemes out of 22 housing schemes as at date of this report.	Urban Regeneration Project, acquisition of land related to all the housing schemes constructed has been initiated. Although the land of 14 housing projects has been acquired the land acquisition of 08 housing projects has been delayed.	relevant land should be acquired immediately and certificate of the Condominium Management should be obtain immediately.
(b)	A cabinet approval had received dated 27 October 2020, to acquire, develop and open the public by the Authority 03 lands with buildings in extent of 1.8274 hectares where Otters Aquatic Club and 80 Club. Furthermore, as per the observations of the Minister of Finance regarding the cabinet memorandum dates 12 October 2020 relating to the said cabinet approval, the lands attached to this memorandum are used for commercial purposes and the Urban Development Authority should credit the consolidated fund the value after deducting expenses incurred in the development and acquisition of the relevant lands from the income generated there by. The Authority had not been able to utilize the lands and building where these two institution are located for a suitable commercial purpose so far.	An interim injunction had been issued against the opening of the 80 club. Further inform you that once a suitable investor is selected for the development of the 80 Club and the Otters Club, the Urban Development Authority will deduct the expenses incurred in the development and acquision of the relevant lands from the income generated thereby and the remaining balance will be credited to the consolidated fund.	The lands and buildings where both these institutions are located should be used for appropriate commercial purposes and should be apply in accordance with the cabinet decision.
(c)	As per the land compensation schedule submitted to the audit, the owners of 66 acres 02 roods 25.5 perches of land acquired by the Authority could not be identified in definitely and it was observed that the compensation allocated for this was Rs. 2,040.72 million and interest was Rs.493.83 million. Among these balances there were also balances from the	Necessary actions will be taken to inform the relevant Divisional Secretaries regarding the parties whose compensation recipients have not been identified for the currently acquired lands mentioned the compensation documents.	The relevant compensation Examination should be completed and compensation payment process should be

year 1984. Since the compensation payment process had not been completed due to non-identification of the owners, additional expenses were being accrued to the Authority in the form of interest a daily.		expedited.

3.4 Operating Inefficiencies

	Audit Issue	Comment of the Management	Recommendation
(a)	Only 14,381 housing units had been constructed out of 68,000 housing units proposed to be constructed under the Urban Regeneration Project as at 31 December 2023 which is implemented by the Authority in the year 2015, and only 12,347 houses therefrom had been occupied. Further 176 housing units out of completed houses, was unused. In addition, it was observed that 1,739 houses in the project had been used for various government projects.	176 housing units remained vacant.	The relevant housing units should be selected and transfer as per the Urban Regeneration Policy.
(b)	The Peliyagoda Market Complex constructed using Treasury grants amounting to Rs. 6,990 million in the year 2016 by the Authority to reinstall the Pettah Market Complex (Manning Market), and it had been completed as at September 2020. But it was observed that 417 stalls out of 1,395 stalls were ideal since they have not been handed over to the traders as at 31 October 2022.	Appeals in this regard are being considered by a committee appointed by the Authority. If is expected to dispose of the stalls/shops to the traders recommended by the said appeal committee at the end of the above proceedings.	Income received to the Authority should be increased by hand over the relevant stalls to the traders who have fulfill the qualifications.
(c)	As for the construction of Magam Ruhunupura International Convention Centre under Hambanthota Development Project, the main conference hall thereof had been constructed by Korean International Cooperation Agency (KOICA) spending a sum of Rs.851.2 million whilst the other constructions of the Conference Hall had been expended by incurring Government funds totaling Rs. 3.83 million. In addition to that, the Authority had spent a sum of Rs.110.53 million as recurrent expenditures for maintaining the Center during the period from 2017 to 2021 whereas only a sum of Rs. 20.63 million had been earned as	It is expected to be done jointly by the Urban Development Authority and the private sector to Maintain this Center (PPP) in the future. It is expected that the revenue will increase.	Alternative sources of revenue through the project should be looked into and action should be taken for security of the building and other resources.

	revenue during the same period. The activities expected to be carried out this center jointly by the Authority and private sector had not been successful so far.		
(d)	There were 4,657 active tenants and 3,052 inactive tenants in 161 projects as per the tenants ledger as at the end of the year under review and it was observed that 40 percent of the total tenants were inactive. The main reason for this was non-payment of rent as per the agreement.	Submission of payment plans and refer for legal action are also being made to recover arrears of rent.	Action should be taken to recover this rent immediately.

3.5 Idle or Underutilized Property, Plant and Equipment

	Audit Issue	Comment of the Management	Recommendation
(a)	The Authority had been taken action to published as an urban development zone and acquire a land in extent of 6.451 acres in Rajagiriya, Kolonnawa A certificate of vesting had been issued to the Authority on 23 April 2008 in terms of Section 44 of the Land Acquisition (Amendment) Act, No. 09 of 1950. Nevertheless, legal rights to the land had not been acquired by the Authority even up to the date of this report in terms of Section 6(1) of the Crown Land Ordinance. The expenditure incurred for this was Rs.4.46 million. However, this land located near the Kolonnawa Petroleum Storage Complex had been used for waste disposal. But neither a feasibility study nor an Environmental Protein License issued by the Central Environmental Authority for waste disposal had been obtained. It was also observed that this land had not been used for any purpose and idle.	The subject land is in the process of obtaining the grant letter under section 6(1) of the Government Land Ordinance. It is expected to utilize to a permitted development project in accordance with the Jayawardanapura Kotte Zonal Development Plan after obtaining all the approvals.	Legal rights to the land should be acquired without delay. This land should be used for an economically productive activity.
(b)	The Authority had commenced the construction of 05 storied building complex in the year 2017 for administrative and commercial purposes	Attention is currently focused in respect of identify a suitable investor and operate on a basis of public private partnership regarding	Attention should be paid to increasing the source of income of the Authority after

	in Mahara area of about 8,032.9 square meters at the contract value of Rs. 269.12 million under of the "*Sukhitha Purawara*" Township Development Project implemented in the year 2016 using the provision from the Ministry of Megapolis and Western Development , and the construction had been completed in 30 September 2019.at 30January 2024, Only 1,164.9 square meters had been used by various government institutions and social organizations and agreement had not been made with those institutes. Furthermore, by now two elevators installed in the building had been out of use and the auditorium which had 428 seats with all facilities had been closed and unused.	Maximum usage of the building.	the completion of the construction work and the building is rented out for the intended purpose.
(c)	The land extend 37 acres, 01 rood, 8.43 perches in kilulapana railway station road had been acquired to the Authority under section 38(a) of the land Acquis ion Act No 28 of 1964 mention for the public purpose by Gazette No 303/4 dated 26 June 1984 and It was observed that about 30 acres of the acquired land was idle without any use even after 39 years from year 1986. It was observed that, due to this a problematic situation has arisen such as the settlement of unauthorized residents on this land and need to take legal action to remove them, various health problems have arisen due to the disposal of garbage, land has became a wilderness , and is being used for various social abuses.	The transfer of the land for the housing development project has been stopped due to not granting permission at that time to fill soil and develop this land by the corporation of land Reclamation and Development. It has been reported that 57 families were residing illegally as at the year 2001. Therefore, proceedings have been initiated in the year 2001 for remove them from the land but process has been stopped. Although, taken steps to dispose of the garbage in several places by residents of the surrounding areas. Care Takers and Field Assistants has been placed for supervision this land.	These Land should be used promptly for the purpose for which they were acquired.

3.6 Delays in Projects or Capital Works

	Audit Issue	Comment of the Management	Recommendation
(a)	The households of Ovel View Housing Complex comprising 608 housing units, had been completed in September of the year under review and the Lake Crest	Steps are being taken to transfer legal ownership to residents from January 2024.	Action should be taken to expedite the deed issued in process.

	Housing Complex in Angoda comprising 500 housing units had been completed in the year 2018, and residents had paid a sums of Rs.5,858.40 million and Rs.1,880.02 million respectively to the Urban Development Authority. However, deeds issued to the residents of the Oval View Project was 276, and Angoda Housing Project was only 61 so far.		
(b)	The contract for construction of the housing scheme consisting 500 houses on Weera Mawatha, Pannipitiya, had been awarded on 15 June 2017 to a contractor who was selected by a Cabinet appointed procurement committee. (CAPC) Although the project should have been completed by 31 December 2019, an extension had been given until 29 September 2022 under the approval of the Chairman of the Authority as the project could not be completed by the said date. Out of the 500 housing units, 101 houses had been allocated for the Ministry of Defense and the Navy whereas 202 houses had been sold through presale basis, and the remained 197 houses had been under construction without any presale basis. The Authority had received a sum of Rs. 3,188.63 million comprising a sum of Rs. 1,011.79 million paid by the Ministry of Defense and Navy and a sum of Rs. 2,176.84 million received from presale basis. Nevertheless, the houses had not been handed over to the beneficiaries even by December 2023.	The Construction works of the tower "A" which is reserved by the Ministry of Defense and the presale basis by paying Rs. 4,414.37 million, are still being carried out.	The project should be completed, and the houses should be provided for the beneficiaries immediately and action should be taken to sell the rest of the houses and revenue should be increased.
(c)	The land at Trans Work Square, Fort Colombo had been leased to a locally Incorporated foreign private company for a total of Rs.4,999.7 million for the implementation of a mixed development project by 04 lease agreements. However this project had not been completed as at date of this report and only the building	The differences between the tax value of the land and market value is a value that must be recovered when selling residential units after the project is completed and that value cannot be recovered until the development project is completed.	The due amount should be received promptly.

frame for 60 floor out of 81 floors had been constructed under the first phase of the project. It was observed that due to this delay, the differences between the market value as at 04 July 2018 which was re-contracted, and pre lease value of Rs.1,290.04 million could not be recovered due to the non-completion of this project.		

3.7 Human Recourse Management

Audit Issue	Comment of the Management	Recommendation
(a) 64 posts that were not approved as per the approved carder of the Authority were recruited through the Urban Investment and Development Company, which is a subsidiary of the Authority and then those officers were assigned to the Authority and a total of Rs.101.01 million in salaries and allowances had been paid from the year 2018 to the and of year 2021.	Action have being taken to include them to permeant staff of the Authority with approval of Department of Management Service.	Staff required by the Authority should not by recruit through the subsidiary companies.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Audit issue	Comment of the Management	Recommendation
The Authority should have submitted the Financial Statements for the year under review to the Audit by 28 February 2021, but the financial statements had been presented after a delay of 02 years on 20 December 2023.	Not commented.	The Financial Statements should be presented within the specified duration in order to exercise the responsibility for accountability.