

Transaction Report of the Urban Development Authority and its subsidiaries for the period ending 01 January 2023 to 31 December 2024

The audit of operating activities of the Urban Development Authority for the period ending 01 January 2023 to 31 December 2024 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 National Audit Act No 19 of 2018 and Finance Act No.38 of 1971. My observations on the functioning of the Authority during the year under review, which I consider should be report to Parliament in accordance with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report.

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

As per the Section 16(1) of the National Audit Act No.19 of 2018, every audited entity shall maintain proper books and records of its income, expenditure, assets and liabilities to enable it to prepare annual and periodic Financial Statements to be prepared of the entity. According to the Section 16(2) of the said Act, the Chief Accounting Officer shall submit to the Auditor General the annual Financial Statements in respect of every audited body, together with the annual performance reports of such bodies, within such period as may be prescribed by rules. In terms of Section 38(1) (d) of the said Act, the Chief Accounting Officer shall ensure that annual reports and other financial statements are prepared within the required time and in addition, the annual reports relating to the audited entity are presented to Parliament.

2. Financial Statements

2.1 Submission of Financial Statements

Audit Issue	Comment of the Management	Recommendation
Although, Financial Statements should be submitted to the Auditor General within 60 days after the end of the financial year according to Section 6.6 of the Operations Manual for Public Enterprises issued under Public Enterprise Circular No. 01/2021 dated 16 November 2021, the Authority had not been submitted the Financial Statements pertaining to the years 2023 and 2024 for audit as at the date of this report.	The Financial Statements for the year 2022 have already been submitted to the Auditor General and after received of the relevant audit report, necessary accounting adjustments and disclosures will be made, and the said Financial Statements will be submitted as soon as possible.	Action should be taken to submit the Financial Statements to the Auditor General to due date.

2.2 Assets, Liabilities, Income, and Expenditure

The details relating to the assets, liabilities, income, and expenditure appearing in the Financial Statements last prepared by the Authority for the year ended 31 December 2022, are presented below.

Financial Statement Item	Value Rs.Million
<u>Assets</u>	
Non-current Assets	603,502
Current Assets	26,337

Total Assets	629,839
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<u>Equity and Liabilities</u>	
Equity	483,932
<u>Liabilities</u>	
Non-current Liabilities	111,147
Current Liabilities	34,760

Total Liabilities	145,907
	=====
Total Equity and Liabilities	629,839
	=====
Total Income	6,674
Total Expenditure	4,838

Surplus	<u>1,836</u>

According to the above information, the Authority had reported a surplus of Rs. 1,836 million for the year ended 31 December 2022.

3. Audit Observations

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

Reference to Laws, Rules, and Regulations	Non-compliance	Comment of the Management	Recommendation
(a) Section 270 (b) of the Companies Act No. 07 of 2007.	Although companies whose business activities has been suspended for one year, may be wound up by the Court, the Authority had not taken action under said provision to wind up the subsidiaries, namely Urban Investments and Real Estate (Private) Limited, Urban Investments and Hotel Development (Private) Limited, Orchard Urban Housing Development (Private) Limited, and Waters Edge Hotel Development (Private) Limited, which were established on 21 November 2014 but have not carried out any transaction since their incorporation and are presently inactive.	Since these subsidiary companies have not carried out any transactions after their incorporation, and as the Urban Development Authority no longer expects to continue operating these companies, it has informed the Registrar of Companies to deletion names of the respective companies from the Register of Companies for the purpose of winding them up.	Necessary steps should be taken to expedite these activities by coordination with the relevant institutions.
(b) Urban Development Authority Act, No. 41 of 1978			
(i) Section 8 (h) in Part II	A program for improving infrastructure facilities in the development areas had not been prepared.	Draft plans had been prepared for areas where development plans had not been finalized. These plans identify strategies as well as projects aimed at the physical, economic, environmental, and social development of the respective areas, and such projects are to be implemented by the relevant line ministries and institutions.	Timely action should be taken to standardize and prepare the programme for improving infrastructure facilities in the development areas.

However, due to the covid pandemic situation in 2021 and prior years, some delays have been reported in the implementation above action.

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| (ii) Section 8 (j) in Part II | Proposals had not been prepared for improving environmental conditions and enhancing the environment in the development area. | Identifying the necessary strategies and projects for environmental development in the development areas is also a key responsibility carried out through development plans. However, the COVID-19 pandemic that prevailed in 2021 and prior years caused some delays in carrying out these activities. | The necessary proposals should be prepared in a timely manner. |
| (c) Section 8 (a) (i) in Part II of the Urban Development Authority (Amendment) Act No. 04 of 1982. | Only 62 development plans had been prepared for 98 declared areas. | It is expected that Development Plans for the declared areas to be issued as at 2030 by issuing 22 development plans per year in the coming years. | Necessary actions should be taken to prepare the development plans in a timely manner. |
| (d) The Establishment Code of the Democratic Socialist Republic of Sri Lanka | | | |
| (i) Paragraph 5.1 in Chapter XIX | Although officers residing in government quarters are required to pay rent from their salaries in accordance with the stipulated conditions, an arrears balance of Rs. 5.524 million existed as at 31 December 2024, consisting of Rs. 0.589 million from 07 officers currently in service, Rs. 2.183 million from 12 retired officers, | No response has been provided regarding the actions taken to recover the outstanding income. | Immediate actions should be taken to recover the outstanding income. |

and Rs. 2.752 million from 23 other public officers.

- (ii) Paragraph 6.2 in Chapter XIV
- Although an officer is required to return the government quarters allocated to him upon retirement, 07 officers from other government institutions who had occupied these houses had retired by the date of this report but had not returned the respective houses to the Urban Development Authority.
- At present, confirmation of whether an officer of the Authority has returned the official quarters allocated to him prior to retirement is obtained through the clearance report, following which necessary recommendations are made. Similarly, of the 07 official quarters allocated to 07 officers from other government institutions who have retired but continued to occupy the houses, action has been taken to reclaim 02 of these units for the Authority. The remaining 05 units have been requested to be returned to the Authority, and the relevant parties have been informed accordingly.
- Action should be taken in accordance with the Establishment code regarding the return of government quarters.
- (e) Paragraph 3.1 of the Public Administration Circular No. 30/2016 dated 29 December 2016
- Although a fuel inspection should be conducted after every 12-month period, or after driving 25,000 kilometers, or following a major engine overhaul, whichever occurs first, the Authority had not carried out such inspections for its vehicles.
- Only vehicles that run 6 to 7 kilometers per liter under air conditioning are subjected to fuel inspections. At present, action has been taken to conduct fuel inspections on 5 motor vehicles. In the future, measures will also be taken to carry out fuel inspections on vehicles that consume fuel excessively.
- Fuel inspections for vehicles owned by the Authority should be conducted periodically as per the regulations.
- (f) Paragraph 7.7 of the Operations Manual for Public Enterprises published under Public Enterprise
- Although performance review policies should be formulated for the subsidiaries, up to the date of this report, no such policies had been prepared
- A review policy for the subsidiaries has been prepared and submitted for observation by senior management.
- Actions should be taken to formulate and obtain approval for performance review policies for

Circular No. for any of the subsidiaries
01/2021 dated 16 owned by the Authority.
November 2021

subsidiaries.

4. Operating Review

4.1 Identified Losses

	Audit Issue	Comment of the Management	Recommendation
(a)	<p>A land belonging to the Urban Development Authority, measuring 56.5 perches in Mayura, Colombo 05, which had been valued at a monthly rent of Rs. 650,000, was leased to a private institution from June to November 2016 for a period of six months at a monthly rent of around Rs. 200,000, approximately 70% below the assessed value without following any accepted valuation procedure or providing any valid justification by the Deputy Director (Land), who was then the Chairman of the Authority's internal valuation committee. Furthermore, after the expiry of this six-month period, the land was again leased for 3½ years up to 31 December 2020 without obtaining approval from the Board of Directors. During the period of use, no rent was collected from the lessee. As a result, the total loss incurred by the Authority amounted to Rs. 18.90 million, and additionally, the failure to collect VAT and NBT on the rent resulted in a total loss exceeding Rs. 20 million. Although the land has been reclaimed by the Authority, no action has been taken to recover the losses from the responsible parties to date.</p>	<p>Investigations regarding the subject matter are currently being conducted under the Bribery and Corruption Commission, and once recommendations are made, action will be taken immediately to implement the relevant recommendations. Furthermore, to minimize the occurrence of such incidents, action will be taken in accordance with the temporary asset disposal policy approved by the Board of Management under No. 06/2024.</p>	<p>Immediate action should be taken to accurately identify the loss incurred and recover it from the responsible parties.</p>
(b)	<p>A land belonging to the Authority, measuring 2 acres 2 roods 21.4 perches, located on D.R. Wijewardena Mawatha, Colombo Fort, was leased to a company for a mixed development project from 2007 without calling for public bids, without a formal agreement, or without Cabinet approval. Subsequently, on 12 August 2009, Cabinet approval was granted for this purpose, and on 18 February 2010, a memorandum of understanding was signed to lease the land on a 30-year long-term rental basis,</p>	<p>All relevant information regarding these matters has been reported to the Authority's Board of Management, and based on the Board's instructions, action has been taken to obtain guidance from the Attorney General Department. Further action will be taken in accordance with the instructions provided by the Attorney General Department.</p>	<p>Immediate action should be taken to recover the losses incurred by the Authority and to initiate formal measures against the responsible parties.</p>

valuing it at Rs. 1,300 million, and possession of the land was handed over to the company. However, from August 2009 to 25 September 2013, the company paid only approximately Rs. 557 million in rent over seven occasions, and according to the memorandum of understanding signed with the company, no development activities were carried out on the land. Instead, the company had been earning income by using the land as a parking lot since 2007. Another memorandum of understanding was signed on 25 March 2013, but the income earned in violation of that agreement was not paid to the Authority. Despite this, on 12 August 2016, the Chief Valuer revalued the land at Rs. 3,620 million, and on 16 February 2017, with the approval of the Board of Directors, the land was leased for 50 years to another company owned by the original company owner, agreeing to a rental value of Rs. 3,352 million. However, out of the Rs. 557 million already paid by the company, Rs. 330 million, which was imposed as interest, was agreed with the investor without formal approval from the Board of Directors. No action has been taken to recover the losses incurred by the Authority from the responsible parties, and as of 31 December 2024, no development activity had been carried out on this land.

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| <p>(c) Approval from the Cabinet of Ministers was granted on 27 October 2020 to the Authority to take over and develop three lands with buildings, measuring 1.8274 hectares, where the Otters Aquatic and 80 Club , and to open them to the public. Furthermore, according to the Cabinet Memorandum dated 12 October 2020, and based on the inspection by the Minister of Finance, it was emphasized that if the lands are used for commercial purposes, the revenue generated should be credited into the Consolidated Fund after reducing the expenses incurred by the Urban Development Authority in developing and acquiring the lands. However, to date, the Authority has not taken action to utilize</p> | <p>The first call for investment proposals was not successful, and necessary steps are being taken to call for reinvestment proposals under alternative payment method to develop and maintain this property as a boutique hotel project.</p> | <p>Necessary actions should be taken immediately to utilize these lands and building for appropriate commercial purposes and to properly credit the relevant income to the Consolidated Fund.</p> |
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these lands and buildings for suitable commercial purposes.

- (d) The warehouse number WH1B extent 14642 square feet, located on the Peliyagoda Nuge Road, which is under the control of the Urban Development Authority, had been given to private parties for a period of 05 years from 20 September 2023 at a price of 57.50 per square feet. The said party given the warehouse to Lanka Sathosa Limited at a price of Rs.110 per square feet. Without the approval of the Authority for a period of 06 months from 26 October 2023 to 25 April 2024, earning an amount of Rs.9.6 million, but the amount of Rs.4.6 million owned to the Urban Development Authority had not yet been paid to the Authority
- Action have been taken to cancel the allocation made to those parties due to the sub lease granted to a private party without approval of the Authority, and offset the security deposit of Rs.2.5 million deposited by the customer with the Authority against the outstanding amount. Legal action is being taken for the remaining balance.
- The Authority should take necessary action to recover the remaining balance.
- (e) 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 through 04 lease agreements between 2013 and 2016 for the implementation of a mixed development project. Although the project was expected to be completed by 2021, only the building frame for 60 floors out of 81 floors expected under the first phase of the project had been constructed as at date of this report. Although the difference between the tax value of the land and the market value of Rs.1,290.04 million was expected to be recovered from the sales of residential unit to be constructed after the project was completed, this value could not be recovered further due to the suspension of the development project due to technical reasons.
- The difference between the tax value of the land and the market value is a value that must be recovered when selling the residential units constructed after the projects is completed, and that value cannot be recovered until the development project is completed.
- The reasons for construction delays should be identified, and measures should be taken to enhance physical progress, while all necessary actions must also be taken to minimize potential losses to the Authority.

4.2 Management Inefficiencies

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 and 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 Treasury. However, the total outstanding balance of Rs.16.98 million in respect of Water charges, Electricity charges, and management fee are payable to the authority as at 31 December 2024 for these housing units.	All supplies to the housing unit of members of parliament who have not yet submitted to purchase applications have been disconnected, and actions are being taken to inspect them and recover the relevant fees.	Necessary actions should be taken immediately to recover the balance due to the Authority for these housing units.
(b) The Urban Development and Investments (Private) Company, established in 2006 with an investment of Rs. 345 million by the Authority, and Lanka Rest Houses, established in 2010, have not paid any dividends to the Authority since the dates of their inception.	In the future, the parent company will take step to receive dividends related to the investment made in the aforementioned company.	Action should be taken to obtain dividend in timely for investment made in company by the Authority.
(c) It was observed that, instances where the monthly rent was charge to Rs.100 or less from tenants for the properties of the Authority as per the monthly rental transaction list maintained by the Property Portfolio Management & Recoveries Division of the Authority. A sample audit revealed that for 20 projects of the Authority, rent as low as Rs. 100, 50, 40, 35, and even 10 had been collected from 285 tenants. Accordingly, a substantial amount of rental income that could have been collected based on current valuations had been lost to the Authority.	The residents of the projects indicated are those who belong to the relevant projects under relocation basis and it is proposed to grant ownership of the relevant properties to them by the Authority. In some project, residents have already been issued deeds instead of free hold rights and in granting the right, the amount of money paid 50 for as monthly rent or fee for use is deducted from the value of the property and the relevant fees are obtained.	Relevant action should be taken to revise monthly rent in timely manner for the properties of the Authority that have been provided under relocation basis.
(d) 23 vehicles registered in the name of the Authority as per the Department of Motor Traffic's database had not been physically and it was observed that 03 vehicles of them were missing and there were 20 vehicles which no information could be found.	3 vehicles were missing and out of 20 vehicles for which information cannot be found 7 vehicles are cars, 7 as Motor vehicles and 06 as other vehicles (Land Vehicles) have been identified.	It should be verified whether the vehicles registered under the name of the Authority but not physically existing have been properly removed. If

not, the officers responsible for those vehicles should be identified, and necessary actions should be taken without delay.

- (e) As at 31 December 2024, a balance of Rs. 15,057 million remained in respect of compensation and interest allocated for lands acquired by the Authority for various development activities. This balance included amounts outstanding since 1984. Due to reasons such as inability to identify the owners, instances where owners had passed away, and absence of compensation valuations, the payment of compensation had not been completed.
- According to Section 17 of the Land Acquisition Act, once the Divisional Secretary notifies the Authority of the compensation payable for each property, the Authority must provide the necessary financial provisions to the Divisional Secretary for the payment of compensation. Accordingly, an amount of Rs. 22.5 billion had been allocated in the accounts for this purpose as at 31 December 2024.
- Necessary actions should be taken promptly to complete the compensation payments for the acquired lands.
- (f) As at 31 December 2024, out of the 68000 housing units proposed to be constructed under the Urban Regeneration Project initiated by the Authority in 2015, a total of 14714 housing units had been completed, of which only 12632 units had been allocated for public occupancy. Furthermore, 1965 completed housing units remained unused and had been set aside for future occupation. In addition, 104 housing units had been allocated for common purposes.
- 14381 housing units were constructed from these housing projects and beneficiaries of 12347 housing units were settled out of these, 3145 housing units have been allocated for various government projects, and another 1375 housing units have been allocated for government projects and estates to be rehabilitated. Furthermore, some housing units are used for the Urban Development Authority Office, police station, preschool and community hall etc. while 50 housing units remain vacant.
- A proactive action plan should be implemented for the construction of the proposed housing units and for ensuring their effective utilization.
- (g) The Authority collects a monthly instalment from Rs.2,500 to Rs.12,500 for the housing units provided to low –income families under the Urban Regeneration Project and the Authority had failed to recover a total amount of Rs.170.48 million for rent and water bills as at 31 December 2024.
- A total of Rs. 1,263 million regarding instalment and water bills are expected to be recovered as at 31 December 2024. As per the 2024 budget proposal, the government has decided to transfer the ownership to 10611
- Necessary actions should be taken promptly to recover the balance due to the Authority.

beneficiaries who pay instalment of Rs. 3,000 or less, bearing the stamp duty and notary fees by the government. A decision was made to pay a minimum amount of Rs. 350,000 instead of the monthly installments that were to be paid by the residents for 30 years and currently action is made to issuing deed once the amount and outstanding water charges are paid. However, a program is being implemented to recover water charges.

- (h) Although 36 estates were released for the settlement of low-income residents in housing complexes built under the Urban Regeneration Project, the ownership of 07 estate lands, which extend to about 8.1 hectares, had not been vested to the Authority so far. Furthermore, out of the 22 housing complexes built by the end of 2021 under the Urban Regeneration Project, the lands related to 08 housing schemes had not been vested to the Authority as of the date of this report, and the certificate of the Condominium Management Authority had not been obtained for 11 housing complexes.
- The process of acquisition is underway of the ownership of the 8.1 hectares of land related to these 7 estate lands to the Authority. Out of the lands on which the 22 housing complexes constructed under this project and land on which the 14 housing complexes have been vested or acquired by the Authority. The certificate of the Condominium Management Authority has been obtained for 6 housing projects and preliminary work is being carried out to obtain the condominium certificate for 11 projects.
- Immediate actions should be taken to formally transfer ownership of the lands belonging to housing schemes to the Authority and to obtain condominium certificates related to the constructions.
- (i) There were 4,716 active tenants and 3,538 inactive tenants as at 31 December 2024 and it was observed that about 43 percent of the total tenants. This was mainly due to non-payment of rent as per the agreements.
- The number of active tenants was 4670 and the number of inactive tenants was 3551 as at February 2025. Tenants are inactive due to the sealing of business premises, abandonment of lease rights and expiry of the contractual period, and action is being taken to settle the balance of these inactive debtors. Legal actions such as providing payment plans, issuing final notices, sending letter of
- Necessary steps should be taken immediately to promptly recover the balances due from inactive tenants.

demand etc. are also being taken to recover the balance due, and in the future, actions will be taken to write off the balances of tenants who have been confirmed as no longer recoverable from the books with all approvals.

4.3 Idle or underutilized Property, Plant and Equipment

Audit Issue	Comment of the Management	Recommendation
<p>(a) Under the provisions of the Ministry of Megapolis and Western Development, the ‘Sukhitha Purawara’ urban development project, implemented in 2016, included a phase consisting of a five-storey Mahara administrative and commercial complex with a contract value of Rs. 269.12 million and an area of approximately 8,032.9 square meters. Construction work for this phase was initiated by the Authority in 2017 and completed by 30 September 2019. As at 30 January 2024, only approximately 1,164.9 square meters of the complex were being used by various government institutions and social organizations, without formal agreements with those institutions. Furthermore, by that date, the two installed electric elevators in the building were out of service, and the auditorium, equipped with 428 seats and all facilities, had been closed and was not in use.</p>	<p>This Commercial complex has been obtained approval to be transferred to the Mahara Pradeshiya Saba for a period of 30 years on a nominal lease for operation, maintenance and management and action are currently being taken to reach a bilateral understanding agreement. Also, the contracting process with other institution that have assigned the space will be completed this year.</p>	<p>Actions should be taken to utilize the assets owned by the Authority in the most effective and productive manner and Assets should be leased or rented to the external parties only on the basis of formal agreements.</p>
<p>(b) 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 Acquisition Act No 09 of 1950 mention for the public purposes 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 have passed since 1986. Approximately 20 acres of the acquired land have remained ideal and unused. It was observed that, due to this a problematic situation has arisen such</p>	<p>Although action has been taken to allocate a part of this land to the National Housing Development Authority for a housing project, the land, being marshy, could not be fully developed as permission was not granted by the Sri Lanka Land Reclamation and Development Corporation. Consequently, the allocation of the land for the housing project has not been</p>	<p>A program for maximum utilization and protection of assets should be implemented without delay, and action should also be taken to settle problematic situations.</p>

as the unauthorized occupation of the land and requiring legal action for eviction, the emergence of various health issues due to the disposal of garbage, the land becoming overgrown, and its misuse for various social misconducts.

completed. Additionally, part of the land is under private ownership, and legal action has been initiated to obtain injunctions from the court, preventing the use of these land portions as originally planned for development activities. These land will be subject to continuous supervision by land caretakers and field assistants.

(c) The London Market commercial complex at 12 Saunders Place, Colombo, consists of 111 shop units, all of which had been leased to various parties for conducting business activities. However, agreements for 13 shop units had not been signed. Furthermore, although the shop units varied in size, the monthly rent charged for each unit was only around Rs. 1,000. According to Clause 2 of the signed lease agreements, this amount should have been revised five times over a period of five years, but this has not been done to date. Additionally, under the agreements, the Authority had the right to take possession of the unit without notice if rent for three months was unpaid. Nevertheless, as at 31 December 2024, approximately Rs. 5.5 million remained recoverable from tenants who had not paid rent over periods ranging from four months to ten years. Of the 111 shop units, only 4 to 5 units were open, while the rest were closed. Observations revealed that some shop units were being accessed illegally by breaking doors and were being used for dumping waste and garbage inside.

There are 83 active customers and 01 inactive customers in this project, as most of the shops have been closed except for about 4 – 5 of the tenants, it has become practically impossible to carry out the monthly rent revisions in accordance with the terms of the agreements. Furthermore, the agreement period of the customers of this project is scheduled to end in August 2026, this project will be awarded to a suitable investor for a new development project on approval of the Authority Board of Management of the Authority in the future, and legal action will be taken recovery the outstanding and write off the outstanding amounts that can no longer be collected with approvals.

A formal program should be implemented for the maximum utilization and protection of assets, and immediate actions should be taken to dispose of assets on a rental and lease basis under formal agreements and recover rent in accordance with the agreement.

(d) Out of the land extend 4 acres 2 roods, and 17.09 perches situated in Borella City Centre, which had been allocated to the Police Department by the Commissioner General of Lands since 1949, a portion of 37.5 perches had been taken action for vested by the Authority for the purpose of constructing temporary stalls for pavement vendors. However, in 2002, the Authority

Although, the cabinet approval had been obtained for vested to the subject land in 2014, vesting process has not been completed due to the failure of the police department to give its consent. Since the existing problems can be minimized by opening and maintain this

A program should be implemented without delay to complete the land vesting process expeditiously and ensure maximum utilization and protection of assets.

had been constructed a two – story shopping complex to the building with 95 shops by utilizing public, future works is being treasury provision of Rs.27.6 million carried out. without obtaining the consent of the Police Department in accordance with section 6 of the Land Ordinance. According to the field inspection carried out by the audit, a problematic situation had been arisen, such as the fact that these shops had been closed for a long time, the doors of some shops had been broken into and had being used unauthorized occupants had been used for various improper activities, and the environment protection unit of the police station had been informed that there were garbage inside and outside the shopping complex.

- (e) 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 wastewater disposal system planned to be installed at this location and the air emission system had been completed by 30 percent and 25 percent respectively.
- The Authority has already taken necessary initial steps to invite investment proposals to select a private sector investor to complete the remaining parts of the project. However, acquisition process had not been finalized as per the in terms of section 44 of the Land Acquisition Act to the Urban Development Authority an extent 12 acres of land identified for the project the process to select an investor has not been completed.
- The situation that have arisen due to the non-implementation of planned projects should be studied and necessary measure should be taken to resolve the issues identified in this regard. Immediate steps should be taken to minimize the financial losses that may arise due to the non-implementation of projects on time and to increase the physical progress of the projects.
- (f) The Authority had been taken action to published as an urban development zone and vest a land in extent of 6.451 acres in Rajagiriya, Kolonnawa area. A certificate of vesting had been issued to the Authority on 23 April 2008 in terms of Section 44 of chapter 460 the Land Acquisition Act, No. 09 of 1950. But legal rights to the land had not been transferred to acquire by the Authority even up to the date of this report in terms of Section 6(1) of the Crown Land
- This land, which is about 2.611 hectares shown in the preliminary plan No. 6436, is observed to be completely swampy and forested during physical inspection, and the O-line drawing is currently being prepared to obtain the grant letter under Section 6 (1) for this swampy land. However, after obtaining the grant letter
- A proper plan should be implemented to utilize the assets productively and ensure their security.

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 Environment Protection License issued by the Central Environmental Authority for waste disposal had been obtained.

- (g) It was observed that 33 acres of land out of the 43 acres of land acquired by the Urban Development Authority under the Awissawella Urban Development Project under section 38(a) of chapter 460 of the Land Acquisitions Act No.07 of 1950, published in the gazette No. 1048/10 dated 07 October 1998, had not been utilized for any purpose for 26 years, as of the date of this report. Furthermore, due to the speedy acquisition of these lands under sub section 38(a) in deviation from the normal procedure for land acquisition, interest should also be calculated in addition to the compensation of the landowners, and therefore the Authority had been an interest amount of Rs.14.99 million. It was observed that, this land had become forested use for dumping garbage, various social misconducts, and unauthorized cultivation had been carried out due to this land was acquired and no development activities were acquired.

- (h) As for the construction of Magam Ruhunupura International Convention Centre under Hambantota Development Project, the main conference hall thereof had been constructed by Korean International Cooperation Agency

under Section 6 (1) for the said land, action will be taken to implement a suitable development project.

Although the land was acquired with the aim of providing residential facilities for the industrialists and workers generated from the Seethawaka industrial Estate in parallel with the implementation of the project, it has not been possible to implement the housing projects as planned due to the difficulty in finding private investors for it and the lack of significant demand for houses. Since the prevailing prices should be paid as compensation when re-acquiring lands according to the development needs of the relevant area, the land thus acquired can be used for development activities considering their existing value whenever necessary and no financial loss has been incurred when comparing the acquisition cost with the current market value. This land will also be regularly inspected by the relevant field officers and caretakers to prevent garbage disposal, social injustice and unauthorized cultivation.

The Authority provided consultancy services for the project, and the project management was carried out through the Hambantota Priority Project. It was

A proper plan should be implemented to utilize the assets productively and ensure their security.

A proper plan should be implemented to utilize the assets productively and ensure their security and income/expenditure management.

(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 2024 whereas only a sum of Rs. 20.63 million had been earned as 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.

proposed to hand over the project to the relevant institutions after the completion of the work, but since such an institution did not take over the center, the Authority has had to continue the management activities until the relevant handover is made. In the future, it is expected that the Urban Development Authority and the private sector will jointly manage this center (PPP), and in accordance with the prevailing economic crisis, short-term management methods will be implemented with the private sector, subject to the relevant approvals, to increase income.

(i) The Peliyagoda Market Complex constructed using Treasury grants amounting to Rs. 6,990 million in the year 2016 by the Authority to reconstruction 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 idle as at 31 December 2024, since they have not been handed over to the traders.

The appeals submitted from time to time are being considered by the new committee appointed by the Authority and at the end of the proceedings, the parties recommended by the committee will be allowed to dispose of the stalls/shops and thereafter all the remaining stalls/shops will be disposed by calling for tenders.

A proper plan should be implemented to utilize the assets effectively and productively at an optimal level, and to ensure their security.

4.4 Human Resource Management

Audit Issue	Comment of the Management	Recommendation
(a) The top Management position of the Authority, the Chief Internal Auditor, had been vacant since 30 June 2023 and the Director (Engineering Services) since 28 February 2024	Applications have been invited externally through a newspaper advertisement for the recruitment of the post of Chef Internal Auditor and interviews are scheduled to be conducted and the relevant recruitments are scheduled to be made. The application of for the post of Director	Recruitment for the vacant essential position should be expedited.

(Engineering Services) has been submitted to the Ministry along with documents to obtain the relevant approval from the committee currently established to review the recruitment process in the Public Service and staff management.

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| (b) | There were 277 vacancies in various positions in the Authority and surplus of 21 officers had been also reported as at 31 December 2024. | The relevant documents have been submitted to the Ministry for obtain approval regarding recruitment to these positions by the committee currently established to review the recruitment process and staff management in the public service. | Immediate action should be taken to recruit officers for the vacant essential posts and formal steps should be taken regarding excess recruitment. |
| (c) | 90 officers had been recruited to Authority for 33 posts outside the approved carder without proper approval in 2008 and which included 09 officers in 06 unapproved posts at the middle management level and 05 officers in 03 unapproved posts at the junior management level. | Actions have been taken to include these officers in the approved carder to the year 2021. | Recruitment for position outside the approved staff should not be made without proper approval. |

5. Accountability and Good Governance

5.1 Tabling of Annual Reports

Audit Issue	Comment of the Management	Recommendation
The annual reports of the Authority for the years 2021, 2022 and 2023 had not been tabled in Parliament as of the date of this report.	The relevant cabinet paper for submitting the 2021 annual report for cabinet approval has now been prepared and the approval of Board of Management has been obtained for the 2022 annual report. Translation into other languages has already begun. The 2023 annual report has been about 60 percent completed.	Annual reports should be tabled in Parliament before 30 June of the following year.