

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Mahaweli Authority of Sri Lanka (“Authority”) and the subsidiaries (“Group”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018, Mahaweli Authority Act No. 23 of 1979 and the Finance Act, No.38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Authority and the Group as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

**1.2 Basis for Qualified Opinion**

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

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

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

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

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

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

As per Sub 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Authority and its subsidiaries, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority;
- Whether the Authority has performed according to its powers, functions and duties; and
- Whether the resources 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 Mahaweli Authority of Sri Lanka

#### 1.5.1.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Audit Issue	Management Comment	Recommendation
(a) Even though the fixed deposits of System B amounting to Rs. 51.24 million, with a maturity period of 400 days, should have been classified as non-current assets in accordance with paragraph 79 of Sri Lanka Public Sector Accounting Standard No. 01, they had been reported under short-term deposits.	This will be corrected in the presentation of the financial statements of System B for the year 2025.	The fixed deposits with a maturity period of 400 days should be classified as non-current assets as per the accounting standard.
(b) Even though subsequent costs of property, plant, and equipment should be recognized as an increase in the value of those assets, as per paragraph 22 of Sri Lanka Public Sector Accounting Standard No. 07, capital-type expenditures amounting to Rs. 4.83 million at the Bowathenna Engineer-in-Charge Office, Rs. 2.35 million relating to three activities in System E, Rs. 17.09 million related to seven contracts in System	Action will be taken to correct this through the 2025 financial statements.	Capital expenditures should be recognized as an increase in the value of the related assets, as per the accounting standard.

Walawa and Rs. 2.04 million at the Head Office had not been capitalized and were instead recorded as recurrent expenditure.

- (c) The total fee amounting to Rs. 330.52 million, which should have been charged for land use in the L and Walawa Systems, the service charges for the extraction of limestone from the land situated at Ukuwela Wariyapola Estate in the Victoria System up to 19 October 2001, and the outstanding taxes and charges for granite mining in the C, L, H and Walawa Systems had not been recognized as receivable balances in the financial statements in accordance with paragraph 33 of Sri Lanka Public Sector Accounting Standard No. 10.
- Action will be taken to recognize the land use fees, fees to be charged for limestone and charges to be recovered for outstanding taxes as 'receivable balances' in the upcoming financial statements.
- Land use fee charges to be levied for granite and limestone should be recognized as receivable income and accounted for in the financial statements.
- (d) Even though revenue from non-exchange transactions should be recognized to the increasing value of the net assets identified by the entity as per the paragraph 48 of Sri Lanka Public Sector Accounting Standard No. 11, a sum of Rs. 4,394.97 million expenditure incurred by the Dam Safety and Water Resource Planning project for the dams maintained by the Mahaweli Authority had not been capitalized.
- Action will be taken to capitalize the confirmed capital expenditure incurred under the said project in the financial statements of the forthcoming year, in accordance with paragraph 48 of Sri Lanka Public Sector Accounting Standard No. 11.
- Action should be taken, in accordance with the relevant accounting standard, to identify and capitalize the expenditure incurred by the project in relation to the dams of the Authority.

- (e) Even though property held for the purpose of earning rental income should be recognized as investment property in terms of paragraph 09 of Sri Lanka Public Sector Accounting Standard 13, the assessed value of the five plots of land related to the buildings rented out to external institutions had not been recognized as investment property.
- It has been stated that the property has been given only to the Bank of Ceylon (Digana Village Branch) for an investment purpose, and that the related income will be accounted for as investment property in the year 2025.
- In accordance with the standard, action should be taken to identify and account for the investment properties relating to the buildings provided on a rental basis.
- (f) Even though gains and losses arising from changes in the fair value of investment property should be recognized in the surplus or deficit for the period in which they arise, in accordance with paragraph 44 of Sri Lanka Public Sector Accounting Standard No. 13, the increase in the fair value of investment property amounting to Rs. 256.25 million had been shown under the revaluation reserve in the financial statements of System B.
- Action will be taken to correct the error in recording the fair value of assets during the preparation of the 2025 financial statements.
- Since increases in the fair value of investment property should be recognized in the surplus or deficit for the relevant period in accordance with the accounting standard, the amount should be removed from the revaluation reserve.
- (g) Even though the employee gratuity provision, recognized as a defined benefit plan, should be identified and measured using the actuarial method in accordance with paragraph 61 of Sri Lanka Public Sector Accounting Standard No. 19, the Institute had not complied with this requirement.
- It has been noted that action will be taken in this regard in the future.
- Gratuity provisions should be identified and measured using the actuarial method in accordance with the accounting standard.

- (h) Even though, in accordance with paragraph 13 of Sri Lanka Public Sector Accounting Standard No. 18, the fair value and cost of biological assets should be measured reliably when recognizing them, without doing so, the value of plants and trees in the Aralaganwila farm, central nursery, and Welikanda nursery reported as inventory of biological assets in the financial statements of System B, had been accounted for as Rs. 10.8 million based on values provided by the farm manager. Furthermore, the plant stock in the Dehiattakandiya nursery had not been recognized and accounted for as a biological asset.
- It is hereby informed that, as at 31 December 2025, the physical stock will be counted by a committee and the corresponding value will be recorded in the books.
- Action should be taken to measure the fair value and cost of biological assets reliably and to present them appropriately in the financial statements, in accordance with the Accounting Standard.
- (i) Even though a crane in the Walawa Special Area was involved in an accident on 7 September 2014, and action was not taken to calculate and report the impairment loss in accordance with Sri Lanka Accounting Standard No. 36 on Impairment of Assets, its cost was shown as Rs. 45 million and its net book value as Rs. 24.75 million as at 31 December 2024.
- Action will be taken to calculate the impairment loss in accordance with Sri Lanka Public Sector Accounting Standard No. 36 and to correct it through the 2025 financial statements.
- The impairment loss should be calculated and reported in accordance with the accounting standard.

### 1.5.1.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) A total of Rs. 309.10 million comprising Rs. 278.69 million from 401 sand-mining lease holders in Mahaweli System C for the period 2016–2018, Rs. 19.76 million receivable from the Geological Survey and Mines Bureau for System C and Rs. 10.65 million receivable for soil excavation from a private company in the Walawa System had not been reflected in the financial statements.</p>	<p>Action will be taken to account for the outstanding land rental arrears from sand-plot holders in System C, and land use fees of Rs. 19,759,220 receivable from the Geological Survey and Mines Bureau, in the preparation of the financial statements as at 31 December 2025.</p> <p>Action is being taken under the Public Property Act to initiate the necessary complaint procedures to recover Rs. 10,640,720 receivable from a company in System Walawa.</p> <p>Action will be taken to identify any unrecorded outstanding land use fees and to account for the land use fee receivable during the year 2025.</p>	<p>Action should be taken to recognize and account for the land use fees receivable as income, and to promptly recover any outstanding amounts.</p>
<p>(b) The estimated cost of Rs. 13,853 million for the Uma Oya Multipurpose Development Project, identified under the Mahaweli Master Plan was completed in 2023, and electricity generation activities commenced on 31 March 2024. However, the construction under this development scheme had not been assessed and accounted for in the financial statements.</p>	<p>Under the Uma Oya Multipurpose Development Scheme, certain portions of the main dams and reservoir-related fixed assets, which are to be handed over to the Authority, have not yet been fully handed over in a formal manner. Action will be taken to account for these assets once they are formally handed over.</p>	<p>Action should be taken to promptly take formal possession of these assets and to account for them.</p>
<p>(c) Action had not been taken to identify and make the necessary accounting adjustments to the debit</p>	<p>It has been noted that the balances will be investigated, verified and the necessary accounting adjustments will be carried out in</p>	<p>Action should be taken to identify and account for these credit and debit balances.</p>

balance of Rs. 560.76 million and the credit balance of Rs.509.1 million, which had accumulated over several years, in the 3001 Fund Account owned by the Authority.

- (d) The two land plots worth Rs. 64.32 million purchased during the period of 1984-1989 by the authority, along with 54 line houses at the Kothmale Junior Camp and values of the lands of the system offices, divisions, quarters and circuit bungalows of the authority had not been recognized and accounted for.
- It is informed that, after allocating financial provisions for measurement and valuation, action will be taken to expedite the related work.
- The lands and buildings owned by the Authority should be identified and accounted for.
- (e) Assets amounting to Rs. 82 million, Rs. 69.64 million and Rs. 247 million received by the Authority from the Dam Safety and Water Resources Planning Project, the Moragahakanda Project and the Climate Resilience Improvement Project respectively, had not been accounted for. Furthermore, 16 vehicles received from the Moragahakanda project under the Tambuttegama Mechanical Workshop had not been revalued and recorded in the accounts.
- Even though it has been stated that the assets were provided through the aforementioned projects, all assets for which goods receipt notes have been issued under proper procedures have been recorded in the Authority's accounts.
- A request has been made to the Secretary to the line Ministry to transfer these vehicles to the Authority, and once approval is obtained, action will be taken to revalue and account for the 16 vehicles.
- All assets received from these projects should be properly identified and accounted for.
- (f) The income receivable from the Lower Kotmale Oya Mini-Hydro Power Plant for the years 2021 to 2024 had not been calculated and accounted for as at 31 December 2024.
- Action will be taken to rectify this through the financial statements for the year 2025.
- The income receivable from this hydropower plant should be calculated and accounted for.

- (g) Even though 18766 hectares of land that could be leased by the Authority had been alienated as at 31 December 2023, only 6114.21 hectares, valued at Rs. 2,810.49 million, had been accounted for.
- For obtaining government valuation, survey plans should be prepared by the Department of Survey. However, at present, there is a delay in preparing the statutory plans, and delays in obtaining documents that confirm the land grantees' possession, the unwillingness of the land grantees to pay valuation service fees, delays in issuing the legal documents to the land grantee, failure to develop the allocated land plots, and failure to utilize the allocated land for the intended purpose have all contributed to the reduction in the total amount of tax that should be collected from the lands.
- The Authority's lands that were disposed to external parties and have not been accounted for should be valued and recorded in the accounts, and the taxes due on them should be collected.
- (h) Even though the guaranteed periods for the solar panels, the inverter, and the system's production capacity are 20 years, 7 years, and 25 years respectively, without considering these factors, a 30 kw solar power system in System B had been recorded under 'Generator' at Rs. 5 million and depreciated at a rate of 15 percent in the year 2021.
- It is informed that in the year 2025, this solar panel system has been classified under the category of Plant, Machinery and Equipment – General and depreciated accordingly.
- The accounting error should be corrected.
- (i) A sum of Rs.1.85 million to be received to the mechanical workshop for vehicle repairs in other Systems had been recorded under work in progress of capital nature in the financial statements of System H.
- This will be corrected through the financial statements for the year 2025.
- The accounting error should be corrected.
- (j) During the winding-up of Mahaweli Venture Capital (Pvt) Ltd. on 25 November
- The details of the balance of Rs. 3,322,745, which was observed as physically non-
- Necessary actions should be taken regarding the physically non-existent balance based on

2024 which was under the ownership of the Mahaweli Authority of Sri Lanka, the cash balance of Rs. 18.05 million included in the company's financial statements was transferred to the accounts of the Mahaweli Authority. However, with regard to a balance of Rs. 3.32 million, which the liquidators reported as physically non-existent and which had been transferred to the temporary assets account during the winding-up, the Board of Directors' approval was not obtained to take the necessary action, and no disclosure regarding this matter was made in the financial statements.

existent during the winding-up of the company and reported in writing by the liquidators, will be submitted to the Board of Directors, and action will be taken to make the disclosures through the financial statements based on their decision.

the approval of the Board of Directors, and this should be disclosed in the accounts.

- (k) As a result of depreciating the land located at Dematagoda, valued at Rs. 296 million, and the land at the head office premises bearing numbers 493 and 1/493, valued at Rs. 1,151 million, in addition to the buildings, at a rate of 5 percent, that is, Rs. 72.35 million, the depreciation expense had been overstated by that amount.
- The value of the non-official buildings and land has been maintained under the same fixed asset category (as BD) in the fixed asset register of the head office and as a result, both components buildings and land were incorrectly depreciated at a rate of 5 percent and recorded in the accounts for the year 2024.
- The accounting error should be corrected.
- (l) Action had not been taken to value and account for the land of 0.264 hectares at the head office premises, bearing assessment Nos. 500 and 1/500, which has been owned by the Mahaweli Authority since 1986.
- Since the boundaries of Plot No. 01 have physically changed and the ownership of Plot No. 02 (1/500) does not belong to the Mahaweli Authority of Sri Lanka, only the value of the buildings has been assessed and provided by the Government Valuer. Therefore, the value of the land could not be
- The value of this land should be accounted for.

accounted for. The boundaries will be properly re-established, the land will be revalued, and arrangements will be made to include it in the financial statements for the year 2025.

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| (m) | Due to the failure to return 08 items of fixed assets and equipment valued at Rs. 1.5 million that had been issued to Director General and the Director (Institutional Development) of the Mahaweli Authority of Sri Lanka, an amount of Rs. 1.88 million including an institutional fee of Rs. 376,129 i.e. 25 percent had been deducted from his gratuity amount in the year 2024. However, the gain received by the Authority had not been matched to the relevant reporting period, and the value of those assets had not been removed from the financial statements of the year 2024. | In accordance with Sri Lanka Public Sector Accounting Standard No. 03, action will be taken to correct this through the financial statements of the year 2025 as prior-year adjustments. | The gain received by the Authority should be accounted for, and the value of the assets should be removed from the financial statements. |
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**1.5.1.3 Unreconciled Control Accounts and Records**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) According to the financial statements of System H, the Mahaweli Authority of Sri Lanka had collected and retained Rs. 19.16 million from farmers between the year 2021 and year 2024 under its 50 percent contribution arrangement for various agricultural programmes, without remitting the funds to the relevant institutions. However, according to information obtained from the Agriculture	An amount of Rs. 2,883,449, retained under the 50 percent farmer contribution for the purchase of seeds payable to the Department of Agriculture, will be reviewed and paid upon submission of the relevant receipts.  An amount of Rs. 4,586,189, which	The reasons for this discrepancy should be investigated and the necessary corrections should be made.

Division, the amount was Rs. 2.17 million, resulting in a difference of Rs. 16.99 million.

should have been matched to the relevant expenditure, has been recorded as a retention. The adjustment will be made to the relevant expenditure account in the year 2025.

An amount of Rs. 11,689,134 retained as the 50 percent farmer contribution relating to the year 2024 will be paid Rs. 11,689,134 in 2025 after verifying the receipts.

- (b) Even though the balance shown in the financial statements as payable to a private company was Rs. 2.65 million, according to the records maintained by the Land Division for the same company, the balance was Rs. 3.52 million, resulting in a difference of Rs. 0.87 million.
- The outstanding balance still payable to the private company amounts to Rs. 2,652,153. Additionally, a subcontractor has submitted bills totaling Rs. 3,516,598.39 at a later date. Since no formal agreement exists between the Authority and this subcontractor, there remains a contentious situation regarding these payments. According to the records maintained by the Land Division, the reported amount reflects the sum payable to the subcontractor.

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#### 1.5.1.4 Documentary Evidence not made available for Audit.

Audit Issue	Management Comment	Recommendation
Evidences such as share certificates and Board of Directors' decisions relating to the investment of Rs. 10 million made by the Authority in	This company currently operates under the supervision of the National Livestock Development Board, under the Ministry	The necessary documents to verify the existence of these balances should be submitted for audit.

Mahaweli Livestock Enterprises (Pvt) Ltd; lease agreements for Rs. 14.64 million due on behalf of the Kalankuttiya Farm; schedules totaling Rs. 7.3 million comprising receivable water bill revenue, receivable deposit interest, and inventory recoverable in System B; written evidence to confirm the existence of Rs. 14.82 million as receivables of Madatugama mechanical workshop, payable balances, and the opening balance of the deposit payable account; written evidence to verify a balance of Rs. 1.24 million due according to the financial statements of the Major Dam and Reservoir Operations Division; and tax reports of outstanding taxes amounting to Rs. 243.21 million in System E had not been submitted for audit.

of Livestock Development. To resolve these issues, official correspondence and documents were exchanged between the parties, and it is expected that these matters will be addressed after reviewing them.

Regarding the remaining balances, it has been noted that further investigation and necessary actions will be taken.

While calculating the outstanding tax balance in System E, some delays occurred at the Victoria Division due to office errors; however, this has now been corrected and submitted.

## 1.5.2 Mahaweli Livestock and Agro Enterprises (Pvt) Ltd

### 1.5.2.1 Non-Compliance with Sri Lanka Accounting Standard for Small and Medium-sized Enterprises.

Audit Issue	Management Comment	Recommendation
(a) The value of the land extent of 1,113 acres, 0 roods, and 37.76 perches at the Girandurukotte farm, and the value of the 100 acres land at the Damminna farm had not been taken in to account as per the Section 17.4 of the Accounting Standards for Small and Medium-Sized Enterprises	The lands of the Girandurukotte farm and the Damminna farm have not been vested in the company after valuation by the Mahaweli Authority of Sri Lanka. The company has only been granted the right to use those lands.	Land values should be assessed and accounted for as per the Accounting Standard.
(b) Even though financial statements should be presented by adjusting the prior year errors comparatively to the prior year figures as per the Accounting Standard 10.21 for Small and Medium-sized Enterprises, the company had not complied accordingly.	Comments had not been given.	Financial Statements should be presented by adjusting the prior year errors comparatively.

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| (c) | Even though a sum of Rs. 13,454,122 was deducted from the revenue reserve and a sum of Rs.7,402,549 was added as prior year adjustment, relevant disclosures had not been made as per the Section 10.23 of the Accounting Standard for Small and Medium-sized Enterprises.   | It will be presented in the year 2025.   | Prior year adjustment should be disclosed as per the Accounting Standard.  |
| (d) | Even though the profit or loss should be adjusted to the financial statements after calculating the gratuity liability based on the actuarial valuation method when calculating the gratuity as per the 28.18 of the Accounting Standard for Small and Medium-sized Enterprises, the company had not been complied with. | It is informed that gratuity amounts will be accounted for in compliance with Accounting Standard 28.18 in the year 2025.  | The gratuity liability should be calculated and accounted for on the basis of the actuarial valuation method as per the Accounting Standard. |
| (e) | The 195 teak trees in the Damminna farm and the 211 teak trees in the Giradurukotte farm, which had been valued at Rs. 9,446,800 with a recommendation to be sold as commercial timber, had not been accounted for in accordance with paragraph 10 of Sri Lanka Accounting Standard No. 41.                              | The spot valuation for these teak trees was obtained from the State Timber Corporation in February 2025. Accordingly, it is hereby informed that those trees will be valued and included in the required accounts for the year 2025. | Action should be taken to value the trees and account for them in accordance with the Accounting Standard.                                   |

### 1.5.2.2 Accounting Deficiencies

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) As the company has continued to adjust financial results of the previous years instead of correctly identifying the income and expenses of the year, prior year adjustments amounting Rs.3,376,919 Rs.2,089,263 and 20,856,669 had been made to the following year loss amounted to Rs.1,325,555, a profit amounted to Rs.167,815 and a loss amounted to Rs. 295,352 stated in the financial statements of the year 2021,2022 and 2023 respectively. As a result, the financial result had been increased from 28 percent to 2048 percent to a loss amounted to Rs.1,695,098 a	Noted for correction in the future.	A responsible control system should be established to correctly identify the income and expenses for the year.

profit amounted to Rs.627,268 and a loss amounted to Rs.6,346,924 in the year 2021,2022 and 2023 respectively.

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| (b) Niraviya farm located in Thambuththegama, Kanthale farm, Siddhapura farm in Polonnaruwa, Muthuwella farm in Welikanda owned by the company, had been vested in Mahaweli Authority during the period 2005-2010 without formally exchanging the documents. Even though the total value of the fixed assets owned by these farms amounted to Rs. 22,335,573, which were not utilized by the company, they had been included in the company's accounts and the assets had not been physically surveyed by the Mahaweli Authority of Sri Lanka or the company | It is hereby informed that these assets will be physically surveyed by the company in the year 2025. | Action should be taken to account for the company owned assets only.  |
| (c) Surcharges amounting Rs. 652,809 to be paid to the Employees Trust Fund and surcharges amounting Rs. 402,513 to be paid to the Employees Provident Fund had not been accounted for.  | Action will be taken to account for the Surcharges and settle the arrears amount in the year 2025.   | All liabilities should be identified and accounted for.   |
| (d) The vehicle repair expense of Rs. 441,111, incurred but not accounted for in 2022, were recorded in the statement of financial position of the year under review as a payment made in advance.   | Action will be taken to include it in the profit and loss account for the year 2025.                 | As this expense pertains to the year 2022, it should be recognized and adjusted as a prior year adjustment.                                 |
| (e) Five vehicles and two tractor trailers, amounting to Rs. 2,285,000, which had not been disposed of, were removed from the non-current assets balances as of 31 December 2024.  | Action will be taken to dispose of these vehicles during the year 2025.                              | The five vehicles and two tractor trailers, which are still in use by the company, should be reinstated in the non-current assets balances. |
| (f) Even though the Labour Department had filed cases regarding the long-outstanding unpaid salaries of Rs. 3,992,144, along with the related Employee Provident Fund contribution amounted to Rs. 1,144,999 and Employee Trust Fund contributions   | Action will be taken to settle the payments in installments in the year 2025.                        | Disclosures should be made according to the Accounting Standard.  |

amounted to Rs. 166,208, adequate disclosure of these amounts had not been made in the financial statements.

### 1.5.2.3 Lack of Documentary Evidence for Audit

Item	Amount Rs.	Audit Evidence Not Presented	Management Comment	Recommendation
(a) General Reserve				
(i) Mahaweli Economic Agency	388,575,802	evidence that can substantiate the value	This balance represents the funds that were allocated to the Livestock Development Division during the period it functioned under the Mahaweli Authority of Sri Lanka. There is no record of the company in this regard.	Documents relevant to confirm the balances should be submitted for audit.
(ii) Milk Development Fund, Kotmale	2,900,000	-Do-		
(iii) Capital grants from the European Economic Commission	3,583,706	Documents relevant to account for		
(iv) Foreign Grants	5,729,782	-Do-		
(b) Capital Reserve	14,159,541	-Do-		

### 1.5.3 Natural Resources Management (Pvt) Ltd

Audit Issue	Management Comment	Recommendation
The company is currently being liquidated, and its financial statements had not been consolidated.	Is being liquidated.	The financial statements of the company currently being liquidated should be consolidated and submitted.

### 1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Section 102 of Part II of the Inland Revenue Act, No. 24 of 2017.	The Authority had not registered for income tax.	In the future, profits will be calculated based on the tax base, and action will be taken to pay income tax.	The Authority should be registered for income tax.

- (b) Section II of the Value Added Tax Act, No. 14 of 2002. Even though the Authority was engaged in activities subject to value-added tax, such as leasing lands, charging land use fees for mineral resource extraction, and renting out circuit bungalows, action had not been taken to register with the Department of Inland Revenue or to collect value-added tax. In the future, action will be taken to register with the Department of Inland Revenue in order to pay taxes under the Value Added Tax Act, No. 14 of 2002. The Authority should be registered under the Value Added Tax Act.
- (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.
- (i) F.R 104 (i) A cab assigned to the Dehiattakandiya Residential Project Manager Office had met with an accident on 22 December 2019. Even though a full report on the damage should be submitted within three months from the date the loss occurred, the full report regarding the accident had been submitted only three years and five months after the incident. Even though the vehicle had been handed over to the Action was taken to obtain instructions from the Attorney General's Department regarding the initiation of legal proceedings to recover Rs. 2,724,532.71, the financial loss incurred by the Authority due to this accident. In the process, it was verbally informed to the Deputy Director (Legal) that, in relation to this incident, no legal action could be taken other than under Financial Regulation 104(i). Accordingly, action has been taken in accordance with Financial Regulation 104(i). Accordingly, in line with the decisions taken at the Audit and Management Committee meeting held on 16.05.2025, an Immediate action should be taken to repair the vehicle that met with an accident and to recover the loss incurred by the Authority from the responsible parties.

Anuradhapura investigation in to this branch of a matter is currently private institution on 23 March 2023 for repairs based on an estimated cost of Rs. 9.99 million, only about Rs. 3.7 million had been approved as the insurance compensation.

As of 20 May 2025, the repair work had still not been completed, and action had not been taken to recover the amount of Rs. 6.29 million, which is the repair cost not covered by the insurance, from the responsible parties.

- (ii) Even though a crane belonging to the Walawa Special Area met with an accident on 07 September 2014 while being used for the construction of the roof at Maligawila Shrine, no investigation report had been obtained regarding the
- It has been noted to take immediate action regarding this matter.
- The officers responsible for not repairing this equipment should be identified and disciplinary action taken against them, and the equipment should be repaired without further delay and put back into use.

incident. Despite 11 years having passed since the accident, no action has been taken to repair this asset.

- (ii) F.R. 507 Even though the stock on hand as of 31 December of each year should be physically verified for inclusion in the annual accounts, stock verification had not been carried out in the remaining Systems, except for the H, L, and Forest & Environment division. Since the relevant stock verification activities have now been completed and reports received, identified adjustments that still need to be made will be carried out during the year 2025. In accordance with the Financial Regulations, the stock on hand in all divisions should be physically verified as of 31 December.
- (d) Public Finance Circular No. 01/2020 dated 28 August 2020 on the Amendment of Provisions in the 1992 Financial Regulations.
- (i) F.R. 371 (2) (b) The sum of Rs. 17.24 million, which was handed over in the year 2021 to the Director of Research and Special Projects for the construction of electric fences at Kandakadu and Girandurukotte without the approval of the Treasury Operations Department, had not been settled even by 20 May 2025, and the related tasks had not been properly carried out. Since the measurement sheet had not been submitted with the certification of an officer from the Technical Division, settling the funds had become problematic. A written request regarding this matter was made to the Mechanical Engineer who carried out the supervisory work for the construction of these elephant fences, but no response has been received so far. A reminder letter has been sent regarding this The officers responsible for making payments exceeding the imprest limit without Treasury approval should be held accountable. An investigation should be conducted regarding this matter, and disciplinary action should be taken against the officers concerned, while steps should be taken to recover the loss incurred to

matter.

the government. Measures should also be taken to ensure that the related tasks are properly carried out.

(ii) F.R. 876 (2) (a) Even though if the funds currently in operation appear to be of national necessity and have not been approved by Parliament through a relevant Fund Act, a circular should be issued for such funds and parliamentary approval should be obtained within a year, no action had been taken to obtain the necessary approval for the Mahaweli Foundation Fund, which was initiated in 1991.

This fund was initiated on 25 February 1991. Since its sources are not available in the records, it cannot be verified whether parliamentary approval was obtained. However, steps will be taken to obtain parliamentary approval for the funds in this fund and to regularize these activities.

Parliamentary approval for the Mahaweli Foundation Fund should be obtained promptly in accordance with the Financial Regulations, and disciplinary action should be taken against officers who fail to act in accordance with the Financial Regulations.

(iii) F.R. 877 (2) (d) Even though a performance report, along with certified financial statements for each fund, should be submitted to the Auditor General with copies to the Treasury within two months of the end of the financial year, no such action had been taken in respect of the Mahaweli Foundation Fund.

The relevant officers have also been informed regarding this matter, and action will be taken from 2026 to fulfill these requirements.

In accordance with the Financial Regulations, the financial statements and performance reports related to the fund should be provided to the relevant parties.

(e) Operations Manual established by the Public Enterprises Circular No. PED-01/2021 dated 16

November 2021

(i) Paragraph 3.5

A total of 31 officers of the Mahaweli Security Corps had been released to external institutions during the period from 2020 to 31 December 2024 without the approval of the Cabinet of Ministers. In addition, sums of Rs. 21.17 million, Rs. 5.35 million, and Rs. 473,817 respectively for salaries and contributions to the Employees' Provident Fund and Employees' Trust Fund, as well as overtime and travelling allowances, had been paid to them. However, action had not been taken to recover those sums back to the Authority.

Letters had been sent from time to time to the relevant external institutions to recover the salaries paid during the period from 2020 to 31 December 2023 to all officers of the Mahaweli Security Corp who had been released to those institutions during that period.

The remuneration paid to employees released to other institutions without Cabinet approval should be recovered, and the officers responsible for these unauthorized releases should be held accountable.

(ii) Paragraph 7.2

Even though key performance indicators and operational performance indicators should be established for evaluating the Authority's performance, and the concurrence of the Treasury should be obtained for that purpose, this had not been done.

The printed copy of the annual action plan, which includes the key performance indicators and operational performance indicators for evaluating the performance of the Sri Lanka Mahaweli Authority, has been submitted to the Secretary to the Ministry. The submission of the relevant documents for Treasury approval is carried out at the Ministry Secretary's office level.

An inquiry should be made with the Ministry, and action should be taken to obtain Treasury approval for this.

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| (f) Paragraph 2.3 of the Guidelines for Public Enterprises, issued under Circular No. 01/2021 dated 16 November 2021. | The strategic plan, action plan, and annual budget document had not been submitted to the Director General of the Department of Public Enterprises through the Secretary to the line Ministry. | The printed copy of the 2024 Second Revised Action Plan was submitted for Board of Directors' approval on 13 September 2024, and the approval of the Board of Directors has been obtained for it. | Action should be taken to submit the annual strategic plan, action plan, and budget document to the Department of Public Enterprises. |
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## 1.8 Cash Management

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
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<p>Out of the three loan schemes implemented by the Authority through the Regional Development Bank, with the aim of improving the living standards of Mahaweli settlers by providing necessary basic facilities to entrepreneurs in the Mahaweli regions and bringing agricultural, livestock, value-added, and other industry-related products to domestic and foreign markets, under the Mahaweli Saviya and Mahaweli Surakum loan schemes, loans amounting to Rs. 131.1 million had been disbursed as of 31 December 2024 out of a total of Rs. 151.94 million provided in 2006, 2010, and 2017. No amount of interest charged by the bank on the loans granted under the Mahaweli Saviya and Mahaweli Surakum loan schemes had been remitted to the Authority.</p>	<p>Under the “Mahaweli Saviya” loan scheme, even though the Regional Development Bank charged an interest rate of 8 percent on the loans issued in accordance with the agreements, the bank fully utilized this interest to cover its own expenses. For the funds not yet disbursed to investors, interest income accrues at the average annual interest rate. This interest income is added to the principal and used to issue loans to the investors.</p> <p>Under the “Mahaweli Surakum” loan scheme, loan disbursements have been initiated using the current fund of Rs. 76 million deposited at the Lanka Putra Development Bank. Under this loan scheme, the interest income earned on the loans issued is 4 percent, and the interest income earned on funds not yet disbursed, calculated at the average savings interest rate, is not received as revenue by the Authority but is added to the revolving fund and used for further loan disbursements.</p>	<p>Action should be taken to amend the relevant agreements so that a portion of the interest charged on the loans issued is received by the Authority.</p>

## 02. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 9,884,296 and the corresponding deficit in the preceding year amounted to Rs. 6,201,724. Therefore a deterioration amounting to Rs. 3,682,572 of the financial result was observed. The main reasons for this deterioration were a 112 percent decrease in government recurrent grant income, from Rs. 2,072,178 to (Rs. 257,474), and a 255 percent increase in capital expenditure, from Rs. 851,986 to Rs. 3,023,771.

## 03. Operational Review

### 3.1 Uneconomic Transactions

Audit Issue	Management Comment	Recommendation
(a) A contract was awarded to the University of Sri Jayewardenepura on 28 September 2021 for Rs. 6.54 million to prepare Environmental Impact Assessment reports for an agricultural and livestock resource development project on a 3770-acre land area in the Kandakadu region of the Mahaweli System B, of which Rs. 3.21 million had been paid. Due to the transfer of ownership of this land to the National Livestock Development Board based on a Cabinet decision, there was a failure to reach a definite agreement on which institution the partially completed Environmental Impact Assessment report should be handed over to, and from which institution the subsequent payments should be made. As a result, the Environmental Impact Assessment report could not be completed.	In this regard, discussions were held between the Sri Lanka Mahaweli Authority, the Ministry of Irrigation (Legal Division), and the National Livestock Development Board in accordance with the instructions given at the Ministry's Audit and Management Committee meeting held on 16 May 2025, and the decisions reached are as follows. <ul style="list-style-type: none"><li data-bbox="647 1160 1085 1346">i. The outstanding amount for preparing the EIA report for the proposed Kandakadu project cannot be paid by the NLDB.</li><li data-bbox="647 1357 1085 1653">ii. A technical committee of the Mahaweli Authority should be appointed to review the EIA reports and provide recommendations for subsequent payments, and payments should be made accordingly.</li><li data-bbox="647 1664 1085 1845">iii. After settling the outstanding amount, the agreement with the University of Sri Jayewardenepura should be cancelled.</li></ul>	An inquiry should be conducted against the persons responsible for failing to mention, during the preparation of the Cabinet Memorandum, that a contract had been entered into with the University of Sri Jayewardenepura to prepare an Environmental Impact Assessment report for the proposed land area and regarding the funds yet to be paid for this. Action should be taken to recover the non-productive expenditure from the persons responsible.

The Rs. 3.21 million spent in this manner, without proper planning, had become a non-productive expenditure at present.

- (b) Even though the Authority had planned to launch a program for farmers engaged in dairy farming in the Mahaweli B, C, D, L, and Udawalawa Systems by providing 2802 acres for grass cultivation to improve livestock nutrition, with the program scheduled for completion by 31 December 2020, no land had been distributed to the grass cultivators. In addition, Rs. 6.57 million had been spent on environmental surveys, archaeological assessments, and land surveying activities for the Veherathenna grassland in System L.
- In accordance with the instructions of the former Presidential Secretary, the disposal of lands by the Sri Lanka Mahaweli Authority was temporarily suspended. However, according to the letter dated 09 January 2025 from the current Presidential Secretary, and based on the recommendation of the Honorable Minister in charge, approval has been granted for the disposal of government lands under the administration of the Mahaweli Authority.
- The disposal of land to the grass cultivators should be carried out without further delay to achieve the expected benefits.
- (c) Under the agricultural development program in the Mahaweli B System, approximately 540 acres of land in the Mutuwella Welikanda area had been planned for allocation in 2020 for the implementation of agricultural crop production projects. Even though Rs. 2.62 million had been paid to the University of Colombo in 2021 and 2022 for the Environmental Impact Assessment of these investment projects, and more than five years had passed since the planned
- Environmental approval for this project was received by us on 04 April 2025. Discussions have already been held with the relevant Directors regarding the implementation of the project in accordance with the conditions of the environmental approval, and all divisions have been informed of the decisions taken during these discussions.
- The investment project should be implemented promptly to achieve the expected benefits.

year, no investment project had been implemented.

- (d) A program was initiated in 2021 to produce the required fish fingerlings for the reservoirs within the Mahaweli Authority’s area associated with the Mahaweli Systems. Accordingly, fish pond construction was planned in the C, H, Huruluwewa, and Walawa Systems; however, by 20 May 2025, pond construction had been completed only in the H System. Even though Rs. 2.04 million had been spent for the other systems, the pond construction was not completed as planned, and thus the amount had become a non-productive expenditure.
- Construction of a pond system within the Ratkida Farm belonging to the Mahaweli Authority was initiated in 2021 for the production of fish fingerlings required for the reservoirs in the Mahaweli System C. However, according to the Cabinet Memorandum submitted by the Hon. Minister of Irrigation on 16 November 2022, Cabinet approval had been granted to operate the Mahaweli farms under a public-private partnership model by involving private investors. As a result, the allocation of further financial provisions for development activities in the Mahaweli farms was discontinued. Accordingly, the construction work of the fish ponds was suspended.
- Action should be taken without further delay to implement the measures required in accordance with the Cabinet approval granted, so that benefits can be obtained from the funds already spent.

### 3.2 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) The ‘Urumaya Program’, associated with the 10 Mahaweli Systems, was launched in 2024, targeting the issuance of deeds to 204002 Mahaweli settlers under Section 02 of the Land Ordinance during its first and second phases. In this process, 69774 grants and permits held by Mahaweli settlers under the Land Development Ordinance had been returned to the Authority with the objective of granting absolute ownership of the land. However, as at 31 December 2024, only 26669 deeds had been registered and reissued to the settlers, representing 13.2 percent of the total target. As	Even though the target was to issue deeds to 204002 Mahaweli settlers, the land beneficiaries returned approximately 69744 grants and permits to the Authority in order to obtain these deeds. Out of these, 55823 cases were referred to the Superintendent of Survey for cadastral maps, of which 43869 maps had been received. Based on the received maps, approximately 26669 deeds had been registered and reissued to the settlers. The shortfall was due to delays in returning the grants, pledging the grants to obtain loans, delays in granting life interests, and issues	An inquiry should be conducted to determine whether the Land Development Ordinance has been violated under the Urumaya Program, and an appropriate mechanism should be introduced to ensure that the objectives of the Ordinance are achieved as intended.

at 31 December 2024 the Authority had incurred Rs. 38.8 million for this program. related to successors.

However, the primary purpose of the Land Development Ordinance was the allocation, use, and management of State land for agricultural and residential activities. This ensured that land was provided to persons without land for residential and agricultural purposes; that State land was used productively for agriculture to ensure food security and improve the living standards of rural communities; that equity was promoted by giving priority to low-income earners; that agricultural land was maintained as economically viable units by preventing its division into uneconomic small plots; and that transactions such as selling, leasing, or mortgaging the land were restricted, thereby ensuring continued State control over land use. However, the audit observed that under this new 'Urumaya Program,' granting absolute ownership to the people would prevent the achievement of any of the above objectives.

- (b) Even though Lot No. 366 of F.V.P. 80 in Units 406/408 of the Tambuttegama Division had been designated as a government reserve, the Authority had allocated portions of this land as follows: 5 acres for waste management at the Tambuttegama Economic Centre, 20 acres for a forest reserve, 10 acres for guava cultivation, and 12 acres for grape cultivation. The following observations were made in this regard.

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| (i)   | The 12 acres allocated for grape cultivation in 2005 had not been utilized for that purpose, and although the taxpayer's tax rights were cancelled in 2022 due to non-payment of taxes, the land had not been returned to the Authority as agreed. As at 31 December 2024, the outstanding tax payable for that land amounted to Rs. 489,625.                                       | Cases have been filed. Orders are yet to be issued.  | Action should be taken to promptly recover the outstanding taxes and to remove unauthorized occupants, maintaining the land as a reserve. |
| (ii)  | The approximately 10 acres of land allocated for guava cultivation were not cultivated by the taxpayer and were later illegally sold to a private company for Rs. 3 million. In addition to these 10 acres, the company had also utilized about 8 adjoining acres for its cultivation activities.   | Action is being taken to file cases under the Recovery of Possessions Act.   | -Do-  |
| (iii) | An area of approximately two to three acres along the eastern boundary of this reserve was being illegally occupied by an individual, who had carried out long-term crops such as mango and coconut cultivation. Although the Tambuttegama Block Manager had informed the Residential Project Manager about this matter, no action was taken to remove the unauthorized cultivator. | Not only a single individual but several persons have been carrying out long-term cultivation activities in this reserve. It is noted to conduct a field inspection regarding this matter, and to obtain recommendations and further action will be taken accordingly. | Action should be taken to remove the unauthorized occupants and maintain the land as a government reserve.                                |
| (iv)  | Even though 20 acres of the reserve were allocated to a monastery in 2021, the Residential Project Manager of Tambuttegama reported   | The monastery had been informed to submit the necessary documents to legally allocate the 20 acres approved by the Director (Land Use and Planning).   | Necessary measures should be taken to protect the sensitive zones and areas belonging to the Authority.                                   |

that several unauthorized huts had been constructed outside this 20 acres land area and upon measurement, the total area occupied was found to be 87 acres, with additional huts still being erected beyond this. However, no necessary action had been taken to address the situation.

- (c) Even though Lots No. 03 and 05 of ඉ.පි.මහ. 4971 plan had been allocated to a private company in the Rajawella Settlement, another company had been unlawfully operating on the land since 2009. Even though owing to the unauthorized transfer of commercial land plots and the non-payment of rent, the Director General approved the revocation of the beneficiary selection on 06 November 2019. No action had been taken, and the rent had not been properly recovered despite the land having been unlawfully transferred and more than 14 years having elapsed.
- With the temporary suspension of the land disposal, approval had not been granted to conduct an inquiry to regularize the land tenure under the name of the current occupant. Nevertheless, since a letter of approval has been received from the Secretary to the President to proceed with the Mahaweli land disposal again, further action in this regard will be undertaken.
- Land should be allocated in accordance with the circular.
- (d) A plot of land measuring 0.226 hectares in the Kotmale Kadadora Settlement was handed over to a private company on 05 January 2021 for the establishment of a processing center for vanilla, pepper, cinnamon, and ginger-related products. Approximately 75 percent of the land had been developed; however, by 20 May 2025, more than four years had elapsed since the land was alienated, and no action had been taken to collect rent, even based on the provisional assessment.
- A field inspection was conducted on 03 June 2023 with the Residential Project Manager of System E and the relevant subject officers, during which it was observed that the land had been abandoned by the investor without any development. Accordingly, action will be taken to cancel this allocation and reassign the land to a productive project.
- Immediate action should be taken to enter into rent agreements, take over the land tenure, and recover outstanding rent.

- (e) Under the Digana Residential Project Management Office, the Doragala Tea Factory and the land had been alienated as an investment project and leased to a private company on a rent basis since 1992. Although approval had been granted in 2012 to lease the property under a long-term rent basis, there was no evidence in the file that a lease agreement had been executed. Even though the outstanding rent for this property amounted to Rs. 808,469 as of 31 December 2024, the factory was observed to be closed along with its machinery and equipment during the field inspection conducted by the audit on 18 December 2024.
- The lessee has been notified to pay the outstanding rent promptly, but the rent has not been paid to date. Accordingly, action will be taken under the law to recover the rent, and if the business is not commenced, further action will be taken to consider the project as a non-productive investment and to revoke the rent entitlement.
- Immediate action should be taken to recover the outstanding rent, and subsequently to revoke the rent entitlement and reassign the land to a new investor.
- (f) The Kotmale Unagal Oya Estate bungalow had been alienated to an individual to be maintained as an eco-friendly holiday retreat from 16 August 2017. Subsequently, in August 2023, the property was handed over to a private company for renovation and operation. However, during the field inspection conducted by the audit on 18 December 2024, the bungalow was observed to be padlocked, with no visible evidence from outside that any renovation work had been carried out.
- With the approval of the Board of Directors, the Unugal Oya Estate bungalow (0.739 hectares) was alienated on a long-term rent basis for 30 years from 16 August 2017. At the request of the lessee, and with the approval of the Director General dated 23 June 2023, the property was handed over to a private company on 13 August 2023. The bungalow is currently being maintained and managed by the company.
- If the private company fails to act in accordance with the agreement, possession of the property should be recovered, and action should be taken to renovate the estate bungalow and operate it as an eco-friendly holiday retreat.
- (g) For the purpose of establishing settlements under the Kotmale Project, a plot of land measuring 48.35 acres at Charrin Cross in the Herinton Estate was acquired by the Authority on 20 August 1985 paying sum of Rs. 4.76 million. However, deviating from this purpose, 25.47 acres of the land were allocated on 04 February 1994
- For the purpose of establishing settlements under the Kotmale Project, a plot of approximately 48 acres at Charrin Cross in the Herinton Estate has been acquired and allocated. Of this, approximately 10.31 hectares have been leased on a long-term basis to the Ceylon Workers' Congress Institution, while the remaining
- Immediate action should be taken to recover the outstanding rent, and if development is not carried out as agreed, action should be taken to revoke the rent entitlement. Furthermore, officials responsible for failing to

to the Lanka Estate Workers' Congress Industrial Institution. Nevertheless, as of 20 May 2025, the land remained undeveloped, with no settlements, cultivation, or installations established on it. Furthermore, on 30 April 2005, then Kotmale Residential Project Manager recommended that 22.88 acres of this land be leased to the Human Resource Development Society under a long-term lease, despite the absence of provisions in the Society's Constitution regarding such leasing. The Society's authority to lease land is limited to a maximum of five years, yet as of 17 March 2025, the land had been leased for over 20 years. The lease period of this land had not been extended beyond 31 October 2017. Even though there was an outstanding rent of Rs. 1.67 million as of 31 December 2024 it was observed that, due to the absence of a legally executed lease agreement between the parties, challenges could arise in recovering the outstanding rent.

9.26 hectares have been leased on a long-term basis to the Human Resource Development Society. A zonal committee will conduct a formal inspection of these two land parcels, and further action will be taken accordingly.

comply with the legally executed lease agreements should be identified, and disciplinary inquiries should be conducted against them to recover any losses incurred to the Government.

(h) A plot of land measuring 0.3035 hectares at the old Block Office in Kotmale was allocated in 2019 to a private company for the implementation of a model high-tech greenhouse project aimed at minimizing climatic impacts in the Mahaweli Systems. Through this project it was agreed to provide technical training and employment opportunities for 100 Mahaweli officers and farmers in the Mahaweli Systems (Victoria and System H). However, since 2019, no lease payments have been collected, and the land parcel occupied by the company has not

Even though an annual lease equivalent to 4 percent of the land value should have been levied according to the agreement, it has not been possible to collect the rent to date. This is due to the non-receipt of the relevant documents and the failure of the institution to respond to my letters. It is informed that action will be taken to collect the relevant charges once the valuation is completed by the Chief Valuer.

Immediate action should be taken to recover the outstanding rent and to formally dispose of the land, while measures should also be taken to secure the benefits of the model project.

been formally disposed by preparing a proper survey plan. During a field inspection conducted on 18 December 2024, it was observed that two greenhouses had been constructed and cultivation was ongoing, but no technical training had been provided for Mahaweli officers and farmers as agreed.

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| (i) | No action had been taken up to 2019 to either extend the lease period or to reclaim the 25-acre Niraviya Farm located in Tambuttegama, which had been leased to Mahaweli Livestock Enterprises Ltd by the Authority.  | The company currently operates under the supervision of the National Livestock Development Board, which functions under the Ministry of Livestock Development. To resolve these issues, official correspondence between the two parties has been exchanged, and it is expected that these matters will be resolved upon review of the documents.  | Immediate action should be taken to enter into a new lease agreement or to reclaim the land.   |
| (j) | Even though the Authority allocated 1,728.304 hectares of land to 191 investors for lease in 2017 and 2018 for the purpose of establishing solar power investment projects, only eight investors had commenced electricity generation as of 20 May 2025, and no action had been taken to reassign the remaining unutilized land to other investors. | Due to the COVID-19 pandemic and the subsequent economic downturn, progress on this task was delayed as investors did not come forward. However, considerable progress has now been achieved. Furthermore, the Authority had only granted approval for the land allocation, and all relevant consents must be obtained from the respective investors. The process of releasing the land will commence only after all such approvals have been obtained. | Action should be taken to revoke the land allocations where projects have not been initiated as agreed and to reassign the land to new investors.                  |
| (k) | Even though the Digana Village Resort including 7 acres of land and all household items and equipment owned by the Authority had been vested in a private company under a memorandum of understanding dated 01 June 1993, the company   | Legal possession of the premises was handed over to the Authority on 16 January 2025. The premises are currently undergoing renovation. Furthermore, by the letter dated 24 March 2025, the Legal Division informed that the  | Immediate action should be taken to recover the outstanding rent and to assess the damages caused to the building and its furnishings, and to recover the assessed |

had unlawfully occupied an additional area of approximately 3 acres. According to the court judgment dated 21 November 2022, the premises should have been handed over to the Authority on or before 26 February 2023 as stipulated. However, the company had vacated the premises without formally handing over the property, and as of 31 December 2024, operations at the premises had been halted for over a year, leaving the property vulnerable to deterioration. Furthermore, although the premises had been rented out to external individuals and institutions for various events and accommodation since 1993 and had generated income, no payments had been made to the Authority. The amount calculated as receivable was Rs. 4.5 million.

necessary action should be taken to assess the damages incurred after the handing over of legal possession to the Authority. Accordingly, the assessment of damages is currently being carried out, and upon completion of the valuation, legal action will be taken to recover the relevant amount without delay.

amount promptly from the responsible parties. Furthermore, the building should be repaired without allowing any further deterioration, and measures should be taken to generate income from it.

(l) Even though a quarters belonging to the Authority, a building within the Kotmale camp premises, and a land of approximately 1.311 hectares including the Doragala Estate bungalow had been provided to the Sri Lanka Broadcasting Corporation on several occasions, no formal lease agreement had been established, and no government valuation had been obtained for the buildings. Of these buildings, only a monthly rent of Rs. 3,000 is being charged for the quarters numbered 57B, while the Authority has not collected any rent for the remaining buildings.

It is acknowledged that the land was not released under a formal lease agreement, and only a conditional handover, signed by the Residential Project Manager, has been carried out. Agreements have been prepared to charge rent for the quarters numbered 57B and the estate bungalow; however, these actions have been delayed due to the lack of recommendations from the Housing Committee.

Immediate action should be taken to obtain government valuations and to enter into formal lease agreements, as well as to collect the rental income. Disciplinary measures should be imposed on the responsible officers for failing to enter into formal lease agreements and for not obtaining the government valuations.

(m) Even though the Cabinet of Ministers decided in 2019 to wind up Natural Resources Management (Pvt) Ltd., a subsidiary of the Authority, the winding-up process

Liquidators have been appointed to carry out the winding-up process of the company. The liquidators are still performing their duties.

The winding-up process of the company should be completed without delay.

had not been completed by the end of the review year.

- (n) Investments in Mahaweli Livestock and Agro Enterprises (Pvt) Ltd. had been reported as Rs. 406.38 million in the financial statements of the Mahaweli Authority, and the company was also shown as a subsidiary of the Authority. Even though the company was listed as a subsidiary of the Authority in its Articles of Association, it had not issued a single share on behalf of the Authority.
- In 2023, one share was transferred to the Mahaweli Authority of Sri Lanka. Relevant documents have been submitted to the Department of the Registrar of Companies for the transfer of the remaining two shares. This process is currently underway.
- Shares should be issued in the name of the Authority.
- (o) According to the financial statements, a total of Rs. 171.37 million was to be recovered from the investment projects by 31 December of the year under review, of which Rs. 43.98 million had been outstanding for more than five years and could not be collected. Additionally, rent was receivable from private telephone companies for the construction of telephone towers on the Authority's land in the B, C, G, H, and L Systems, amounting to Rs. 11.75 million as of 31 December 2024.
- In addition, according to information obtained during the audit, rent had been charged for 166 investment projects on land released over periods ranging from a maximum of 32 years to a minimum of 6 years in the Walawa, Rambakan Oya, and B Systems, based on a provisional assessment without obtaining the government valuation.
- Agreed. Action will be taken to inform the relevant parties to recover the outstanding amounts, and if this is not done, legal action will be initiated.
- Immediate action should be taken to collect the amounts due and to charge rent based on the government valuation.
- (p) The ownership of the lands on which the properties bearing Assessment No. 11, Jawatte Road,
- With regard to this matter, it is expected to discuss with the Secretary to the line ministry and
- Action should be taken to expeditiously regularize the ownership of these

Colombo 05, Assessment No. 04, Jawatte Road, Colombo 05, the housing complex located on Sarana Road, Bauddhaloka Mawatha, Mahaweli Centre and the premises of the Ratmalana Mechanical Workshop had not been properly clarified.

make arrangements to lease the lands. buildings belonging to the Mahaweli Authority to external institutions on a formal basis.

- (q) It had been decided to write off 75 percent of the outstanding land use fees recoverable from granite operators and to recover the balance in 36 instalments by the Cabinet Decision dated 14 December 2020 bearing No. අම/20/1852/317/012 and instructions had been given to promptly initiate legal action under the Public Property Act against investors who fail to make payments in accordance with the agreed terms at the meeting of the Committee on Public Enterprises held on 10 August 2023. However, the Authority had been unable to recover any amount out of the outstanding land use fees amounting to Rs. 64.92 million recoverable from 25 quarry operators who had obtained such concessions. Further, it was observed that 23 quarry operators, whose concession period granted to settle the outstanding land use fees had expired on 31 December 2023, were misusing the concession by making payments in small amounts, and that a further Rs. 149.32 million remains recoverable from them. Furthermore, among the quarry operators granted concessions under the aforementioned Cabinet Decision, 12 were large-scale construction companies and businesspersons, from whom the outstanding land use fees at that
- Although these parties have been notified to pay the outstanding land use fees, legal action has been initiated under the Public Property Act No. 12 of 1982 against project operators who have not commenced payment of such fees. Even though investors were notified to commence the calculation and collection of outstanding fees in accordance with the Cabinet Decision dated 14 December 2020, the COVID-19 pandemic and the nationwide shortage of explosives in 2021, 2022, and 2023 led to weak operations of quarry projects during those years, resulting in delays in the payment of outstanding fees. Legal action has also been initiated against 23 such investors.
- Action should be taken to recover the outstanding land use fees without further delay. Furthermore, an investigation should be conducted regarding the procedure followed in deciding to write off the outstanding land use fees, and, if any irregularities are identified, appropriate corrective measures should be taken.

time amounted to Rs. 1,313.95 million. This represented approximately 69 percent of the total land use fees recoverable.

- (r) The granite mining operation on a 1.2141 hectare land in the Mayurapura unit of the Walawa System, conducted by the Maga neguma Road Construction Company, was initiated in 2010 and halted in 2015, during which ½ inch granite and ABC mixtures had been stockpiled and abandoned. This land containing granite was alienated to a private company on 16 August 2024, and at the time of alienation, no action was taken to assess the value of the granite or to remove the excavated granite quantities. The Block Manager (Mayurapura) conducted a field inspection on 27 January 2025, during which it was reported to the Resident Project Manager (Walawa) that approximately 813.5 cubic meters of ½-inch granite and 1,138 cubic meters of ABC mixtures had been stockpiled. However, during a field audit inspection conducted on 5 March 2025, it was observed that the stockpiled granite had been removed by another party.
- Since the company had vacated the land after 2015 and abandoned it, the quantities of 813.5 cubic meters of ½-inch granite and 1138 cubic meters of ABC mixtures will be formally verified through precise measurement, and subsequent action will be taken in a proper and systematic manner.
- Disciplinary action should be taken against the officials who, at the time of transferring the land to a private company on 16 August 2024, failed to take action to remove the excavated granite and neglected their responsibilities.
- (s) Even though 11 buildings owned by the Authority had been provided to 4 projects, the water, electricity, and sanitation bills related to these buildings had been paid by the Mahaweli Authority of Sri Lanka. As of 31 December 2024, the value of the outstanding bills not reimbursed by the respective institutions amounted to Rs. 15.62 million, however, no action
- Discussions will be held with the Secretary to the line ministry regarding this matter, and it is expected that the Authority's buildings will be provided to external institutions in a formal manner on a rental basis. The respective institutions have been informed of the amounts to be reimbursed. The outstanding amount still recoverable from
- Action should be taken to recover the outstanding water, electricity, and sanitation charges.

had been taken to recover these amounts. these institutions for water, electricity, and sanitation services provided by the Authority amounts to Rs. 12,243,589.22.

- (t) Even though 43 warehouses belonging to the Authority have been used by the Paddy Marketing Board since 2009, no action has been taken to either transfer ownership of these warehouses to the Paddy Marketing Board or to recover rent for their use. The Chairman of the Paddy Marketing Board had been informed to obtain and submit a Cabinet approval to either release the warehouses from rent and transfer them to the Paddy Marketing Board, or else Paddy Marketing Board does not agree to pay the applicable rent, notify me immediately with a copy of the Act which the institute established, if there is a provision to acquire government lands free of charge. Since no response was provided to this instruction and no feedback was given regarding the reminder letter, a “final notice” was issued to the Paddy Marketing Board on 4 July 2025. Subsequent actions will be taken in accordance with the progress of the matter. Measures should be taken to either officially transfer the warehouses or collect the rent due.
- (u) The instances where necessary action had not been taken in relation to unauthorized occupations under Section 180 of the State Lands (Recovery of Possession) Act No. 7 of 1979 are as follows:
- (i) According to the information received during the audit, 6259 unauthorized occupants had illegally occupied 5370 acres across 10 divisions of the Authority. However, legal action had been initiated for only 369 acres of this area. Furthermore, after 23 May 2023, lands previously acquired by the Authority in the Meegalawa Division of the H System measuring The unauthorized occupants in the 10 divisions mentioned have been illegally occupying the respective land parcels for a long period. Since they have now undertaken development activities on these land parcels, steps are being taken at the divisional level to regularize the occupancy of these individuals. Action should be taken to remove unauthorized occupants and safeguard the sensitive divisions and areas owned by the Authority.

1.575 acres, in the Rambakenoya Division measuring 72.6 acres, and in the Victoria Division measuring 87.5 acres were re-occupied by unauthorized occupants.

- (ii) Fifty acres of land, situated within a total of 511.52 acres that had been disposed of to a private company, was leased to a private company for cultivation for a period of 10 years, from 15 March 2014 to 14 March 2024, by a private party claiming ownership of the land for Rs. 6.52 million. As of 20 May 2025, no legal action had been taken to confirm ownership of this land.
- Even though this land has so far been treated as freehold land, considering the emerging contentious issues, a detailed report on the ownership of the land has been requested from the Department of Land Title Clearance. Accordingly, we have been informed that the Regional Office of the Department of Land Title Clearance in Mahiyanganaya has requested a report from the Commissioner General of Land Title Clearance on this matter. Once the report is received, further action will be taken based on its findings.
- Ownership of this land should be verified.
- (v) Even though the President had issued a recommendation on 22 November 2022 to halt land disposals, a total of 339 residential and homestead land parcels and 366 commercial land parcels had already been alienated relevant to 07 Systems which are B, C, D, E, G, H, and Huruluwewa Divisions. Upon the revelation of this matter, a high-powered independent committee was appointed on 25 August 2023 under the direction of the Secretary of the Ministry of Lands. However, no action had been taken regarding the observations and recommendations of the committee up to 20 May 2025.
- Action will be taken promptly to identify the officials who carried out the land disposals in an irregular manner and to take the necessary measures.
- Prompt action should be taken regarding the observations and recommendations of the committee.

- (w) Even though a total of 797 land parcels, equivalent to 16,143 acres, had been alienated for all investment projects in the 10 divisions as of 31 December 2024, it was observed that 326 of these parcels remained undeveloped.
- In the L System, 17 land parcels remained at an undeveloped stage due to various reasons. Within the Mahaweli B System, approximately 74 projects were observed to be at an undeveloped stage. The respective project owners have been notified to develop the land accordingly. It has been further communicated that if these undeveloped lands continue to remain undeveloped, action will be taken to revoke their lease rights.
- Lease rights of all undeveloped and non-developed land parcels should be revoked, reclaimed, and utilized for appropriate purposes.
- within the Weheragala Block of Mahaweli System C, two undeveloped land parcels alienated for investment projects have been revoked, and action is currently underway to revoke an additional land parcel. In the remaining units, action has been initiated to revoke 15 undeveloped land parcels.
- In the System Moragahakanda, due to environmental conditions, these land parcels have not been used for the expected development.
- In the Victoria/ System E , a total of 36 land parcels had been alienated for investment projects. Of these, 3 parcels have been revoked, and field inspections confirmed that 11 of the remaining 33 land parcels remain undeveloped.
- In System Walawa, necessary action is being taken to revoke investment projects where no development activities have been carried out. Notices have already been issued for 21 such projects.
- In System H, 6 land parcels remain undeveloped.
- Lease fees are currently being collected for these land parcels. Additionally, 3 of these undeveloped parcels have been

identified for revocation.

In System Rambakenoya, action have been taken to revoke 04 underdeveloped land parcels out of 10 land for 10 investment projects. The outstanding lease fees for the parcels identified for revocation have been referred to the Director (Legal) for recovery.

- (x) There was no national policy for the alienation of Mahaweli lands, and these limited resources were not alienated in a transparent manner using a more planned and scientific approach that considers agriculture, settlement, industry, tourism, and environmental balance.
- The alienation of Mahaweli lands is carried out based on structural plans prepared for each System in accordance with the objectives of the Mahaweli Master Plan. Primary attention at the System level is given to key aspects such as basic land information for the proposed area, the current condition of the proposed land, and the utilization of adjacent lands, as well as agricultural, technical, social, economic, and environmental factors. Recommendations are provided by the Director (Land Use Planning) to ensure that the overall structure is planned and executed using a scientific methodology, taking into account both the impacts on the overall structure and potential impacts on other Systems. All recommendations regarding land are updated through the Geographic Information System.
- A national policy should be introduced for the alienation of Mahaweli lands, and land should be alienated following physical plan recommendations in accordance with the Land Grants Ordinance, using a scientific methodology.
- (y) When providing land in the Mahaweli areas on a long-term lease basis for agricultural and business development purposes, there was no specific and clear policy approved by the Board of Directors defining the extent of land that could be allocated by area, the types of suitable investment projects, or the minimum and maximum extents of land that could
- Investment project proposals are evaluated by an Evaluation Committee, and land alienation is carried out in accordance with a formal procedure, subject to the approval of the Board of Directors. Structural plans for the Mahaweli Systems are prepared taking into consideration the development requirements for approximately the next 20 years, and the revisions
- Criteria for selecting investors should be established, and investors should be chosen accordingly. Additionally, structural plans should be updated in accordance with land use requirements.

be granted. Land for investment projects had been allocated based on individual requests, and criteria for the selection of investors had not been identified.

Furthermore, although basic structural plans for land use had been prepared in accordance with Section 3 of the Sri Lanka Mahaweli Authority Act No. 23 of 1979, these structural plans had not been updated since 2011 to reflect current land use requirements.

carried out in 2011 were also made with due regard to a 20-year time-based requirements. Accordingly, special requirements arising from time to time are taken into consideration, and amendments are made based on regional physical planning recommendations. The next plan revision is expected to be carried out in 2030.

- (z) Action had not been taken to recover the excess payment of Rs. 43.36 million made to the Road Development Authority in the year 2018 during the construction of the road from Weli Oya Gajabapura to Nadunkerni Handiya.
- A payment of Rs. 390,085,714 was made to the Road Development Authority in 2018 for the construction of the road from Weli Oya Gajabapura to Nadunkerni Handiya. Regarding the remaining amount of Rs. 43,363,909.15, the Road Development Authority agreed to use it for the rehabilitation of a 1.9 km section of the road from Sampath Nuwara to Gajabapura. However, only a part of this section was rehabilitated, and the contract was subsequently cancelled. Accordingly, the Road Development Authority has informed the Deputy Director General (Finance/Services – T/S) in writing that an amount of Rs. 17,556,259.24 had been spent on this temporary rehabilitation work. Therefore, the Deputy Director General (Construction) of the Road Development Authority has confirmed that the remaining amount of Rs. 25,797,649.92 will be refunded to the Mahaweli Authority of Sri Lanka.
- The excess payment should be recovered.

- (aa) According to the letter ENV/GEN/Audit Report-2023 dated 24 March 2025 from the Director (Forestry and Environment), it was observed that as of 30 November 2024, 21 granite projects had been operating without collecting land rehabilitation fees. Even though it was reported that as of 30 November 2024, 21 projects had been operating without collecting land rehabilitation fees, the current status of these 21 projects has been attached Immediate action should be taken to recover the land rehabilitation fees.
- (bb) Even though a total of Rs. 1.61 million was paid to the Department of Survey in 2018 and 2019 to demarcate 60 meter buffer zones on both sides of the Mahaweli River to minimize environmental damage from sand mining, the demarcation of these buffer zones had not been completed as of the audit date, 20 May 2025. The survey work has now been completed, and the Department of Survey has informed our Authority that action will be taken in the future to mark the boundaries. Immediate action should be taken to demarcate the buffer zones.
- (cc) According to the preliminary investigation report conducted by the Ministry of Irrigation regarding the irregularities that occurred during the issuance of sand mining licenses in Mahaweli System C, it was recommended that action be taken in accordance with the Establishments Code against the former Residential Project Managers for allowing the misuse of state resources, and that action be taken against the former Director of the Land Use Division, who was fully responsible for mineral extraction activities, for committing an offence under Schedule II of the Establishments Code. However, as of 20 May 2025, no action had been taken either to initiate action against the offenders or to recover the amounts concerned. In accordance with the recommendations of the preliminary investigation report conducted regarding the irregularities that occurred in the issuance of sand mining pit license in System C, instructions had been issued to take action against the responsible officers in accordance with the provisions of the Establishments Code. After the matter was brought to the attention of the Deputy Director (Legal), the Attorney General's Department informed the Deputy Director (Legal) that action cannot be taken against retired officers under the provisions of the Establishments Code. Accordingly, the Deputy Director (Legal), by letter dated 04.07.2024, informed the Residential Project Manager (System C) to take necessary action to institute legal proceedings against the sand pit license holders under the Public Property Act. The financial loss incurred by the Authority should be recovered.

- (dd) Despite not being regulated by the Authority, formal agreements had not been executed to recover watershed management fees from 65 small-scale hydropower plants operating within the Mahaweli Special Area. Environmental protection licenses valid for a period of 15 years have been issued for these plants, and during the renewal of these licenses, the Mahaweli Authority will have the opportunity to intervene in these projects. Accordingly, it is expected that appropriate action will be taken in the future and formal agreements will be executed properly. An appropriate mechanism should be established to collect watershed management fees from these plants.
- (ee) Even though Cabinet approval was granted in 2018 to reorganize the Mahaweli Livestock and Agro Enterprises (Pvt) Ltd, established using Authority resources, as a public-private partnership with a selected external investor, these actions have not been carried out. Since the aim is to develop such farms with the participation of the local farming community, and in line with the new government policy, a new Board of Directors has been appointed, and plans have been made to reorganize the company. Action should be taken to reorganize the company.
- (ff) Even though the area where the island located amidst the Mahaweli River, in the Kandy District, within the Getambe Grama Niladhari Division belonging to the Kadawathsathara Divisional Secretariat Division, had been declared as the Warathenna–Hathkinda Environmental Protection Zone by Gazette No. 2024/06 dated 19 June 2017, the approval of the Board of Directors was granted on 9 August 2024 to lease out, on an annual rental basis, the land plot with a restaurant located within this area. As this restaurant is a business establishment that had been in operation prior to the declaration of the Environmental Protection Zone, the approval of the Board of Directors was granted to lease out the restaurant on a rental basis. Accordingly, although a government valuation was requested for the purpose of leasing, the valuation has not yet been received. A proper procedure should be implemented to maintain the area where this island is located as an Environmental Protection Zone.
- (gg) A 146 acre portion of the Tambuttegama Niraviya Farm was handed over to the Army in 2020 for agricultural purposes without any formal agreements. During this period, although Army officers resided in the farm’s circuit bungalow and quarters, no charges were collected by the Authority. The portion of land within the Niraviya Farm that was handed over to the Sri Lanka Army has been further approved by the Cabinet of Ministers to remain under the administration of the Sri Lanka Army. Accordingly, both parties are currently in discussions regarding the collection of the Charges and rental fees should be collected for the use of the circuit bungalow and quarters.

relevant rental fees. (including charges for building usage, water, electricity, and related services.)

- (hh) Water is released from the Victoria, Randenigala, Rantambe, Kothmale, Bowathenna, Maduru Oya, Polgolla, and Udawalawa reservoirs for electricity generation, and the Authority incurs substantial annual expenses for the maintenance and operation of these reservoirs. In 2024, a total of 11106 cubic meters of water was released from these reservoirs for hydroelectric power generation, producing 2,273.1 units of electricity; however, no fees had been collected by the Authority in this regard.
- It is acknowledged that no payments have been made to the Authority for electricity generation and for the water released to the National Water Supply and Drainage Board. Several discussions have been held with the Ceylon Electricity Board and the National Water Supply and Drainage Board regarding this matter, however no satisfactory response has been received from these institutions to date.
- A procedure should be introduced to levy a fair charge for the water released for electricity generation.

### 3.3 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) Even though a total of Rs. 6.97 million was spent to establish and implement a land information system during 2016 and 2018, and 60 officers were trained, the land management information system had not been operational as of 20 May 2025, making the expenditure unproductive.	With the aim of storing all existing land information data in the Sri Lanka Mahaweli Authority area, the development of the e-Slims system of 2016 had been handed over in 2016 to a private institution under an agreement, based on the instructions and guidance of the Information Technology Agency of Sri Lanka. During 2016–2017, while the development activities of the data system were being carried out, a large number of land parcels over 5,000 under the Government Lands Ordinance were entered into the system. From 2017 onwards, due to the annual budgetary shortfalls for the contracted period and the COVID-19 pandemic situation in the country, it has not been possible to enter into further agreements for	Action should be taken promptly to implement this information system.

this programme.

The preparations to re-implement the e-Slims system within the Mahaweli Authority have been completed, and an agreement has been signed with the relevant company.

- (b) A project to reconstruct the eroded flood protection bund had been initiated on 6 August 2019, using the profits earned from mining and selling the sand deposits located on the bank opposite the protection bund at the Kantalai-Suriyapura Mahaweli River. The reconstruction of the bund was initially agreed to be completed within six months from 1 April 2019, however, the timeline was extended on several occasions until 19 July 2022. This project, which was started as a priority in 2019, has now elapsed five years and eight months, and as of 20 May 2025, it remains incomplete.
- Even though a project was initiated to remove approximately 103128 cubic meters of sand following a request from the Suriyapura Farmer Organization and in accordance with the decision of the Attorney General's Department to remove the sand deposit located at Thummodara, where the Mahaweli River flood protection bund had been eroded, and to reconstruct the flood protection bund. However, due to objections from the owners of other sand deposits in the area, the COVID-19 pandemic, and adverse weather conditions, it has not been possible to complete the project within the contracted period.
- Immediate action should be taken to resolve the existing issues and complete the project.
- (c) Even though the resettlement of people who had lost their homes due to the construction of the Moragahakanda Reservoir was initiated in 2012 and completed by November 2022, no plans had been made for the water supply required for drinking and other purposes for the resettled population. As a result, as of 20 May 2025, water had to be supplied daily by bowsers to 473
- For the construction of the Moragahakanda Reservoir in the Moragahakanda System, the people living in the affected areas were resettled in the Laggala, Wellewela, and Guruwela areas. As water facilities had not been provided for these people, the Moragahakanda-Kaluganga Project took measures to supply drinking and domestic water to them through bowsers. As informed by the National Water Supply and Drainage Board, it is reported that, by
- Furthermore, measures should be taken to allocate land to the settlers and provide water facilities without any further delay.

families resettled in Wellewela and New Guruwela for drinking and other essential needs. Expenditures for this amounted to Rs. 40.73 million in 2023 and Rs. 45.37 million in 2024. Furthermore, as 161 families among the resettled population had not been provided with paddy fields, resulting in the loss of their livelihoods, a total of Rs. 20.65 million had been spent by the project initially and subsequently by the Authority from July 2022 to provide dry rations to these resettled families, up to 31 December 2024.

August 2025, the water supply will be restored to normal, and measures are being taken to provide drinking water to the public in a systematic manner.

I wish to state that, since it may be possible to proceed with the disposal of the land in the future, the provision of dry ration allowance can be discontinued after the land is disposed of and the first harvest is obtained.

### 3.4 Transactions of Contentious Nature

Audit Issue	Management Comment	Recommendation
<p>(a) In order to improve the living standards of the people in the Ratnapura District, three new divisional offices were established in 2024 within System Walawa, in the areas of Godakawela, Weligepola, and Kolonna. An initial expenditure of Rs. 4.02 million was incurred to establish these offices, and additionally, Rs. 100,000 per month was paid as building rent up to April 2025. Land administration activities and maintenance of the irrigation systems in the areas where these offices are situated were not carried out by the Mahaweli Authority, and these offices primarily</p>	<p>The Walawa System is currently a Mahaweli System in which development activities are carried out through 10 blocks. However, as of 20 February 2024, development activities in the Walawa System had been implemented based on only six blocks.</p> <p>With the declaration by Gazette notification on 20 February 2024 that a Grama Niladhari Division belonging to the Kolonna Block should be developed through the Mahaweli Authority, the Kolonna Block was incorporated as the 7th block within the development area of the Walawa System.</p> <p>As the Weligepola, Godakawela, and Sewanagala blocks had not yet been established when</p>	<p>A procedure should be introduced to properly assess the suitability of new block offices before their construction.</p>

functioned to distribute material assistance. preparing the revised action plan approved by the Board of Directors on 14 May 2024, according to my instructions, it was proposed through the action plan to allocate resources to improve the sanitation facilities for the settlers of the new block, and the Board of Directors granted approval for this proposal.

- (b) A total of 385,000 school textbooks worth Rs. 47.2 million had been purchased in 2024 exclusively for schoolchildren in the System Walawa. This program was later included in the revised action plans, and the textbooks were procured during the period when the implementation of such programs was suspended from 26 July 2024 to 21 September 2024 in accordance with Extraordinary Gazette No. 2394/56 issued by the Election Commission during the presidential election period.
- The action plan for the year 2024 was prepared based on the six existing blocks operating within the Walawa System and was approved by the Board of Directors. Subsequently, the Secretary to the Ministry informed that, in addition to the six blocks where development activities are being carried out in the Walawa System, the Kolonna Block, comprising 29 Grama Niladhari Divisions, will be included as a new development block. Furthermore, 18 new Grama Niladhari Divisions will be added to the development area of the previously designated Chandrikawwa Block, thereby extending the total development land area within the Walawa System.
- In accordance with the instructions provided by the Director General, the revised action plan, which includes the proposed program for distributing exercise books to schoolchildren covering all blocks within System Walawa, was reviewed by the Board of Directors and approved on 14 May 2024.
- An investigation should be conducted regarding actions taken in contravention of the Extraordinary Gazette issued by the Election Commission, and disciplinary inquiries should be conducted against the relevant officers.

- (c) When 135.75 hectares of land in the Walsapugala area were disposed of to 12 companies for solar power projects in 2024, public notifications had not been issued through widely circulated media to allow all interested parties to come forward. Instead, the Authority provided the opportunity to allocate the land only to a selected group.
- Primarily, three institutions were involved in this process, the Sri Lanka Sustainable Energy Authority as the regulatory body, the Ceylon Electricity Board as the electricity purchaser, and the Sri Lanka Mahaweli Authority as the landowner. In addition, several other institutions were also involved.
- Accordingly, all these institutions collectively established a Project Approving Committee (PAC), which carries out the relevant project evaluations. In this process, since the electricity is purchased at standard prices and the electricity demand in the area at that time, as well as the government's capacity to allocate funds for investments, were limited, the proposals submitted by investors were carefully considered, and only feasible investors were selected to proceed.
- A procedure should be implemented to notify the public through widely circulated media, enabling all interested parties to come forward when land is being allocated for projects.
- (d) When allocating this land area for solar power projects, which is located close to an environmentally sensitive wild elephant management zone where elephants are widely present and is considered a dry forest in Sri Lanka with thorny vegetation, the land had been allocated without consulting the relevant institutions or obtaining the approval of the Board of Directors.
- Due to issues prevailing both nationally and within the institution regarding appointments to permanent positions, as well as the shortage of adequate staff, officers had been transferred from time to time. Nevertheless, no approval was given to provide any individual with opportunities for unlawful activities. At present, investigations relating to these 12 projects are being conducted by the relevant institutional authorities and the Criminal Investigation Department, and appropriate action will be taken based on the recommendations arising from those investigations.
- An internal investigation should be conducted into the allocation of land without obtaining the approval of the Board of Directors and into the disposal of land by circumventing the requirement to obtain Cabinet approval, and disciplinary action should be taken against the officers responsible.
- Furthermore, as Cabinet approval is required for the disposal of land exceeding 50 acres, steps had been taken to allocate land in parcels to the

selected 12 companies. In doing so, survey-related documents had been fraudulently prepared and submitted to the Survey Department. Land allocation activities were carried out despite the fact that official survey information relating to these measurements had not been formally issued to the Authority by the Survey Department, and while the responsible parties were aware that issues existed with respect to the surveys.

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| (e) | At the Board of Directors' meeting No. 304 held on 31 January 2019, it had been decided that, instead of charging rent for lands allocated for solar power projects, 6 percent of the total revenue received by the investor from the Ceylon Electricity Board should be charged as a land use fee. However, contrary to this decision, action had been taken to lease the lands for 30 years by charging an annual lease rent of 4 percent of the Government-assessed value of the land in terms of the State Lands Ordinance. | In respect of lands allocated for solar power generation, a 6 percent charge is collected after the commencement of solar power generation, while an annual charge of 4 percent is collected at the time of allocating the land prior to the commencement of solar power generation. | Action should be taken to collect land use fees in accordance with the decision of the Board of Directors, and the State Lands Ordinance should be amended accordingly. |
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### 3.5 Idle or underutilized Property, Plant and Equipment

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) The crane used for maintenance work at the Kothmale dam, which had been idle since 2014, underwent repairs in 2017 at a cost of Rs. 9.8 million.	Since approximately an additional Rs. 10 million would be required to make this machine operational, the Directors of the Major Dam and Reservoir Operations Division have reported that	If repairing the machine is financially unviable, action should be taken to dispose of it. Furthermore, an investigation should be conducted to determine whether there is a connection

However, due to a burst in the machine's hydraulic hose system, the crane remained out of operation and could not be used thereafter. repairing it would not be financially viable. between the delay in repairs and the subsequent burst in the machine's hydraulic hose system.

- (b) Even though a CCTV camera system had been installed in the head office premises in the year 2019 by incurring a sum of Rs. 1.75 million, an agreement had not been entered for the maintenance service relevant to the system. Out of the 25 cameras installed by 28 April 2025, 08 cameras in essential places had been out of service. In addition, Even though a monitor for the CCTV system should have been installed in the main security guardroom, the necessary equipment to conduct inspections had not been set up. Furthermore, while the system's memory capacity was expected to last for one month, the installed system only had a memory capacity of one week. Accordingly, even though Rs. 1.75 million was spent to install the CCTV system, the intended objectives were not achieved, rendering this expenditure unproductive. Even though a contract was awarded to a company in 2019 for the installation of the CCTV camera system, no formal agreement had been executed. Furthermore, our inquiries revealed that the company is currently non-operational. Accordingly, steps are being taken to promptly enter into a contract with another suitable institution for the maintenance and servicing of the CCTV camera system, following the prescribed procurement procedures. A contract should be promptly executed with a suitable institution for the maintenance and servicing of the CCTV system, and necessary steps should be taken to repair the non-operational cameras. Furthermore, disciplinary action should be initiated against the officials responsible for the failure to formalize the service contract.
- (c) The land measuring 0.2139 hectares, together with the building premises located at Dematagoda, Baseline Road, belonging to the Authority, has been abandoned and is currently in a state of deterioration, and no action The responsibility for safeguarding the relevant buildings, furniture, and equipment has been delegated to the Mahaweli Security Corps. Further, Board of Directors Decision No. 352 granted approval to call for Expressions Prompt action should be taken to utilize the land and building for a productive purpose.

had been taken in this regard up to 20 May 2025.

of Interest for the development of the land and building for use as a warehouse and a vehicle yard. However, based on the management decision taken at that time, it currently remains inactive.

- (d) Facing the Manampitiya–Aralaganwila main road, thirty-six two-storey shop units and twelve shop units in two single-storey buildings were constructed in 1999 on a 1.5 acre land area, under the Saudi Development Fund, at a cost of Rs. 48 million. As of 13 November 2024, the 36 two-storey shop units remained non-operational, while only the 12 single-storey shop units were open for business. By 20 May 2025, rent arrears of Rs. 2.53 million were due, however, it was observed that, due to the absence of formal agreements, legally recovering this amount created difficulties.
- Even though the shops belonging to the Riyadh Commercial Complex were leased to businessmen through tenders called in 2000 and 2012, they have not been put to use to date due to business failures. As a result, their prolonged non-utilization has left these buildings idle and deteriorated. Due to the prolonged non-use of the building, electricity and water services were disconnected, as the monthly service charges continued to accumulate despite no consumption. Therefore, after renovations of the building, electricity and water should be restored.
- Action should be taken to hand over these shop units to the relevant Pradeshiya Sabha, to evict unauthorized occupants, and to promptly recover the outstanding rent.
- (e) The Authority and the Department of National Community Water Supply entered into an agreement in 2015 to provide, construct, and install 30 Reverse Osmosis plants at a cost of Rs. 80 million along with the associated facilities to ensure a standardized water supply. Due to the failure to select locations based on local inspections and assessments during the installation of the
- All these purification units have been handed over to the Farmer Organizations under an agreement. The Director General of the Department of National Community Water Supply has been notified in writing on several occasions to inspect the inactive purification units, carry out the necessary repairs, and provide the required services.
- Disciplinary action should be taken against the responsible officers for selecting locations without conducting local inspections and assessments during the installation of the units, and measures should be taken to bring the non-operational units into use.

units, three purification units remained non-operational. Additionally, two units installed in System B were never commissioned. As of 20 May 2025, a total of five units three in System B and two in System L remained inactive. According to Clause 13 of the agreement with the Water Supply Department, the Department had agreed to provide essential maintenance, service, and spare parts for the water purification project for a period of 10 years. However, in this case, the necessary actions were not carried out in accordance with the agreement.

### 3.6 Procurement Management

Audit Issue	Management Comment	Recommendation
<p>At the commencement of the construction of electric fences in the Mahaweli Systems, the Mahaweli Authority, together with the Sri Lanka Inventors Commission, had installed fences in System B at Aralaganwila, Kandakadu, and Sinhapura, and in System C around the Mahaweli Training Centre. In this process, contrary to Clause 3.5(e) of the Procurement Guidelines Handbook, the entire contract amount of Rs. 22.07 million had been paid in advance before the completion of the work. It was not possible to release the advance payment because neither the Authority's technical division nor any other party had verified that the elephant fences had been properly constructed, and proper</p>	<p>The advance payment amounting to Rs. 4,840,272.41, released to the Inventors Commission for the construction of elephant fences at the Aralaganwila Seed Farm in System B, has now been fully settled. The advance payment amounting to Rs. 9,239,319.60 to the Inventors Commission has not been released due to the failure to submit the technical reports (Measurement Sheet) for the construction of elephant fences in System B, between Karapola, Kandakadu, and Sinhapura. The advance payment of Rs. 8,000,000 for the elephant fences constructed around the Agricultural Training Farm in System C has still not been</p>	<p>Necessary actions should be taken to complete the unfinished work and promptly recover the advance payments. Disciplinary action should be taken against the officers responsible for releasing advances contrary to the Procurement Guidelines Handbook, and steps should be taken to recover the loss incurred by the government.</p>

bills had not been submitted. Audit observations further revealed that the elephant fences at the physically inspected locations had been damaged.

settled. Due to technical and other defects identified in the construction of these fences prepared by the Inventors Commission, the Sri Lanka Mahaweli Authority has not formally taken over the works. The Inventors Commission has been instructed to carry out the necessary rectifications and resubmit the fences.

### 3.7 Defects in Contract Administration

Audit Issue	Management Comment	Recommendation
<p>(a) Even though 10 block offices were functioning in the Walawa System, the entire allocated amount of Rs. 27.5 million for constructing toilets under the program of providing aids for low-income earners had been transferred to the Kolonna office. Furthermore, during the construction of these toilets, instead of directly providing aid to the beneficiaries, contracts were awarded to Farmer Organizations, resulting in an excess payment of Rs. 122,452 per toilet. In addition, the method of selecting beneficiaries was not submitted to the audit, and a sample inspection conducted by the audit revealed that assistance had also been provided to individuals who were not low-income earners.</p>	<p>For the toilet construction activities in the Kolonna Division, financial provisions of Rs. 31.040 million had been allocated under Sub-item 3.1.9 of Expenditure Head 2815, and it was planned to carry out this activity by awarding contracts to Farmer Organizations</p>	<p>As implemented in other regions, arrangements should be made to provide funds to beneficiaries in a step-by-step manner and to identify the most suitable individuals through a proper committee. An investigation should be conducted regarding the provision of assistance to unsuitable individuals, and disciplinary action should be taken against the responsible officers involved in the selection process.</p>
<p>(b) Even though the construction of the</p>	<p>This contract was terminated on 12 May 2023 by mutual</p>	<p>Action should be taken to complete the planned work.</p>

- Bakamuna bus station was scheduled to be completed on 4 April 2022 under the contract agreement, as of 20 May 2025, the construction had been abandoned.
- agreement of both parties due to the lack of financial provisions, caused by the rapid increase in construction material prices and the prevailing economic crisis in the country.
- It is informed that provisions will be allocated to commence the proposed bus stand activities upon receiving the approved urban plan when preparing the action plan.
- (c) Even though a contract amounting to Rs. 12.11 million was awarded on 24 December 2018 for the renovation of the Rathkinda Circuit Bungalow, and the work was scheduled to be completed by 19 July 2019 under the contract agreement, the contract had been abandoned. In this regard, an advance payment of Rs. 3.45 million had been made to the contractor as a work coverage advance. Currently, the Authority has been unable to recover this amount due to the expiration of the bank guarantee period.
- Following the termination of this contract, after discussions with the CGF fund, the remaining amount of Rs. 1,536,926.33 due as mobilization advance and the performance guarantee amount of Rs. 605,390 were recovered on 12 September 2024. Due to the economic crisis prevailing in the country, sufficient financial provisions were not allocated for new constructions in 2022, 2023, and 2024. This work can be completed in the future once the necessary provisions are allocated.
- Action should be taken to initiate legal proceedings against the contractor, recover the loss incurred, and take disciplinary action against the officers who acted negligently. Measures should also be taken to inspect the unfinished portions of the work and complete them promptly.
- (d) A contract worth Rs. 32.1 million had been awarded to the Central Engineering and Consultancy Bureau for the construction of a new building on land at Kundasale Warapitiya belonging to the Central Environmental Authority, without entering into a formal agreement.
- The estimated cost for this project, amounting to Rs. 32,096,839.32, has been submitted only for the first phase, which involves constructing up to the slab level of the ground floor. Since approval has been obtained from the National Planning Department for the remaining construction work of this office building, the Central
- Disciplinary action should be taken against the officers responsible for awarding the contract without entering into an agreement. Measures should be taken to complete the constructed floor and make the building operational.

However, due to insufficient provisions, it was agreed not to construct the four-storey building, and only the ground floor was constructed, which itself was not completed properly. As a result, the Central Environmental Authority had not taken over the building as of 20 May 2025.

Environmental Authority has informed that, once the provisions are received in the future, the construction will be completed promptly and the office is expected to commence operations.

Furthermore, to obtain the necessary provisions to complete the construction of this building, the Central Environmental Authority submitted a Cabinet Memorandum on 6 October 2021. The Cabinet's decision on this matter is that it has been instructed to manage the currently available office facilities.

### 3.8 Human Resources Management

Audit Issue	Management Comment	Recommendation
(a) The approved cadre for 147 positions at the Sri Lanka Mahaweli Authority was 4,859 as of 31 December 2024, while the number of vacancies for 113 of these positions was 1,517. Accordingly, the vacancy rate represented a high value of 31 percent of the approved cadre.	In accordance with the instructions issued by the Secretary to the Treasury through National Budget Circular No. 03/2022 dated 26 April 2022 titled "Control of Public Expenditure" and Budget Circular No. 05/2022 dated 02 September 2022, which emphasized strict control of government expenditure, the filling of existing vacancies in the Authority had been temporarily suspended from 2022 onwards. Furthermore, a significant number of officers retired, migrated abroad, or resigned from service during this period, resulting in a high vacancy rate.	Action should be taken to review the existing vacancies and to appoint the required officers.
(b) Even though officers had been recruited on a permanent basis to six unapproved positions, the Authority had not taken	According to Public Administration Circular Nos. 25/2014 and 25/2014 (I), employees who had completed a continuous satisfactory service	Action should be taken to recruit only to approved positions and to obtain approval for unapproved positions.

action to obtain formal approval for those positions during the year under review.

period of 180 days from the Management Assistant (Non-Technical) Service Category (MA 1-2) up to the Primary Non-Skilled Service Category (PL 1) of the Authority had been granted permanent appointments. After granting such appointments, the Circular had instructed that the relevant details be submitted to the Department of Management Services for the purpose of updating the staff of the respective institutions, and accordingly, after forwarding the relevant information, the Department of Management Services had only informed that the letter had been received.

### 3.9 Management of Vehicle fleet

Audit Issue	Management Comment	Recommendation
<p>Even though past audit reports had indicated that a cab assigned to the Residential Project Management Office, Walawa, of the Sri Lanka Mahaweli Authority had been handed over to an external party without approval during the period 2004–2005, no action had been taken in this regard. Furthermore, the Authority had not taken action to retrieve a double cab provided to the Presidential Secretariat by 31 December 2024, and evidence confirming the date on which the vehicle was handed over to the Presidential Secretariat had not been submitted to the audit.</p>	<p>As it is confirmed that this vehicle had been provided to the staff of the Hon. Minister of Mahaweli Development during the period 2004–2010, necessary legal guidance has been sought from the Attorney General’s Department to take the required legal action to reassign the vehicle back to the Authority, and further action is being carried out accordingly.</p> <p>Furthermore, the Special Investigation Unit (Ambilipitiya) has commenced investigative activities, and currently serving as well as retired officers have been summoned on several occasions to provide information relevant to the investigations.</p> <p>The Secretary to the Ministry has been informed to take action under Financial Regulation</p>	<p>Action should be taken against the responsible officers for handing over vehicles to external parties. Steps should be taken to retrieve the vehicles provided to the Presidential Secretariat or formally assign them to that office.</p>

104(1) regarding the cab that has been misplaced, and the Secretary has appointed a committee to carry out the relevant investigative activities in accordance with Financial Regulation 104(1).