

Urban Development Authority



Annual Report *2014*

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<i>Auditor</i>	- Auditor General

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The UDA was established by an Act of parliament bearing No 41 of 1978 with a view to promote integrated Planning and implementation of Economic social and physical development of the areas declared by the Minister in-charge of the subject of Urban development. Accordingly, UDA has been empowered to function as the key urban planning and implementing agency of the country. The powers and functions that spelled out in UDA Act are summarized as:

- Conduct capital and investment planning in the areas declared as “development areas”.
- Execute development plans and projects approved by the Government.
- To formulate and implement an urban land use policy in such areas.
- To enter into any contract with any person for the execution of development projects and schemes as may be approved by the Government.
- To undertake the completion of any approved development project or scheme in default by any person falling to complete such project or scheme.
- To formulate capital improvement programs.
- To develop environmental standards and prepare schemes for environmental improvements in such areas.
- To formulate and execute housing schemes in such areas.
- To approve, co-ordinate and control development projects or schemes of any Government agency in such areas.
- To provide technical planning services for the benefit of Government agencies or other persons in such area.

Accordingly, Based on the above Authority conducts significant development programmes in the declared development areas.

Vision

“To make Sri Lanka a center of development by creating suitable urban centers where people could live, works, plays and make their livelihood pleasant”

Mission

“To formulate development plans for providing globally recognized fully fledged sustainable urban centers thereby achieving effective promotion, implementation and enforcement.”

Chairman's Review

It is pleasure to forward the Annual Report of the year 2014 in order to review the tasks and projects implemented throughout the year in attempt to make Sri Lanka a center of development by better urbanization while fulfilling objectives and needs of the people.

Implementing Urban Regeneration Projects by changing settlement landscape of the country and transforming unused historically valuable buildings to commercial centers thereof creating cities which could attract local & foreign tourists were priorities of the year and several projects have been commenced their operations successfully.

Housing projects commenced in Mattakkuliya , Aramaya Place, Apple Watta ,Colabage Mawatha areas , under the Urban Regeneration Project in 2014 and converting old buildings such as former Auditor General's Office building, Trippoli Square ,Gafoor building , St.jhone's fish market building in to an attractive commercial centers by referbishing those, provides the best examples for the above attempt. Island wide projects have been executed for balanced development and projects in Katharagama, Mathara, Badulla, Anuradhapura, Kurunegala, Jaffna areas are few of them.

When considering the financial position, Authority had shown successful financial performance in the year 2014 and profit after tax was 1030 mn. Comparing the last decade the authority had gained highest income in this year. It was 75% growth rate and the authority has recorded 3130mn income.

I believe that the correct management decisions and efficiency of staff caused to this financial stability. Furthermore, I convey my thanks all of them who contributed this achievement.

Chairman
Urban Development Authority

Board of Management

Board Members	Position	Date of Appointment
Mr.P.A.I.S. Perera (Chairman) Final Stage of Association of Chartered Certified Accountants, Diploma in Accountancy, National Diploma in Finance (UK)	Chairman, Urban Development Authority	21 December 2011
Mr.Janaka Kumarajith Perera Kurukulassriya (Observer) BSc. Eng. (Hons) MA (Econ) P.G. Dip in Port & Costal Engineering (Norway) Chartered Engineer, F.I.E. (SL)	Additional Secretary, Ministry of Defence and Urban Development	20 December 2011
Mr.Jayatha Wickramasingha (Board Member) Higher Education in the fields of Accountancy & Business Studies at the Twickenham College of Technology, Middlesex , UK	Chief Executive Officer, Lanka Logistics and Technologies Limited	05July 2013
Mr. L.A.P.Harshan De Silva (Board Member) Chartered Architect SLIA I, SLIA II, SLIA III, AIA (SL)	Chairman Sri Lanka Land Reclamation & Development Corporation & Director General of Urban Development Authority.	25 February 2014 03 March 2014
Mr. Rohan Seneviratne (Board Member) BSc Eng (Hons) MBA, PG Dip (Com Tec), PG Dip (Elecity. Dist.), C Eng. MIE (SL), MIET,MIEEE	Additional Secretary (Technical) Ministry of Defence & Urban Development	27 June 2013
Mr. Jayantha Samaraweera (Board Member) Diploma in Journalism University of Sri Jayawardenapura	Chairman National Housing Development Authority	02 February 2011
Mr. K.W. Ivan De Silva (Board Member) B.Sc.Eng.University of Peradeniya, MSc. Eng Sciences University of New South Wales	Secretary Ministry of Irrigation & Water Resource Management	24 October 2011
Dr. Y.D.N. Jayathilake (Board Member) MBBS, MSc (Medical Admin)	Secretary, Ministry of Health	24 July 2012
Mr. T. Ashoka Pieris (Board Member) BA (Hons) Economics	Secretary Ministry of Land & Land Development	24 October 2011
Mr. K.D.Dhammika Perera (Board Member) NDT (Electrical & Electronics) Under Graduate University of Moratuwa	Secretary Ministry of Transport	24 October 2011

Board Members	Position	Date of Appointment
Mr. R.A.A.K Ranavaka (Board Member) B.Com (Special) Hon PGD in Management LICA of CASL MBA (Australia)	Secretary Ministry of Local Government & Provincial Councils	24 July 2012
Mr.Anura Siriwardena (Board Member) BSc in Biological Science MBA	Secretary Ministry of Industry & Commerce	24 July 2012
Mrs.K.D.R.Olga (Board Member) Bsc.Business Administration(Special Degree) University of Jayawardenapura	Director,Ministry of Finance and Planing	08 Februaty 2013
Mr.Nihal Somaweera (Board Member) B.SC (Hons) in Civil Engineering UOM M.Sc. in Town & Country Planning, UOM Chartered Enginneer & a Member of the Institute of Engineers, a Member of the Institute of Engineering Sri Lanka. Member of the Institute of Town Planners,Sri Lanka.	Secretary ,Ministry of Coconut Development and Janatha Estate	05 July 2013
Dr.Lal Balasuriya (Board Member) B.Arch.(Hons)(Ncl),M.Sc.UrbanDesign(Edin) FIA(SriLanka) Dip.UD(RIBA) Chartered Architect/Urban Designer/Emeritus Professor Department of Architecture,University of Moratuwa,Sri Lanka	Head of School, City School of Architectures	05 July 2013
Mr.D.K.D.Chamara Abeyrathna (Board Member) B.SC.Accountancy Special ,University of Jayawardenapura An Associate Member of the Institute of Chartered Accountants of Sri Lanka	Partner K.P.MG	05 July 2013
Mr.K.E.V.N Fernando (Secretary - Board of Management) (Undersecretary - Board of Management) B.Sc.(Built Environment) – 1982 M.Sc. (Architecture) – 1985 M.Sc. (Urban Dev.Plan.) 1991 PG Diploma (EIA) PG Diploma (URH) PG Diploma (HWM) FIA (SL) SLIA Fellow Member MITP (SL) ITPSL Coporate Member RIBA Member	Director General (Acting) Urban Development Authority Deputy Director General (projects) Urban Development Authority	From 09 August 2010 To 02 March 2014 03 March 2014
Mr.T.D.S.P.Perera (Board Member) Bachelor of Commerce,University of Kelaniya Master of Economics, University of Kelaniya Master of Sociology, University of Kelaniya	Additional Secretary Ministry of Industry & Commerce	22August 2014

Key Personnel

Chairman	Mr.Nimal Perera	From 2011.12.21
Additional Director General	Brigd.J.M.S.S.Jayasundara	From 2011.02.04
Director General	Mr.Harshan De Silva	From 2014.03.03
Director General-Actg	Mr.K.E.V.N.Fernando	From 2010.08.09 to 2014.03.02
Deputy Director General (Projects)	Mr.K.E.V.N.Fernando	From 2014.03.03
Deputy Director General (Finance & Commerce)	Mr.W.L.D.P.V.Jayawardena	From 2011.11.15
Deputy Director General (Planning & Operations)	Mr.A.M.Weerasena	From 2012.12.22 to 2014.05.19
Head of the Procurement	Major General s.k.Weerasinghe RSP(RTD)	From 2014.03.07
Head of the Business Development	Mr.R.M.Dhananjaya Siriwardena	From 2011.11.15
Chief Internal Auditor	Mrs.M.V.S.K.Manodara	From 2011.01.01
Director (Finance)	Mrs.H.R.Kewitiyagala	From 2013.11.01
Director (Human Resources Management)	Mr.W.A.S.Sumanasooriya	From 2012.03.22
Director (Legal)	Mrs.M.B.Jayanthi De Silva	From 2013.03.28
Consultant (Legal Affaires)	Ms.C.L.Jayawardena	From 2013.12.09
Co-Director (Design , Project Management and consultancy Servises/Project Management)	Ms.C.K.E.Kalupahana	FDrom 2013.10.17
Co-Director (Design , Project Management and consultancy Servises/Project Management)	Mr.P.D.K.pathirana	From 2013.10.24
Co-Director (Design , Project Management and consultancy Servises/Project Management)	Mr.M.C.Withanarachchi	From 2013.10.16
Director (GIS)	Mrs.P.G.P.Gamage	From 2011.08.01
Director (Land Deelopment & Management)	Mr.H.A.Dayananda	From 2012.12.20
Director (Enforcement)	Mrs.N.S.Kusumseeli	From 2013.10.21
Director (Environmental & Landscape)	Mr.D.S.Hettiarachchi	From 2013.10.24
Director (Engineering Services)	Mr.L.A.D.J.Sisirakumara	From 2011.01.26

Director (Western Province)	Mr.G.W.G.Abegunawardena	From 2013.10.21
Director (URPCC)	Brigd.S.A.R.Samarasinghe	From 2013.04.06
Perf.Director (North Western Province)	Mrs.J.A.A.M.Jayasinghe	From 2013.01.24 to 2014.04.07
Director (North Western Province)	Mr.W.J.Senewirathne	From 2014.04.08
Director (Eastern Province)	Mr.W.J.Senewirathne Mr.N.Rajanayagam	From 2013.01.21 to 2014.04.07 From 2014.04.07
Director (Northern Province)	Mr.N.Rajanayagam	From 2005.07.01 to 2014.04.06
Director-Actg (Northern Province)	Mr.Y.A.G.K.Gunathilake	From 2014.04.07
Director (North Central Province)	Mr.D.M.B.Ranathunge	From 2011.01.26
Director (Sabaragamuwa Province)	Mr.K.A.D.Chandradasa	From 2013.10.24
Director (Uva Province)	Mr.M.P.Ranathunge	From 2013.10.24
Director (Southern Province)	Mr.L.N.N.A.Samarasinghe	From 2012.12.18
Perf.Director (Central Province)	Mr.M.M.L.P.Wijerathne	From 2013.12.18

Overview

The necessity of the UDA is vital as the pioneer of the urban development process. According to the power of Urban Development act , authority represent all development projects implementing and policy formulating, controlling development activates, acquiring real estate and vesting in the urban areas , declared by the authority. Authority plays an important role in achieving sustainable systematic and fair urbanization in the security of urban development in Sri Lanka.

In the year 2014 Sri Lanka economy achieved 7.2 percent of real GDP growth by showing its flexibility in the face of domestic as well as external challenges. Meanwhile, the construction sector continued to play a vibrant role in propelling the economy forward with a growth of 20.2 percent in 2014, contributing nearly 24 percent to growth in 2014. The growth in the construction sector was supported by public investment in infrastructure development activities, housing development projects as well as large scale private construction activities.

Herein, contribution of developing of urban sector is very important. UDA has played an important role in increasing of housing facilities of people in urban underserved settlements while continuing active involvement in the development of urban infrastructure. During the year, several large-scale housing projects and urban development projects were completed while numbers of projects were in progress. UDA completed several housing projects providing 4183 housing units to urban underserved families during the year. In addition, the construction of 18 large-scale housing projects comprising 12,939 housing units was in progress. Meanwhile, completed several city development projects in the city of Colombo such as the refurbishment of the former Auditor General’s department building to set up the “Arcade Independent square” that comprises a modern shopping complex , a theater , and a leisure park and conversion of the old St.Jhone’s fish market to establish the Colombo Gold Center.

Year 2014 was challenging year to the Authority. UDA could contribute large value to to the economy while generating profits and improving development work.

Overall Performance

Physical Development & Panning in notified areas

The power has been assigned to the Minister of Urban Development to declare urban development areas occasionally with the national policy frame for urbanization of No. 41 Urban Development Authority act in 1978. UDA had been set up with few urban development areas in 1978 and currently it had transferred in to 246. Following areas have been declared as urban development areas in 2014.

District	Area
Kandy	Pussellawa Pradeshiya Sabha
Nuwara Eliya	Pudaluoya Pradeshiya Sabha

Development Plans

District	Local Authority	Completed Phase	
		Draft	Completed
Kandy	Dambulla		
	Naula – Nalanda Pradeshiya Sabha		√
	Galewela- Pradeshiya Sabha		√
	Seegiriya- Habarana Pradeshiya Sabha		√
	Madathugama- Pradeshiya Sabha		√
	Nawalapitiya -urbanCouncil	√	
Kegall	Waththegama -urbanCouncil	√	
	Yatyanthota- Pradeshiya Sabha	√	
Polonnaruwa	Polonnaruwa - Pradeshiya Sabha	√	
Rathnapura	Rathnapura - Municipal Council		√
	Eheliyagoda - Pradeshiya Sabha	√	
	Kahawaththa - Pradeshiya Sabha	√	
	Balangoda -urbanCouncil		√
Colombo	Kolonnawa -urbanCouncil	√	
	Moratuwa - Municipal Council	√	
Galle	Ambalangoda -urbanCouncil	√	
Mathara	Weligama -urbanCouncil	√	
	Hakmana –urbanCouncil	√	
Puttalam	Chillaw –urbanCouncil	√	
Kurunegala	Kuliyapitiya - Pradeshiya Sabha	√	
Kaluthara	Panadura -urbanCouncil	√	
Negambo	Negambo - Municipal Council		√
Ampara	Kalmunai - Municipal Council		√

Physical Developments

Development programmes in Colombo District

Refurbishment of Gafoor Building

The Gafoor building located at the intersection of Sir Baron Jayathilake Mawatha laiden Bastian road of Colombo Fort and identified as a historic and cultural valuable building was commenced referbishment work in 2013. 20% of the construction work has been completed end of the year 2014. The total estimated cost of this project is Rs.1750 mn incurd by UDA.

This building is being developed as a city hotel consisting with 62 hotel rooms , 03 restaurants ,02 auditoriums and 04 shops. The intention of this project is facilitate travellers and businessmen for their shortly stay in Colombo and create recreation facility for public.



The project carries out by preseving its archiological value with consultancy of the Univercity of Moratuwa and the labour contribution by Sri Lanka Navy.

Colombo Gold Center

The Colombo Gold Center was a transformation of 18th century St.John fish market to an exclusive center for buying and selling of gold gem & Jwellery.

The modern complex has been developed with 83 Nos.of inhouse gem and Jwellary shops,spaces for Banks, restaurant and gem and jwellary authority to provide certification for the jwellary. Total cost of this project was Rs. 539 construction of the gold center was completed and ceremonially opened 05 th September 2014.





Refurbishment of former Auditor General Department building

Under the guidance of Ministry of Defense and Urban Development The city of Colombo beautification programme was implemented by the UDA. Refurbishment of building occupied by the Auditor General’s Department situated at the Colombo 07 is one of the major projects under this programme.

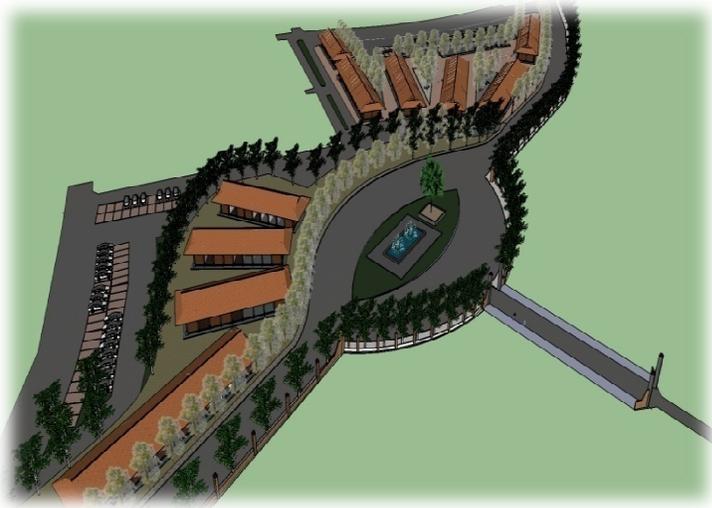
The intention of this project is to uplift the quality of urban environment in an around of the Independence square and to enhance real estate value to the location as well as to preserve the colonial architecture of these building which has been earmark under the Independence square development master plan. Accordingly, it was proposed to convert these buildings to an exclusive shopping mall including recreational activities for the public. The estimated cost of this project is Rs. 900mn incurred by UDA. End of the year 2014, refurbishment work had been completed.

Development of Tripoli Square

Trace city is a transformation of former Tripoli market building to an exclusive center for information technology related companies. There are 2 phases of in this project and estimated cost is 2000mn incurred by UDA. By end of the year 2014 phase I was completed and phase II was 50% completed. The project carries out with technical and labour contribution by Sri Lanka Army. Tripoli complex consist with auditoriums, restaurants, with modern architectural techniques.



Town Development Projects



Development of Katharagama Entrance Square

Development of sacred Katharagama entrance gate and surrounding is implement under this programme. The existing environment of main entrance of the sacred area does not have aesthetic and functional qualities to make it prominent and enhance the cultural and religious value of the area. Estimated cost is Rs. 350mn and the construction of this project is uplift economic and commercial activities in the city center and avoids the haphazard development.

Hatharaliyadda Town Development Project Phase-II

The second Phase of Hatharaliyadda town center development project funded by General Treasury was 40% completed by end of the year 2014. Developing of the common amenities of town and developing economical activities are main objectives of this project. 3 acres of land area is being developed under Hatharaliyadda town center development project and estimated cost is Rs.85mn.

Akuressa Town Center Development project – Phase II

Akuressa town center is located in western part of Mathara district and estimated cost of Akuressa town center is RS.120mn. Urban Development Authority has been acquired 15 acres of low land for the purpose of new bus stand, shops, commercial and financial institutions and parking space. 20 perches of land have been filled for bus stand.

Urubokka town development project

Urubokka town, which is situated 60kms away from Mathara town, is being selected to develop small and medium town development project. Estimated cost of this project is Rs. 115. Several development projects have been identified by urubokka draft development plan such as bus stand, shopping complex, playground, children's park, new road, clock tower and driver's rest room.

Hakmana Town Center Development Project

Following projects are expected to launch under the Hakmana Town development plan.

- New bus stand with modern facilities
- New secretariat Building
- Redevelopment of existing post office
- Parking area

- Market area development

- Construction of public market
- Construction of super market
- Children's park and walkway

The estimated cost is 660mn which has to be obtained from Ministry of local governance and provincial council, Ministry of public administration and Deyata Kirula program.

Homagama Town center Development

Reducing traffic congestions and providing urban infrastructure facilities are main expectations under this project. Rs.233mn estimated cost is obtained from General Treasury. Construction of NSB was completed and aid to carry out its operation end of the year 2014.

Piliyandala town Development project-Phase I

Urban Development Authority is developing Piliyandala town situated in Kesbewa pradeshiya sabha at an estimated cost of Rs. 100mn. The project carries out with the consultancy by the University of Moratuwa. The Facility expected to construct bus stand, weekly fair, and space for commercial services, Public Park and roads.

Sellakatharagama Town Development Project

The project aims to add religious and cultural value in the area by providing required services to pilgrims and by preserving the required cultural value. The estimated cost of the project Rs. 300mn is funded by the General Treasury and the year under review project has recorded 90% of physical progress.



Sacred Town Dambulla –Development Project

Unauthorized and unsuitable construction in sacred town has been renowned and developed alternative establishment for them. The intention of this project is provide pleasant environment to pilgrims and tourist. Sacred Dambulla development project has been implemented under the total estimated cost of Rs. 129mn funded by General Treasury and 15% of physical progress has been achieved end of the year 2014.

Town Development project-Anuradhapura

Creating more space that is commercial by developing underutilized land is main objective of Anuradhapura town development project. The project was initiated at the cost of Rs. 128mn and 15% of physical progress was achieved end of the year 2014.

Mihinthale town development project

Mihinthale town development project is implemented for providing better environment and common amenities for pilgrims. The estimated cost of this project Rs.45mn funded by General Treasury.

Bandarawela Town development project – Phase I

Bus stand and shopping complex with modern facilities are constructed under Bandarawela Town development project. The facility encompasses 19 Nos. of bus parking bays, 29 Nos. of rentable commercial space, 4Nos. of rest rooms and rest hall. Bandarawela town development project was launched by Urban Development Authority at an estimated cost of Rs. 151mn. During the year 2014 stage I of the project has declared open.

Conservation work

Refurbishment of Ehelepola Walawwa

Ehelepola walwva in sacred tooth relic temple square was refurbished for commercial and public activities with an estimate cost of Rs. 14mn .1100 square meters of area has been refurbished under this project.



Bogambara Prison land Development Project

Bgambara prison is another historical building located in Kandy area was refurbished under this project. 06 acres of land has been developed under the total estimated cost of Rs. 1500mn.



Conservation of Sri Vishnu Devalaya

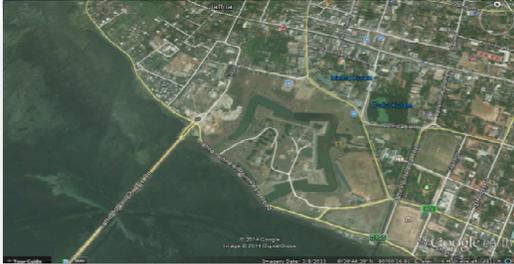
Hanguranketha

Sri Vishnu Devalaya is historical building of an around 380 square meters. The project was initiated at the cost of Rs. 20mn, 90% of physical progress was achieved end of the year 2014. The aim of this project is conservation of building which has religious and national value.

Environment and Town Beautification works

Development of Beach Park at Jaffna

Coast area in between southern part of the Jaffna fort and the lagoon has been developed under stage I ,and coast area inbetween the left side of the Pannai Junction end up to UDA rest house has been developed under stage II. 10% of



consultancy fee and one year income during operational period are main achievement of this project. End of the year 2014 it has been completed 80% of phase I and 35% of phase II.

Nilwala Riverside Park, Convention Hall and Urban Forest

Under the Mathara municipal council development plan, UDA has identified this project. Improvement of open space, increase recreational facilities, enhancement of tourism activities and create better living urban environment are the main benefits of the project. Total estimated cost of this project is Rs.108mn.

Kotuwegoda Beach Park

The project has been initiated under the Accelerated Urban Development Programme for Mathara municipal council area. Funds allocated from coast conservation department. Sri Lanka Army has been provided labour assistance to minimize the labour cost. Promotion of recreational facilities and provide environment friendly atmosphere, are main benefits of this project. Stages I, II, III have been completed.

Landscape project at Gannoruwa Peradeniya.

Approximately 15000 square meters of area of western end of the entrance to Kandy city has been developed under this project. The estimated cost of the project is Rs.68mn and 80% of physical progress was achieved end of the year 2014. And the project consists with jogging tracks, leisure area, commercial and restaurant facilities.

Improvement of Modarawila Drainage System.

Rs. 139mn was estimated for this project. Widening and cleaning of existing Modarawila canal in Panadura urban council area are objectives of this project. The main purpose of the project is smooth flowing rainwater of the area and mitigates the impact of the flood disaster. 80% of physical progress was achieved end of the year 2014.

Infrastructure Development

Construction of Polduwa Udumulla Road

The project aims to reduce traffic congestion in Kaduwela, access for administrative buildings. The General Treasury funds the project and the estimated cost is Rs. 239.

Angunakolapelessa Market Building.

This project implements to provide better commercial facilities to public and Rs. 10.4mn was estimated for the project.

Makumbura Township Development.

Rs.3000mn was estimated for create urban infrastructure facilities near Makumbura high way gate. This project commence in the year 2014. Moreover, the main purpose of this project is reducing traffic congestion and facilitate for user.

Narammala – Development of Bank Finance Commercial Institutes

The project implement to provide effective Financial and Banking Services to public and estimated cost of this project is Rs.102.5. 10% of physical progress was achieved end of the year 2014.

Development of Access Road to the Railway Station Maho and Vehicle Park

It has been identified the necessity of development of development railway station Maho in Kurunegaga District. It was initiated at a cost of 14.7mn. 20% of physical progress was achieved end of the year 2014.

Pedestrian Path from Station area to Clock Tower area in Kandy

1300 square meters of walk way, parallel to railway track with protective fence and illumination at night has been developed under this project. Achiveent of this project is reduction of traffic congestion.



Renovation of Sri Jayawardenapura Maha Vidyalaya.

The college had been founded on 1822 as Christian Missionary School and it had been converted to a government school. There are about 1700 students studding in the college and the physical condition of the school is very poor. The project was initiated at the cost of 12mn.



Consultancy Services

Under mentioned project had been contributed planning and architectural consultancy services of UDA to implementing development activities by creating fully fledged sustainable urban centers.

Puraneguma Projects Welikanda, Thirappan, Ipalogama, Galnewa, Padawiya, Horowpathana, kabithigollewa, Sanitary Services in Palagala Market .
Multipurpose building -Dehiowita
Police Station-Weeraketiya
Development project in loonuwatta
Development of local authority - Katharagama
Development of local authority -Wellavaya
Multipurpose building and local authority- Lunugala
Multipurpose building and local authority- Haputhale
Multipurpose building-Ridimaiyadda
Public Hall & Fair-Meegahakuliya
Development of local authority - Haldummulla
Development of local authority - Siyambalanduwa
Development of Fair at Chawakachcheri
Town Development - Imaduwa
Multipurpose building & Bus Station-Habaraduwa
Infrastructure Development -Giribawewa
Development of local authority - Wanathawilluwa
Multipurpose building & Bus Station-Rideegama

Housing programme for low-income people

Over 50 % of the community lives in the City of Colombo occupy in unorganized slums and shanties and the settlements spread across 9 % of the Colombo land mass. Accordingly based on the detailed research conducted 68,000 household units have been recognized as underserved community who lives with a minimal level of basic level of water, electricity and any other sanitary needs. This project has been inaugurated in the intention of granting better home for low income families under the government policy frame. Authority has represent as a chief planner, controller, and administrator to provide infrastructures, eligible lands and provisions for the programme.

The project aims at changing the ambiance of the Colombo and presenting a livable environment for the community in the Colombo. The project expected to launch in providing the desired level of housing unit and with the time horizon of completing in 2020.

Approximately 350 acres out of primary lands are to be released for trade and mixed development under this programme. Participation of private and public

sector is a vital factor to implement this programme.

As a result of above activities, following projects have initiated under 02 phases.



Projects Completed in the year 2014

	Project	Location	Housing Units	Estimated cost (Rs.mn.)
1	Puradora Sewana	Orugodawatta	34	70
2	Lakmuthu Sewana	Wellawatta	118	512
3	Sirisanda Sewana	Cyril C Perera Mawatha	366	1011
4	Sirisara Sewana	Borella	718	3166
5	Methsara Uyana	Borella	430	
6	Randiya Uyana	Henamulla	1137	3060
7	Sirimuthu Uyana	Sirimawo Bandaranayake Mw	546	1365
8	Laksnda Sewana	Kolonnawa	216	577
9	Muwadora Uyana	Ferguson Rd	872	2418

Sirisara Uyana



Randiya Uyana



Sirimuthu Uyana



Methsara Uyana



Lakmuthu Sewana



Projects commenced in the year 2014 under phase II

	Project	Location	Housing Units	Estimated Cost
1	Mattakkuliya Housing Project I	Mattakkuliya	1650	Rs.mn 6597
2	Mattakkuliya Housing Project II	Mattakkuliya	941	Rs.mn. 3246
3	Mattakkuliya Housing Project III	Mattakkuliya	1080	Rs.mn. 3726
4	Aluth Mawatha Housing Project I	Mattakkuliya	576	Rs.mn. 1656
5	Aluth Mawatha Housing Project I	Mattakkuliya	672	Rs.mn. 1885
6	Apple Watta Housing Project	Maligawatta	480	Rs.mn. 1656
7	Aramaya Place Housing Project	Dematagoda	718	Rs.mn.2477
8	Kimbula Ela Housing Project	Madampitiya	472	Rs.mn .924
9	Torrington Place Housing Project	Torrington Place	120	Rs.mn. 315
10	Kolambage Mawatha Housing Project	Narahenpita	615	US\$16.3

Asset Management and Disposal

According to the provisions of the UDA Law, UDA shall acquire any land or any interest in the land in any area declared as a development area deemed to be required for a public purpose. In addition, the authority may, with the approval of the Minister, alienate way of sale, lease, and rent for the purpose of urban development, any land or interest in land held by the Authority.

UDA has a substantial assets portfolio ranging from commercial lands and buildings, to public parks and open spaces, to share holdings in joint venture companies in the real estate sector. The majority of UDA assets generate only nominal revenue since UDA is not exercise commercial orientation for collecting the rental revenue. UDA as a statutory authority with vest social responsibilities such as maintenance of major public open spaces like Galle face Green and Independence Square. Its commercial assets will require a nimble and market responsive approach.

With regard to land acquisition and disposal by the UDA following are noteworthy during the year under review.

Acquisition

Description	Land Extend (A-R-P)	Intention of Acquisition
Town Development -Kotikawatta	8-0-0	Town Development
No.125,Chatham Street, Colombo 01	0-2-15	Infrastructure and Commercial Development
Sama Viharaya-Bloomendal Street	0-1-18	Social Development
No.33,33A ,35 , Janadhipathi Mw ,Colombo 1	0-0-30	Infrastructure Development
Beach Park Development-Moratuwa	0-0-43	Social Development
Buddha Statue -Makumbura	0-0-38	Social Development
Park-Kegalle Town	6-2-20	Social Development
Part of the Water's edge Land	0-0-27	Infrastructure Development
188 watta, Kotta Rd, Borella	3-2-22	Residential Development
Ockly cottage-N'Eliya	14-1-28	Mix Development
Tourism Information Center- kandy	0-0-27	Tourism Development
Town Development Project-Narammala	6-0-35	Town Development
Town Development Project-Eheliyagoda	0-1-5	Town Development
Town Development Project-Hatharaliyadda	2-2-26	Town Development
Development of Rail way Station -Malapalla	0-0-35	Infrastructure Development
Development of Ground-Madawela	1-1-7	Social Development
Development of Bus Depot -Kegalle	5-2-25	Social Development

Lands Leased outs for Commercial Development

Description	Developer	Land Extend (A-R-P)	Land Value
Balangoda	Chamil Lal Pelandagama	0-0-17.53	1,200,000/=
Kandy	Upali Munasinghe, Sunimal Prashantha, Weerasinghe & Mahesh Priyadarshana, Queens laundry	0-0-10.91	1,850,000/=
Slave Island	One Colombo Project Pvt.Ltd.	5-0-37.11	*6,981,000,000/=
Peliyagoda	Weerakoon Holdings Pvt.Ltd.	0-1-1.32	16,528,000/=
Colombo 02	Nations Trust Bank	0-1-19.64	6,200,000/=
Modarawila	S.K.Suppliers Pvt.Ltd.	0-0-26.4	5,852,000/=
Aluthkade	Punsarana (Guarantee) Company	0-0-27	55,000,000/=
Hidallana-Rathnapura	Manage Karunachandra	0-0-2.6	588,000/=
Fort	Krish Transwork Colombo Pvt.Ltd	1-1-4	2,814,600,000/=
Colombo 03	Lee Hedges Investment	0-1-1.8	456,587,830/=
Modarawila	Cosway Paints	1-2-16.8	36,000,000/=
Hambanthota	Helanco Hotel and Spa Pvt.Ltd	9-1-27.2	149,601,875/=

*People who lived in the area had to relocated and cost incurred by the Developer.

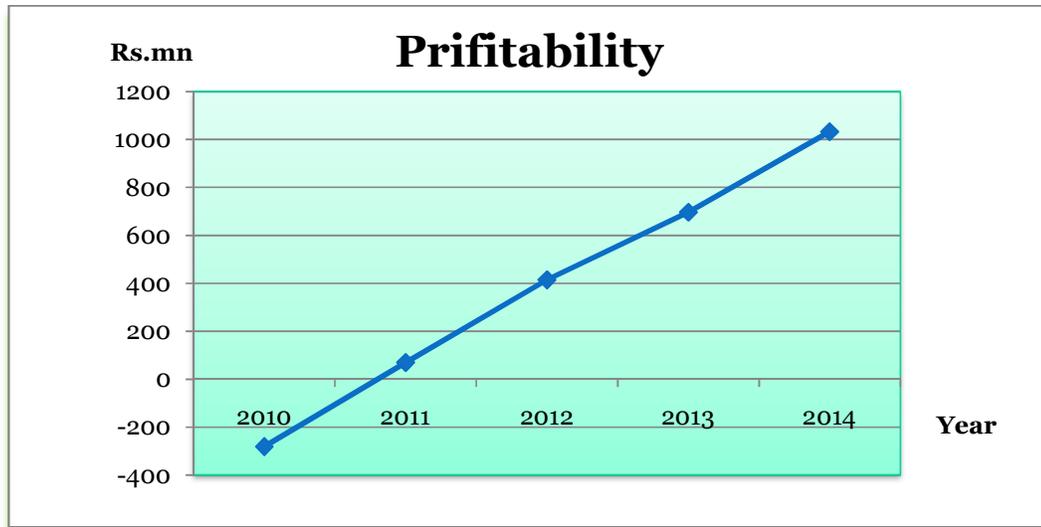
Performance of Authority

Financial Performance

Urban Development Authority by adhering the organizational structure has underway with massive amount of development projects. The Finance division for these developments provide a significant contribution by carrying out the payment process for contractors for above development projects, preparation of periodic financial statements and reporting to Board of Management by preparing management reports, dealing with salary and its related issues and involving with any other payments stipulated by the Authority. Accordingly. The finance division bestowed with the responsibility in financial management of the Authority in achieving its vision while securing the profitability. Accordingly, the financial implication of the authority for the Financial Year 2014 evaluates as follows.

Profitability

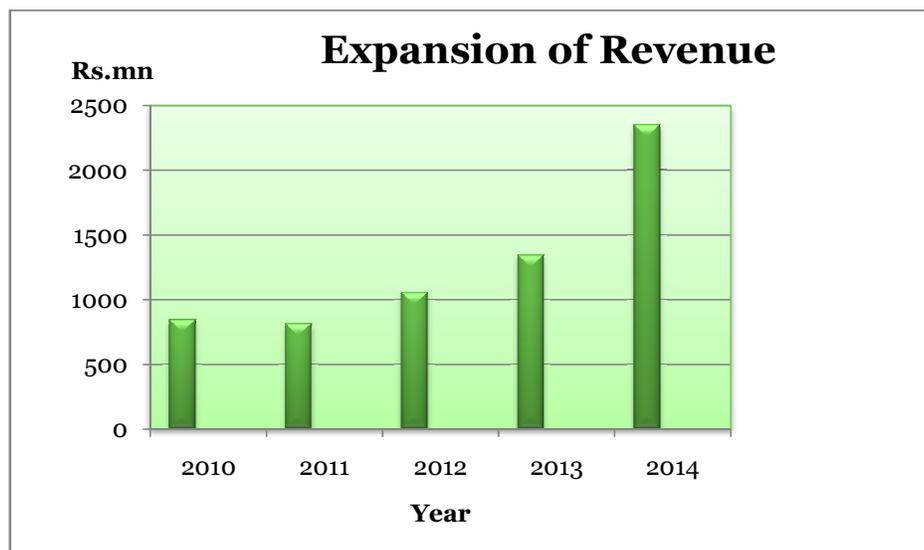
Description	2014 Rs.mn	2013 Rs.mn	2012 Rs.mn	2011 Rs.mn	2010 Rs.mn
	1032	696	414	69	(282)



Authority has recorded Rs.1032 profit after tax in the year 2014. It is 48% growth in parallel to last year and it is the highest profit gained over the last 5 years.

Expansion of authority Revenue

Description	2014 Rs.mn	2013 Rs.mn	2012 Rs.mn	2011 Rs.mn	2010 Rs.mn
Revenue	2352	1344	1055	816	845

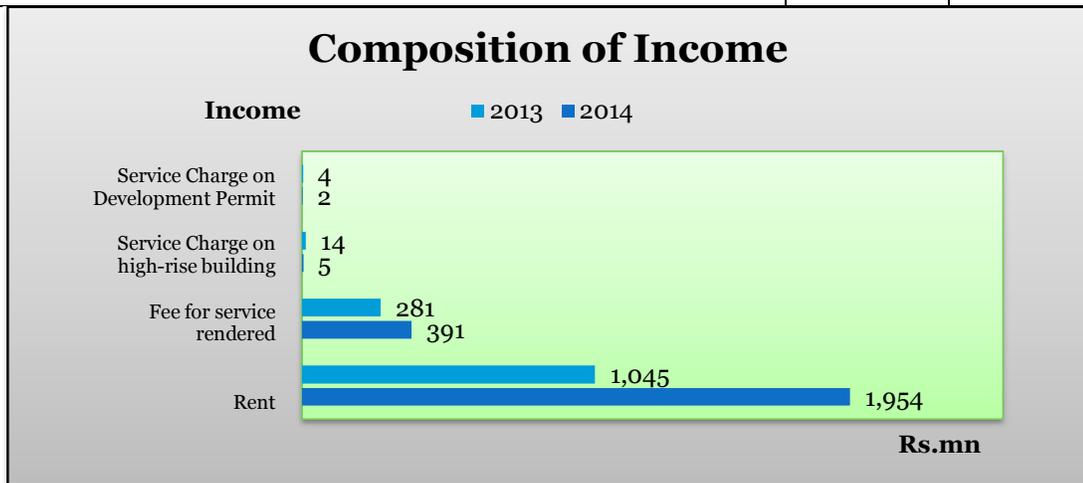


For the year 2014, Urban Development Authority has recorded increased in revenue with comparing to the previous year with a growth potential of 75%. The income generated for the

year 2014 amounts to Rs.1350mn of which 83% contribution was made through rental income. Increasing of rental income has mainly affected to the increasing of income this year.

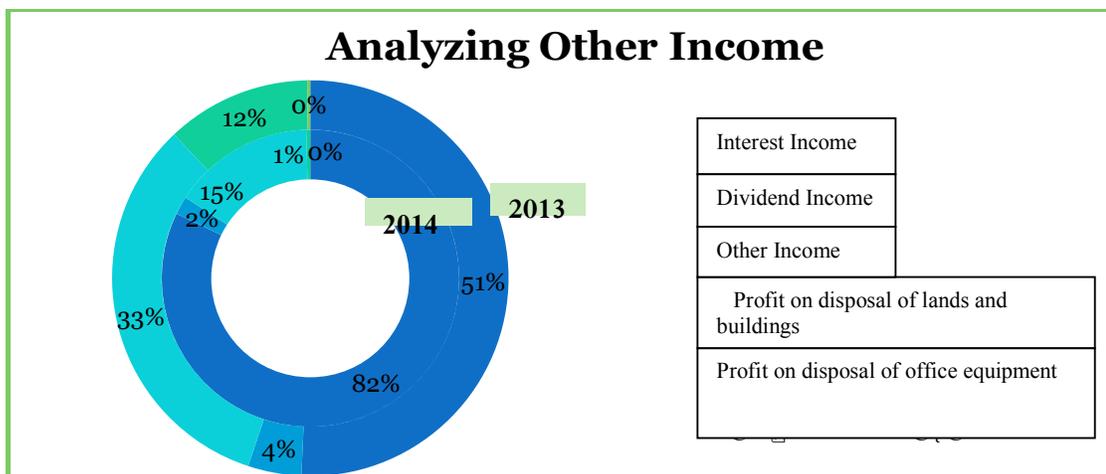
Composition of Income

Income	2013 Rs.mn	2014 Rs.mn
Rent	1,045	1954
Fee for service rendered	281	391
Service Charge on high-rise building	14	5
Service Charge on Development Permit	4	2
Total Income	1,344	2,352



Analyzing Other Income

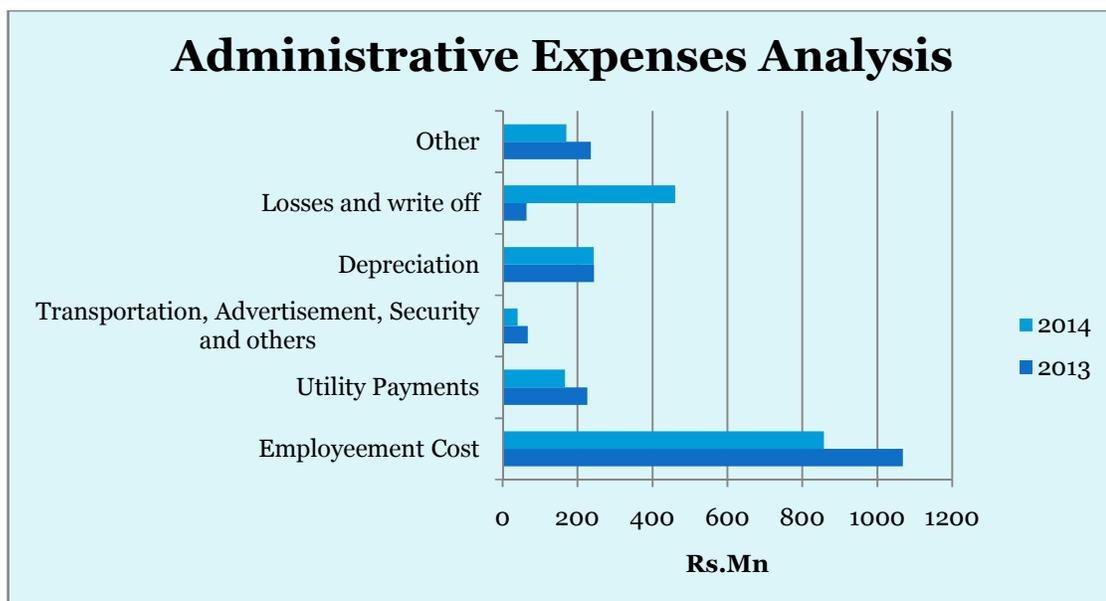
Income	2013 Rs.mn	2014 Rs.mn
Interest Income	395	1,280
Dividend Income	34	31
Other Income	256	240
Profit on disposal of lands and buildings	92	7
Profit on disposal of office equipment	2	-
Total Income	779	1,558



Increasing of Interest on call deposits are increased by 224% in comparing 2013. It affected to increasing total income.

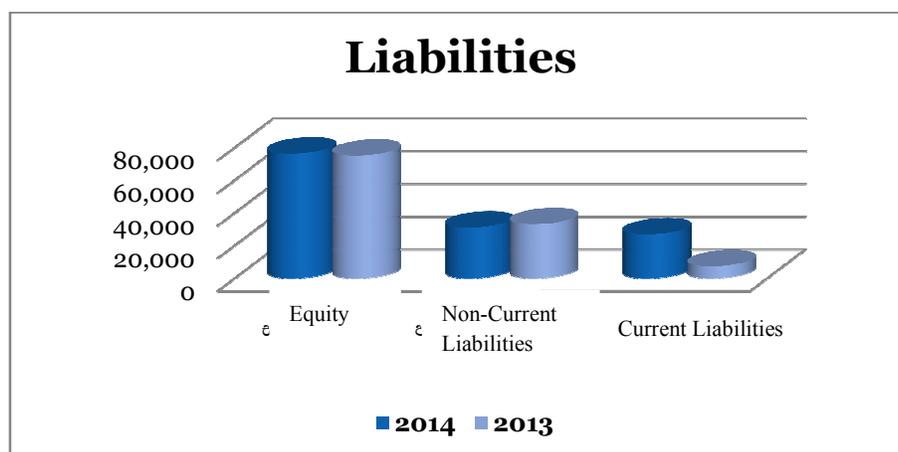
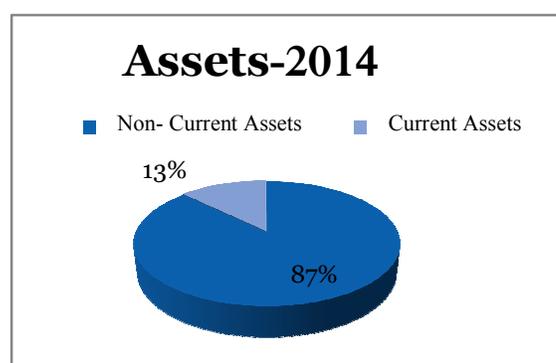
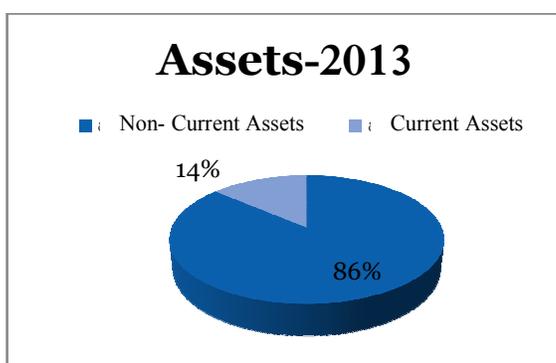
Analyzing Administrative Expenses

<u>Administrative Expenses</u>	<u>2013</u> Rs.mn	<u>2014</u> Rs.mn
Employment cost	1068	857
Utility Payments	226	166
Transportation, Advertisement, Security and others	67	40
Depreciation	244	243
Losses and write off	63	460
Other	235	169
Total Administrative Expenses	1903	1,935



Total administrative expenses increased by 1.68% in comparing year 2013. Total Administrative expenses were Rs.1903 in the year 2013 and it was Rs. 1935 in the year 2014.

FINANCIAL POSITION	2014	2013
Description	Rs.mn	Rs.mn
Non- Current Assets	116,905	99,410
Current Assets	17,031	15,772
Total Assets	133,936	115,182
Equity	76,241	74,967
Non-Current Liabilities	30,955	32,975
Current Liabilities	26,740	7,239
Total Liabilities	133,936	115,182



Non-current assets has increased by Rs.17,495 mn for the year 2014 compared to the previous year that is 17.6% growth. Current asset has decreased by 7.9% . Total assets has increased by 16% and increasing of Investment Property caused to that growth. Non-current liabilities have decreased by 6.1% for the year 2014 and it was Rs. 19,501mn.

Summarized Statement of Financial Position
As at 31st December 2014

(Rs.mn)

Category	2010	2011	2012 (Restated)	2013	2014
Assets					
Non-current Assets	7,699	89,644	95,659	99,410	116,905
Current Assets	12,210	14,703	16,069	15,772	17,031
Total Assets	19,909	104,347	111,728	115,182	133,936
Equity & Liabilities					
Capital & Reserves					
Capital	100	100	100	100	100
Net Government Contribution	1,059	1,044	1,030	1,016	1,001
External Provided Equity	1,159	1,144	1,130	1,116	1,101
Reserves	(1329)	78,922	79,111	73,852	75,140
Non-current Liabilities	17,220	21,095	27,556	32,975	30,955
Current Liabilities	2,859	3,186	3,931	7,239	26,740
Total Equity & Liabilities	19,909	104,347	111,728	115,182	133,936

Summarized Income & Expenditure Statements
For the year ended 31st December 2014

(Rs.mn)

Category	2010	2011	2012 (Restated)	2013	2014
Income	845	816	1,055	1,344	2,352
Other Operating Income	228	642	822	1,558	779
Total Income	1,073	1,458	1,877	2,902	3,131
Administration & General Expenditures	(1,327)	(1,209)	(1,423)	(1,936)	(1,903)
Other Operating Expenditures	(23)	(18)	(23)	(36)	(492)
Finance Cost	(5)	(2)	(1)	(1)	(1)
Operating profit/(loss) before finance cost	(282)	229	430	929	735
Non-Operating Income	14	14	14	14	14
Levy paid for Consolidated Funds	(8)	-	-	-	-
Net profit/(loss) before tax	(276)	243	444	943	749
Income tax	(6)	(174)	(254)	(247)	284
Net profit/(loss) after tax	(282)	69	190	696	1,033
Actuarial Gain/(Loss)	-	-	(2)	(52)	(3)
Total Comprehensive Income for the year	(282)	69	188	644	1,030

Summarized Cash Flow Statements

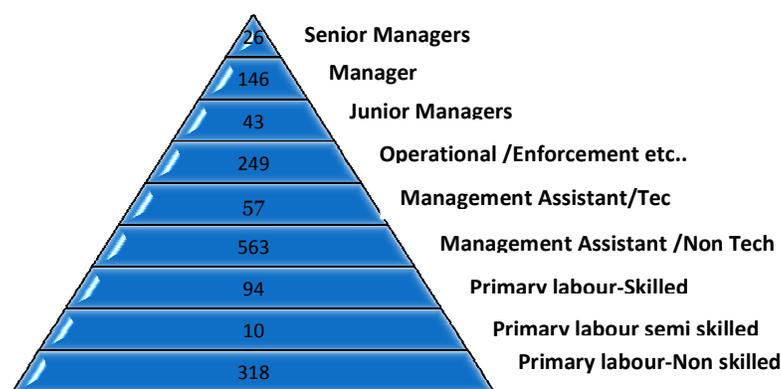
For the year ended 31st December 2014

(Rs.mn)

Category	2010	2011	2012 (Restated)	2013	2014
Cash Flow from Operating activities					
Net profit/(loss) before income tax	(275)	242	444	943	749
Adjustments	(238)	(732)	(953)	(1635)	(623)
Operating loss before working capital	(513)	(490)	(509)	(692)	(1,372)
Working Capital changes	444	(1,385)	1,345	1,120	(1,484)
Cash Flow from Operating	504	3,349	5,253	4,918	4,289
Cash Flow from Investments	8,286	(4,137)	(14,271)	(5,945)	(4,493)
Cash Flow from Financial activities	905	914	452	(75)	3,522
Net increase in cash and cash equivalent	9,626	(1,749)	(7,730)	(675)	463
Cash and cash equivalent at the beginning of the year	8	9,634	7,885	155	(520)
cash and cash equivalent at the end of the year	9,634	7,885	155	(520)	(57)

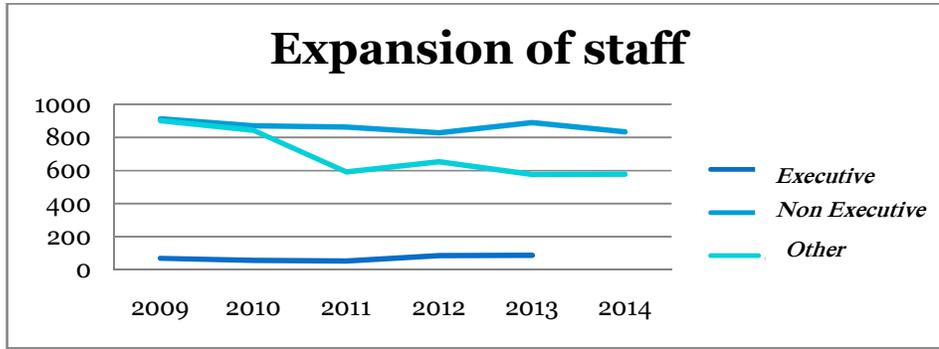
Human Resources Management

Staff composition in Urban Development Authority by the end of 2014 as follows and total staff was 1506.



2014 Year has resulted following composition of employees.

Category	Year					
	2009	2010	2011	2012	2013	2014
<i>Executive</i>	69	57	53	87	88	94
<i>Non Executive</i>	911	870	863	829	890	834
<i>Other</i>	901	844	592	654	576	578
Total	1881	1771	1508	1570	1554	1506



2014 Recruitment and promotions

Human Resource Activity	No. of Employees
Retirements	09
Deaths	0
Termination	07
Dismissals	06
Promotions	115
Resignations	47
Recruitments	124
Transfers	254

2014 Employee Trainings and Developments

Domestic		Foreign	
Seminar / workshops 34	Emp. 554	Official Visit	Emp. 08
Short Term Courses 05	Emp. 29	Scholarships	Emp. 14
Long Term Courses 03	Emp. 09		

For the betterment of the Employee Training and Development, a committee has been appointed to overlook the above and for the year, 2014 committee has made its presence at two occasions to discuss the progress of the above development programs.

2014 Employee Welfare

Medicle Scheme

Admission Claims	OPD 1868
₹.475,050/-	₹.5,915,289/-

Loans

Housing Loans 31	Distress Loans 372
₹.13,431,143/-	₹.67,444,100/-

CORPORATE GOVERNANCE

In order to achieve vision, mission and objectives of the Urban Development Authority by adhering to corporate governance practices, Board of Management and the Key staff of the authority has taken steps to ensure the internal controls and the transparency been maintained at standardize level.

The main objective of such an adaptation is to align activities of the Authority in transparent and an accountable manner by safeguarding the public interest.

As a government owned enterprise, the Urban Development Authority should ensure economic development and better standards and quality of life of the public. Regulations, rules, circulars and directives are aimed at on financial discipline and controls; it has been the practice that many of these are observed. These guidelines are helpful to avoid recurrence of non-compliance with regulations, rules, circulars and directives in the future and to improve the performance of the Authority through Best Practices in Corporate Governance.

Board of Management

Under the Urban Development Authority law the Chairman of the Authority who is appointed by the relevant Minister in Charge, also Chairman of the Board of management. The Board of Management also appoints by the same Minister. Among the others, the Board of Management is responsible for the followings:

- Formulation of policies and strategies and monitoring successful implementation thereof
- Approval of the Budget, Action Plan and Corporate Plan
- Approval of Annual and Interim Financial Statements and Annual Report
- Ensuring compliance with applicable laws, regulations and principles of Corporate Governance
- Overseeing the activities and affairs of the Authority
- Decisions on major capital investment and expansions
- Appointing of members to the Board of Subsidiaries

The Secretary of the Board of Management is the Director General of the Authority and his role in the Board as follows:

- Circulating notice, minutes of Board meeting and board papers together with the other documents
- Follow up decision taken on the board
- Providing information to the Board

During the year 2014, twenty-four meetings were held, while special Board meetings were convened as and when required. (To approve Annual Report, Financial Statements, Budget, Audit Report etc.)

Following statements and reports were submitted to the Board every month to monitor and find defects of senior management and staff of the Authority responsible for their assigned functions and also to ensure that transparency is achieved.

- Performance Statement in financial and physical items
- Operating Statement for the month

- Cash Flow Statement for the month
- Liquidity position and borrowings

Every quarter and half year Financial Statements are submitted to the Board to monitor the financial position of the Authority.

Audit & Management Committee

Role of the Audit Committee:

The Terms of reference, Chapter 7 of the Good governors provides a clear understanding of the committee's role, structure, process and membership requirements. This conveys the frame work of the committees' organisation and responsibilities that can be referred to by the Board, committee members and external and internal auditors.

The Audit & management Committee comprises following members met five times during the year 2014.

- | | |
|--------------------------------|--------------------|
| 1. Mrs.K.D.R.Olga | - Committee Member |
| 2. Mr. D.K.D. Chamara | - Committee Member |
| 3. Mr. Jayantha Wickramasinghe | - Committee Member |

The Chief Financial Officer, Chief Internal Auditor and External Auditor normally attend meetings of the Audit Committee and other Heads of the divisions attend the Audit and Management Committee as and when necessary on the invitation of the Audit Committee.

Tender Board

The Authority has Tender Boards call major and minor to deal with all procurements of goods and services in terms of the Guidelines on Government Procurement Procedures.

Training & Scholarship Committee

Because of training is an important component of personnel development, to improve the efficiency and productivity of the employee, Authority evaluates and formulates the training needs of the organization locally and abroad. Human Resources Management ensures the organizing of seminars and other programs with the instruction of such Committee. The Committee has met 02 occasions during the year 2014. Training & Scholarship Committee comprise of Senior Management of the Authority. The Committee members are as follows:

- | | |
|------------------------------|---------------------------------------|
| 1. Mr.L.A.P.Harshan De Silva | - Director General |
| 2. Mr.W.L.D.P.V.Jayawardena | - Deputy Director General (Finance) |
| 3. Mr.W.A.S.Sumanasooriya | - Director (HRM) |
| 4. Mr.A.M.Weerasena | - Deputy Director General (Planning) |

Board of survey

Annual Board of Survey and special Board of Survey have been done to carry out verification of fixed Assets and inventory at Stores. It was helpful to assets management like replacing & disposing items, deemed redundant / obsolete etc.

Financial Disclosures

The Board of Management is responsible for presenting Financial Statements that provide a true and fair view. The Financial Statements are prepared in accordance with the requirements of the Sri Lanka Accounting Standards.

Internal controls

The Board is responsible for the operation of an adequate system of internal control and the Audit committee oversees the review and assessment of internal controls implemented at the Urban Development Authority.

AUDITOR GENERAL'S REPORT



Qualified Opinion- Authority

In my opinion, except for the effects of the matters described in paragraph 2.3 of this report, the financial statements give a true and fair view of the financial position of the Urban Development Authority as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements- Group

The following observations are made.

- (a) The consolidated financial statements had been prepared based on the audited financial statements of the Lanka Rest House (Pvt.) Ltd. and Urban Investment and Development Company and unaudited financial statements of the Waters Edge Ltd. and the Peliyagoda Warehouse Complex Ltd. for the year 2014 which are the Subsidiaries of the Authority. Further, hundred per cent ownership of the above subsidiaries had been vested in the Authority.
- (b) The investment value of the Waters Edge Subsidiary company of the Authority had been shown in the financial statements of the Authority as Rs.10 in the previous years and it had been shown as Rs.842.5 million in the current year. Nevertheless, the revalued assets of the Subsidiary which had been vested in the Authority on a Court Order, amounting to Rs.1,791 million had not been shown in the financial statements.
- (c) Although a sum of Rs.63,938,313 had been shown as the profit from the disposal of lands and buildings of the Authority during the year under review in the financial statements, it had not been shown as a reserve in the financial statements of the group.
- (d) Although the gross profit for the year under review of the Lanka Rest House (Pvt.) Ltd., which is a Subsidiary of the Authority amounted to Rs.30.96 million, it had been shown as Rs.30.90 million according to the financial statements of the Authority.
- (e) Particulars on the debtors amounting to Rs.191.47 million of the Subsidiaries as at the end of the year under review had not been shown in the financial statements and a provision for bad debt as well had not been made thereon.



(f) The key officers of the Authority had been appointed as the Chairman and the Boards of Director as specified below.

<u>Post of the Authority</u>	<u>Post held in the</u>	<u>Number of Subsidiaries</u>
	<u>Subsidiary</u>	<u>Appointed</u>
Chairman	Chairman	03
Director General (Acting)	Director	02
Additional Director General	Director	02
Deputy Director General (Finance)	Director	02

2.3 Comments on Financial Statements- Authority

2.3.1 Sri Lanka Accounting Standards

The following non-compliances were observed .

(a) Sri Lanka Financial Reporting Standard 07

The Impairment Profit amounting to Rs.9,867,732 arisen in the adjustment of fair value of fixed deposits that existed as at 31 December in the year under review according to the Sri Lanka Financial Reporting Standards 07 (SLFRS) had not been separately disclosed in the financial statements and it had been adjusted to the interest income of fixed deposits.

(b) Sri Lanka Accounting Standard 01

The following observations are made

- (i) The rest house rental of Rs.796.7 million refundable to the Local Authorities during the year under review had been set off against the rest house rental of Rs.779.8 million receivable to the Authority and shown in the financial statements.
- (ii) Adequate disclosures in respect of the following transactions had not been made in the financial statements.
 - Receipt of advances amounting to Rs.127,147,392.
 - Deferred rental income of Rs.18,575,928,400 relevant to the Authority.



- Adjustment relating to the Waters Edge Ltd. amounting to Rs.6,712,422 and correction of the land assessment value of Rs.207,573,921 shown in the statement of changes in equity.
- The provision of Rs.499,999,930 in respect of the diminishing of investment value of the Peliyagoda Warehouse Development Company.
- Receipt of rental advances amounting to Rs.948,536,119 shown in the statement of comprehensive income.

(c) Sri Lanka Accounting Standard 07

The following observations are made.

- (i) Even though a sum of Rs.130,071,167 had been paid as Income Tax during the year under review, it had been shown as Rs.125,386,786 in the cash flow statement and as such a difference of Rs.4,684,381 was observed.
- (ii) The profit from disposal of office equipment and furniture amounting to Rs.1,553,648 which had been adjusted to the profit in the statement of comprehensive income, had not been deducted from the profit before tax in the preparation of cash flow statement.
- (iii) Payment of loan interest and cost of writing off of interests of the Authority during the year under review amounting to Rs.267,269,411 and Rs.272,092,480 respectively had not been separately shown under the financing activities in the cash flow statement.

(d) Sri Lanka Accounting Standard 08

The difference of the assessment of lands amounting to Rs.257,909,794 shown as prior year adjustments in the statement of changes in equity had not been taken into the statement of comprehensive income.

(e) Sri Lanka Accounting Standard 12

Although the payment of bonus amounting to Rs.19,430,337 had been deducted in the computation taxes for the year 2014/2015, the taxable income had been under calculated



by Rs.14,900,398 as PAYE Tax amounting to Rs. 14,900,398 included therein had not been deducted.

(f) Sri Lanka Accounting Standard 16

On the approval of the Authority, the lessees had mortgaged the most of lands given on rent by the Authority as the security to a third party and obtained financial facilities. Nevertheless, adequate disclosures in that connection had not been made in the financial statements.

(g) Sri Lanka Accounting Standard 17

Adequate disclosures had not been made in the financial statements in respect of Deferred Lease Rent amounting to Rs.18.6 million included in the statement of financial position.

(h) Sri Lanka Accounting Standard 18

The accounting policy on the recognition of Fees for the Service Rendered was not in compliance with the provisions in the Paragraphs 20 and 26 of the standard and the income amounting to Rs.92,069,492 received by the realization of the investment of properties during the year under review had been shown under the operating income instead of being shown under the other income item in the statement of comprehensive income. Further, the Nation Building Tax (NBT) collected on the monthly rental income and lease rental income amounting to Rs.13,346,773 and Rs.50,282,413 respectively had been adjusted to the income of the year under review by the Authority and as a result, the recognized income of the year had been overstated by Rs.63,629,186.

(i) Sri Lanka Accounting Standard 19

Adequate disclosures in respect of payment of employee benefits and the basis of computation thereof had not been made in the financial statements.



(j) Sri Lanka Accounting Standard 20

The following observations are made

- (i) The receipt of Government grants amounting to Rs.1,001,234,894 included in the statement of financial position under equity and liabilities had not been brought to account as differed liabilities under the non-current liabilities of the statement of financial position. As a result, non-current liabilities had been under stated by that amount.
- (ii) Out of the Government grant of Rs.64,750,000 received for the construction of trade stalls at Kataragama, a sum of Rs.1,295,000 relating to the year under review had not been taken into the statement of comprehensive income as the Deferred income and as such income had been under stated by that amount.

(k) Sri Lanka Accounting Standard 40

The accounting policy applied by the Authority for the valuation of invested property was not in compliance with the standard. Similarly, the trade stocks of housing projects costing Rs. 13 million the construction works of which had been completed and inhabited people had been shown under the non-current assets and adequate disclosure had not been made in that respect.

2.3.2 Accounting Deficiencies

The following observations are made.

- (a) The following abnormal balances stated in the financial statements could not be satisfied in audit.
 - (i) Existence of an abnormal credit balance of Rs.10,711,099 relating to 02 projects in the Work in Progress Account and an abnormal debit balance of Rs.779,821,387 in the Refundable Rest House Rental Account.
 - (ii) Showing an unidentified balance of Rs.104,123,867 in the trial balance prepared as at 31 December of the year under review.



- (iii) Not indicating a sum of Rs.622,457,270 payable to the Real-estate Exchange Private Company by the Authority in the financial statements of the Authority.
- (iv) Not accounting 4 lands, 194.79 perches in extent and the market value of which was Rs.142,520,000 situated at Baddagana, Madiwela and Depanama belonging to the Authority, having being identified.
- (v) Despite being indicated the opening balance of the Payable Advance Account relating to the Urban Housing Programmes as zero, the balance thereof according to the Ledger Account, amounted to Rs.24,851,960.

Further, it is established that there were number of differences between the closing balances of the financial statements of the previous year and the opening balances of the financial statements relating to the year under review. As such, it was not possible to satisfy on the accuracy and the reliability of each balances indicated in the financial statements of the Authority.

- (b) Although, the balance of the Refundable Client Deposit Receipts Account as at 31 December of the year under review amounted to Rs.4,458,767,920, as irrelevant unidentified debit balance of Rs.1,166,567,929 had been adjusted to that account, that account had been under stated by that amount.
- (c) The chairs, air conditioners systems and an electric lift purchased at a cost of Rs.43.9 million under the Racecourse Renovation Project had been brought to account as one asset under the Super Structure instead of being classified according to the relevant classification policy and depreciated as per the relevant depreciation rates and as such depreciation amounting to Rs.6,955,502 in respect of those assets for the year under review had been omitted from the accounts. Further, the generator purchased at a cost of Rs.10,850,000 (Exclusive of VAT) for the above project should have been identified as a fixed asset, but it had been brought to account as a development expenditure.
- (d) As the interests valued at Rs.2,818,991,301 receivable relating to the Fixed Deposits had not been correctly computed, the value of the Fixed Deposits as at the end of the year under review had been over stated by Rs.553,475.



- (e) Provisions for Bad Debts amounting to Rs.169,919,893 had been made as at 31 December of the year under review for the Rest house debtors totalling Rs.114,066,129 and as such provisions for Bad Debts of Rs. 55,853,764 had been made, exceeding the debtor balances.
- (f) Although the Authority had approved the transfer of a sum of Rs.214,132,917 accounted as the work-in-progress during the year under review in the Journal entry, that value had not been brought to account under the invested property.
- (g) While the expenditure of Rs.3,574,048 of 4 projects adjusted to the statement of comprehensive income as project operating expenditure being adjusted to the profit before tax, it had again been deducted under the qualified expenditure in the calculation of taxable income. As such, the taxable income had been under stated by that amount.
- (h) Although the entire Economic Service Charge paid for the year under review had been adjusted to the Income Tax, the Economic Service Charges of Rs.4,683,844 receivable as at 31 December of the year under review had not been shown in the financial statements.
- (i) The Economic Service Charge payable for the final quarter of the year under review amounting to Rs.2,301,357 had not been shown in the financial statements.
- (j) A sum of Rs.14,358 million relating to 3 asset items had been shown under non-current assets instead of being shown under current assets in the statement of financial position.
- (k) A debit balance valued at Rs.5,211,347 had been adjusted to the Tender Deposit Account and as such that account had been under stated by that value.
- (l) A sum of Rs.538,635,413 that should not be credited to the Refundable Land Sale Advance Account shown in the financial statements had been adjusted to that account and therefore that account had been under stated by that value.
- (m) A sum of Rs.8,342,800 received as the land compensation deposit during the year under review had been brought to account as work-in-progress.



2.3.3 Un-reconciled Accounts

The following observations are made.

- (a) The total of 16 items shown in the financial statements was Rs.100,920 million and that total in the schedules relevant thereto was Rs.97,855million. Accordingly a difference of Rs.3,065 million was observed.
- (b) According to the financial statements of the Authority as at 31 December of the year under review, a difference of Rs.832,727 relating to current accounts of Lanka Rest House Company Ltd. and Urban Investment Development Company Ltd. was observed.
- (c) According to the statement of financial position of the year under review, provisions for gratuity amounted to Rs.39,928,132 whereas it was Rs.44,956,857 according to the statement of comprehensive income and as such a difference of Rs.5,028,725 was observed.
- (d) Although the Income Tax pertaining to the year under review amounted to Rs.146,053,702, it was Rs.149,275,738 according to the income tax computation schedules. Accordingly, a difference of Rs.3,222,036 was observed.
- (e) Although the balance of the Pension Gratuity Provision Account as at 31 December of the year under review amounted to Rs.218,090,085 according to the Actuarial Report that balance was Rs.205,665,985.

2.3.4 Receivable and Payable Accounts

The following observations are made

- (a) Out of the advances given to the employees of the Authority in 68 instances, advances amounting to Rs.5,327,356 had not been settled even as at the end of the year under review.



- (b) The monthly rental debtor balance of the Authority as at 31 December of the year under review amounted to Rs.188,463,895 and a sum of Rs.85,967,943 of that was older than a year. This represented 45 per cent of the monthly rental debtor value.
- (c) Action had not been taken to settle a sum of Rs.158,869,375 included in the refundable advance schedule relating to the urban housing programmes as at 01 January 1979, a sum of Rs.7,433,898 existed in the Refundable Land Advance Account as at 25 April 1986, a sum of Rs.94,095,613 existed in the Refundable Client Deposit Account as at 31 December 1989 and refundable rental advance of Rs.767,213 brought to account as at 31 December 1990, even by the end of the year under review.
- (d) The unsettled advance balance given by the Authority to the contractors for various projects as at 31 December of the year under review amounted to Rs.7.9 billion, of which Rs.0.78 billion had been older than 2 years and Rs.2 billion had been between 01 to 02 years.
- (e) The fine receivable from the rental debtors as at 31 December of the year under review amounted to Rs.101,789,415 of which fines exceeded one year was Rs.81,205,721. Further, the Authority had failed to recover 80 per cent of the total fines receivable.
- (f) The Authority had not taken an adequate step to recover the dormant employee loan balances of Rs.1,213,322 that existed by the end of the year under review.
- (g) Rental of Rs.53,697,392 receivable from 06 projects given for business transactions during the year under review after renovating by the Project Management Division of the Authority had not been recovered even by the end of the year under review.
- (h) Action had not been taken to settle the tax totalling Rs.66,384,394 recovered by the Authority.
- (i) The Nation Building Tax of Rs.142,412,400 recovered by the Authority from the Colombo (Private) Ltd. on 2014 July 16 had been retained in the Authority without being remitted to the Department of Inland Revenue.



2.3.5 Lack of Evidence for Audit

Evidence indicated against the following transactions totalling Rs.15,194.84 million relevant to 06 items of accounts had not been made available to audit.

Item	Value (Rs.Million)	Evidence not made available
(a) Property, Plant and Equipment	1,950.4	Schedules of Assets
(b) Revenue Reserve	55.0	Detailed Schedules
(c) Land Compensation Payable	8,277.0	Balance confirmations
(d) Adjustment of Employee Loan to the present value	61.9	Detailed schedules and particulars on computation
(e) Opening balance of the Refundable Rest House Rental Account	457.9	Detailed Schedules
(f) Various Accounts (Debit balances)	4,392.64	Particulars of accounts relating to the Code Nos.

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

The following instances of non- compliance with Laws, Rules, Regulations and Management Decisions were observed.

Reference to Laws, Rules, Regulations etc.	Non- compliance
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Regulation 371	Even though the ad-hoc sub-impresst should be settled immediately after completion of the relevant purpose, a period of over 06 months had been taken for the settlement of advances of Rs.3,155,399 granted in 141 instances



- (b) Planning Circular No.8 of 30 September 1987 of the Urban Development Authority and Planning Circular No.15 of 18 November 1993
- The Local Authorities had not opened bank accounts relevant to the deposit of service charges of the Authority.
- (c) Gratuity Payments Act, No.12 of 1983, Employees Provident Fund No.15 of 1958 and Employees Trust Fund Act, No.45 of 1980.
- Although in the computation contributions to employees provident fund, employees trust fund and gratuity, the Cost of Living Allowance should be taken into consideration in accordance with the provisions in the relevant Acts, it had not been so done. As such the arrears and the surcharges payable in respect of those funds for the period from the year 2006 up to 06.10.2012 amounted to Rs.99,488,147 and Rs.47,259,253.
- (d) Schedule V of the Extraordinary Gazette No.1597/8 of 17 April 2009 of the Democratic Socialist Republic of Sri Lanka.
- (i) Paragraph 6 II
- The Authority had not taken action to recover a sum of Rs.947,000 recoverable in respect of construction of one building without having a formal development permit for commercial purposes.
- (ii) Paragraph 7
- Although the Authority had identified 1868 unauthorized constructions and unauthorized changes, action had not been taken either to regularize them by charging a fee for a covering approval and a fee for changing the utilization, if they can be regularized or to re-possess the lands to the Authority.



(e) Management Services Circulars

(i) Circular No.39 dated 26 May 2009

Without the approval of the Salaries and Cadre Commission and the Department of Management Services, a monthly professional allowance of Rs.15,000 had been paid to the Engineers, Architects, Lawyers, Accountants, Town Planning Officers and Quantity Surveyors of the Urban Development Authority with effect from 01 July 2014 and a sum of Rs.5,925,000 had been spent in that respect during the year under review. The Chairman of the Authority had informed me on 01 February 2016 that this allowance was paid on the verbal approval of the former Defense Secretary and the approval of the Board of Management.

(ii) Circular No.5/2014 dated 21
November 2014.

In the payment of bonus amounting to Rs.19.4 million to the staff of the Authority during the year under review, action had been taken contrary to the following criteria referred to in the said circular.

- Submission of annual accounts to the Auditor General on or before the due date.
- Obtaining the approval of the Board of Directors or the Board of Control before the payment of bonus.

(f) Public Enterprises Circular

No.PED/12 dated 02 June 2003.

(i) Section 4.2.6

The quarterly progress reports of the Authority had not been sent to the Department of Public Enterprises within 30 days of the closure of the relevant quarter.

(ii) Section 9.2 (d)

The approval of the Department of Public

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Enterprises had not been obtain for the composition of the cadre of the Authority.

(iii) Section 9.14

The Authority should prepare a procedure relating to the human resources management and get it approved and otherwise, provisions in the Establishments Code relating to the human resource management should be adopted. Nevertheless, action had not been taken accordingly.

(g) Management Services Circular
No.30 dated 22 September 2006
and Public Administration Circular
No.06/2006

A performance based promotion scheme had not been introduced for the Authority and after placing posts in a new salary scale, approval of the National Salaries and Cadre Commission had not been taken to implement it. Nevertheless, the Authority had taken action to grant promotions subject to a prior approval utilizing a proposed cadre composition.

(h) Government Procurement
Guidelines

(i) Section 1.2.1 (c)

A private institution had been selected for a sum of Rs. 5.7 million for consultancy services without calling for competitive bids in the process of installing computer system expected to be introduced by the Authority at a cost of Rs. 400 million. A feasibility study had not been conducted on the new computer system.

(ii) Section 2.5.1

The Authority had procured goods and services valued at Rs. 1,460,484,030 in the year under review without the approval of the Procurement Committee. The Chairman of the Authority had informed me that payments had to be made to the suppliers for the orders issued without following the procurement



- (i) Section 3.4

process in accordance with the verbal directives of the Secretary to the Ministry and the written directives of the then Chairman.

Although the Shopping Method should be followed for the procurements less than Rs. 5 million, the Shopping Method had been followed in purchasing capital goods for the renovation of Race Course Ground on Reed Avenue in Colombo 07 in excess of Rs. 05 million totalling Rs. 40.64 million and capital goods of other projects totalling Rs. 72.36 million.
- (j) Public Administration Circular, No.14/2008 dated 26 June 2008

Drivers had been provided for 17 officers who had drawn allowances by using private vehicles as their official vehicles, and a sum of Rs. 5,308,160 had been incurred by the Authority as the drivers salaries and overtime allowances.
- (k) Provisions of the letter No. MF/TR/1/2003 of the Secretary to the Ministry of Finance, dated 28 March 2003.

Although the maximum monthly rental payable for a vehicle obtained on lease amounted to Rs. 40,000, the Authority had paid at Rs. 57,142, and a sum of Rs.1,645,632 had been overpaid by exceeding the said limit in connection with 8 vehicles in the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the profits before tax of the Group and the Authority for the year ended 31 December 2014 amounted to Rs.1,146 million and Rs.749 million respectively as compared with the corresponding profits before tax amounting to Rs.1,121 million and Rs.943 million respectively in the preceding year, thus indicating an improvement of Rs.25 million and a deterioration of Rs.194 million in the financial results as compared with the preceding year of the Group and the Authority respectively. The deterioration of the financial result had mainly been attributed by the decrease in the interest income of the Authority as compared with the preceding year.



3.2 Analytical Financial Review

The following observations are made.

- (a.) The current ratio of the Authority was 0.64:1 in the year under review, as compared with 2.18:1 in the preceding year. The deterioration of the current ratio had been caused due to reasons such as obtaining a short-term bank loan amounting to Rs. 3.66 billion in the year under review, and taking action to redeem debentures valued at Rs. 10.26 billion that had been shown as non-current liabilities in the preceding year thereby showing as current liabilities, in the year under review.
- (b.) The interest income had decreased from Rs. 1,279 million to Rs. 395 million representing 69 per cent in the year under review.
- (c.) As compared with the preceding year, transport expenses and assessment taxes had increased by 67 per cent and 1618 per cent respectively in the year under review.
- (d.) Other expenses had increased by 1267 per cent in the year under review as compared with the preceding year. This had directly affected to increase the project operations expenses by a sum of Rs. 449 million.
- (e.) As a sum of Rs. 3.64 billion had been withdrawn in the year under review from the fixed deposits valued at Rs. 11.28 billion as at the end of the preceding year for the construction of urban regenerative houses, the balance available as at the end of the year under review amounted to Rs. 7.64 billion.

4. Operating Review

4.1 Performance

The following observations are made in connection with the performance of the Authority.

- (a.) Seventy eight projects with an aggregate value of Rs. 14,088 million that had been included in the Action Plan for the year under review, had not been implemented during the year under review, whereas a sum of Rs. 2,981 million had been spent on 211 projects, not included in the Action Plan.
- (b.) No progress whatsoever had been observed in connection with work in progress valued at Rs. 79,783,488 relating to 48 projects at the commencement of the year under review.



- (c.) Although 243 urban development zones had been identified in accordance with Section 3 of the Urban Development Act, No. 41 of 1978 by the end of the year under review, development plans had been prepared only for 42 zones.
- (d.) The expenditure incurred on the urban development, Which is the main objective of the Authority, in the year under review amounted to Rs. 665 million representing only 7 per cent of the total expenditure incurred.

4.2 Management Inefficiencies

The following observations are made.

- (a.) It had been agreed to grant the land located at Malambe, 296 perches in extent taken over by the Authority in the settlement of land, 158 perches in extent acquired in the year 2009 for the construction of a sports complex at Nawinna, to the company owned the above land. However, it had been agreed to pay a sum of Rs. 55 million to the owner of the land that had been set off without obtaining a valuation from the chief valuer for the land that had been taken over.
- (b.) The land owned by the Authority and located on Nippon Road, Kotte, had been encroached by the nearby dwellers for their access and gardening. However, the Authority had not taken any action in that connection.
- (c.) Houses from the *Mihindusenpura* Housing Scheme had been provided for the 205 families who occupied official quarters of the Sri Lanka Railway. As the houses had been vested in them together with the ownership, the possibility of taking over those houses when emptied due to retirement or other reasons, and granting to the officers employed in the Department of Railway, had been deprived. The rental income that would have been earned in renting by the Authority in the future had been deprived.
- (d.) Although 153 cases of encroachment had been revealed from the land with 7.35 acres vested in the Authority following an order of the Supreme Court and located in *Battaramulla, Kalapaluwawa* where the Water's Edge Company is established, the Authority had failed to take appropriate measures for the removal of encroachers.
- (e.) Two bids amounting to Rs. 12,200,240, and Rs. 3,800,000 had been presented to the Authority by 2 contractors for the demolition and removal of the old building at the housing complex in *Mayura Place, Wellawatta* and sale of debris respectively.



However, the Authority had not assigned the task to the contractors; instead, the building had been demolished by incurring funds of the Authority amounting to Rs. 6,296,440, and the debris had been sold for Rs. 750,000, thus causing a total loss of Rs. 17,746,680 to the Authority.

(f.) A sum of Rs. 94,237,411 remained due by the end of the year under review due to inefficiencies of the methodology to recover the fees of the houses vested in the householders by the Authority under the Urban Regenerative Project.

(g.) As boundaries had not been marked, security fence lines had not been erected properly around the lands, 194.7 perches in extent valued at Rs. 143 million in areas such as Beddagana, Araliya Uyana, and Madiwela, external parties had encroached those lands, by constructing permanent buildings, and cultivating perennial crops.

(h.) Although approval had been granted according to the decision No. 229/2014 dated 26 August 2014 of the Board of Directors to vest the ownership of the vehicles of the subsidiary company – *Peliyagoda* Warehouse, in the Authority, action had not been taken even by the end of the year under review to take over the ownership of those vehicles.

(i.) Although fines charged and the balance money remained after issuing the monthly season tickets for the busses deployed for transporting officers of the Authority, totalled Rs. 2,111,399, action had not been taken to deduct the balance money in issuing new season tickets.

(j.) The land owned by the Authority valued at Rs. 1,190,000 and located at No. 41/4, 4th Lane, *Bodhiraja Mawatha, Jayanthipura, Battaramulla*, had been unlawfully used by external persons for storing building materials.

(k.) Although the bare land of 5.32 perches in extent with a higher market value adjacent to *Nandarama* Housing Complex and owned by the Authority had been encroached by an external party, the Authority had not taken any action to recover the land.

(l.) Debenture Issues

The Authority had issued Rs. 10 Billion worth of debentures in October 2010 redeemable in 5 years with the objective of collecting funds for the national program on



the construction of 66,000 houses for the shanty dwellers in the city of Colombo – a project which had not complied with the objectives of the Urban Development Authority Act.

(i) The following activities which should have been carried out in terms of the Cabinet Memorandum No. M/D/UDA/CP/2010(1) of 05 August 2010 relating to the issue of debentures, had not been adequately performed even after 5 years of issuing debentures.

- Taking action to generate an income of Rs. 25 billion through the development of 142 acres of land existed in the city of Colombo thereby leasing out 78 acres of those lands at Rs. 2 million per perch , and utilizing a sum of Rs. 14 billion there from on the urban development of the city of Colombo.
- Calling for leasing proposals by the Authority on those lands , or preparation of a business plan in that connection.
- Renovation of the City of Colombo, and commercially development of lands economically importance in Colombo.
- Improvement of these projects by the Authority within a period of 3 years up to a level of generation income.

(ii) Although the Authority had scheduled to redeem debentures valued at Rs.10 billion in the year 2015, it was observed that the Authority would face a severe financial crisis in redeeming debentures due to failure in accumulating adequate financial assets.



4.3 Operating Inefficiencies

The following observations are made.

- (a.) The total amount receivable to the Authority from the stalls at the shopping complex – Colombo Gold Centre as at 31 December 2014 amounted to Rs.68,174,622. Of that, amount, Management fees and key money receivable from 52 and 58 stalls amounted to Rs. 64,241,177. Thus, leasing out a large number of stalls even without obtaining key money was questionable in audit. Furthermore, only 64 out of the 84 stalls had paid monthly rentals by the end of the year under review, and that had further decreased to 10 by June 2015. Accordingly, the percentage of the receipt of rentals had sharply decreased from 76 per cent to 12 per cent within a period of 06 months.
- (b.) In terms of the letter of the Secretary to the Treasury dated 11 November 2011, unnumbered addressed to 13 District Secretariats in connection with the acquisition of under operated enterprises and underutilized assets to the Government, the Authority had not taken steps to make use of 14.5 acres of lands that had been vested in the Authority by the Divisional Secretariats of Colombo and Badulla districts, in development activities.
- (c.) Bad debts amounting to Rs. 13.8 million had in appropriately been provided in the year 2012 for work in progress valued at Rs. 10.6 billion and brought forward over several years. Action had not been taken to rectify the accounts up to the year under review.

4.4 Transactions of Contentious Nature

The following observations are made.

- (a.) Contrary to its objectives, the Authority had given a sum of Rs. 20 million in the year under review on the conservation of *Ehelepola Walawwa*, program.
- (b.) The Urban Regenerative Project had constructed the housing complex – *Laksanda Sevena* consisting of 216 houses under the project for providing the dwellers in urban areas living under substandard facilities with flats. The cost incurred on the construction of a house amounted to Rs. 4 million. However, 158 units of such houses had been granted to the Colombo Municipal Council at Rs. 1.5 million per house incurring a financial loss of Rs. 395 million to the Authority. Furthermore, the



Authority had not taken adequate measures to recover a sum of Rs. 137 million remained receivable to the Authority in that connection.

4.5 Non-economic Transactions

The following observations are made.

- (a.) A sum of Rs. 179,118,482 had been spent by the Authority in the year under review on inaugural ceremonies of the projects/ making of plaques / printing / publicity, and food and beverages.
- (b.) Although a sum of Rs. 92,000,000 had been invested by the Authority for the purchase of shares of a private company no return whatsoever had been received in that connection from 2005 up to the end of the year 2013. In terms of the Cabinet decision reached subsequently, it had been decided that the amount invested by the Authority should be taken back by converting the said company into a public company. However, the Authority had not acted accordingly.
- (c.) The Authority had been issued 18 per cent preference shares by a company in 2005 valued at Rs. 28,950,000 in lieu of lands vested in the said company by the Authority. No return whatsoever had been received in connection with the investment up to the end of the year under review.
- (d.) No dividend whatsoever had been received on investments amounting to Rs. 500,000, and Rs. 36,309,841 made by the Authority in Housing Development Finance Corporation, and Colombo Land and Development Company respectively.

4.6 Identified Losses

Due to failure in obtaining a favourable verdict as the Authority had not made sufficient information available to the Court, fines and rentals of Rs. 64,309,764 recoverable to the Authority from Rest Houses at *Bandarawela* , and *Peradeniya*, had been written off from the books in the year under review.



4.7 Contract Administration

The following observations are made.

(a.) Urban Regenerative Project

- (i) Although the tenants had occupied 10 housing schemes of which construction had been completed, ownership of lands, 01 Acre and 02 Roods in extent where those housing schemes had been constructed, had not been taken over, whereas action had not been taken to take over the ownership of lands where construction of houses are being in progress in connection with 13 projects valued at Rs. 30.47 billion.
- (ii) In terms of Section 1.2 (c) of the Government Procurement Guidelines, competitive bids should be called for a manner that the parties interested in construction are provided with equal and best possible opportunities. However, 06 contracts the total value of which amounted to Rs. 15.14 billion had been awarded without calling for competitive bids in such a manner, and without the approval of the Board of Directors in connection with 27 constructions valued at Rs. 61.9 billion.
- (iii) In terms of Section 8.9.3 of the Government Procurement Guidelines, agreements had not been signed even by the end of the year under review in connection with 12 contracts valued at Rs. 30.82 billion that had been carried out under phase II of the project. Owing to this situation, operation and monitoring of the said contracts efficiently were revealed to be questionable.
- (iv) The Construction companies, to which the contracts for the constructing of housing schemes in *Kolonnawa* and *Maligawatta* consisting of 1474 units of houses valued at Rs. 4.13 billion, and the housing scheme in *AluthMawatha* consisting of 1248 units of houses, had been awarded under phase I of the project, in the year 2011, had abandoned the projects by the end of the year under review.
- (v) 4676 householders had been inhabited in 10 housing projects without entering into formal agreements. As the Authority had not followed a specific methodology to recover key money and monthly rentals from the



inhabitants, the total amount recoverable from 18 November 2013 to August 2015 amounted to Rs.33 million approximately.

- (vi) As a specific methodology had not been applied in granting houses to the homeless people selected by the Authority under the said project, 177 instances where 2 houses had been given to a same person, and 12 instances where 3 houses had been given to one person were revealed. The number of housing units so given was 201, and the cost incurred thereon amounted to Rs. 1,342.68 million. The Chairman of the Authority had informed me on 01 February 2016, that Considering the public protest as the area of a house being 400 square feet 2 houses had been given in place of a better house with an area exceeding 700 square feet, whereas, 3 houses had been given in place of a best house with an area exceeding 1100 square feet.
- (b.) In order to put up a fence around the land namely, “*Electro Plastic*” with a wire mesh at a cost of Rs. 1,745,000 that had been acquired by the Authority in *Rajagiriya*, a metal sheet of size 6” 6” should have been used at the bottom as per the engineering plan when the GI pipes used to link the mesh were fixed to the ground. However, it had not been so done, and some of the GI pipes used in fixing the wire mesh, had been linked with each other.
- (c.) The Authority had selected tenants through interviews by issuing 855 applications at Rs. 2,500 each in the year 2013 in connection with the project to construct flats and grant them as a freehold property to the Government servants. Although the project had been commenced on 30 October 2014, no any construction whatsoever had been carried out even by the end of the year under review.

4.8 Personnel Administration

Thirty one officers had been recruited for 18 posts that had not been in the approved cadre of the Authority. The existence of 21 vacancies over the past several years relating to the Senior, Executive and management levels of the Authority had directly affected the performance of the Authority.



5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though every Public Corporation should present the financial statements and the draft annual report to the Auditor General within 60 days after the closure of that year or prior to 28 February, in terms of Section 6.5.1 of the Public Enterprises Circular, No. PED/12 dated 02 June 2003, the financial statements for the year 2014 had been presented to audit only on 08 March 2016.

5.2 Corporate Plan

The following deficiencies were observed in the Corporate Plan prepared by the Authority for the period 2013-2017 in accordance with the provisions of Section 5.1.2 of the Public Enterprises Circular, No. PED/12 of 02 June 2003.

- (a.) The Corporate Plan for the year 2014 had not been updated.
- (b.) Due to non-availability of targeted data, comparison with the actuals was not possible.
- (c.) Responsibility had not been assigned with the managers of the Authority to be in line with targeted strategies.

5.3 Action Plan

The following observations are made.

- (a.) Strategies to be carried out in the year under review included in the Corporate Plan for 2013-2017, had not been included in the Action Plan for the year under review.
- (b.) The Action Plan had not been updated and reviewed in a timely manner.
- (c.) As the actual data relating to targeted activities of each division had not been presented by the end of the year under review, it was not possible to assess the performance of those divisions.

5.4 Internal Audit

The following observations are made.

- (a.) Even though the Internal Audit Division had observed that certain existing internal control systems appears to be weak, it was observed that there was no an approach within the Entity to strengthen such control systems.



- (b.) Action had not been taken to strengthen the staff of the Internal Audit Division in line with widening of the functions of the Authority. Although the approved number of officers for the Internal Audit Division was 14, the number of officers employed by the end of the year under review was 13.
- (c.) The functions included in the annual audit program had not paid an adequate attention on the performance audit of the Authority.

5.5 Budgetary Control

Significant variances were observed in comparing the estimated income of the rent, sale of fixed assets, service charges, interest, dividends and sundry income etc. with the actual income, thus indicating that the budget had not been made use of as an effective instrument of financial control.

5.6 Tabling of Annual Reports

Even though the Authority should table its Annual Report in Parliament within 150 days after the closure of the year of account in terms of Section 6.5.3 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the Annual Reports after the year 2011 had not been tabled in Parliament.

5.7 Unresolved Audit Paragraphs

An adequate attention had not been paid by the Authority even by the end of the year under review on the following matters included in the audit reports for the preceding years, and out of them, certain observations had been drawn the attention of the Committee on Public Enterprises as well.

- (a.) Non utilization of the alternative trade centre constructed for road hawkers at a cost of Rs.16 million at Saunders Place in Pettah in the year 2002.
- (b.) The approval of the General Treasury had not been obtained for the payment of 1/3 allowance to the officers attached to the offices of the Chairman, Director General and the Additional Director General.
- (c.) Action had not been taken to recover the outstanding usage fees of Rs. 92 million related to New Town Plan of Dambulla.



- (d.) The then assessed value of Rs. 361,483,000 of the Water's Edge Hotel vested in the Authority in the year 2008 on a Court Decision, had not been paid to the company which was the owner of the Hotel.
- (e.) The Cabinet of Ministers had decided on 29 December 2010 to freeze the recovery of charges for Development Permits and a sum of Rs.207,331,767 recovered by the Authority for the previous period had been retained within the Urban Development Authority without being remitted to the Urban Settlement Development Authority (USDA) in terms of paragraph section 16(1) e of part II of Urban Settlement Development Authority Act, No. 36 of 2008.

5.8 Performing the Environmental and Social Responsibilities

The following observations are made.

- (a.) The Authority, being an institution responsible for the avoidance of unauthorized constructions, had not performed its duty optimally.
- (b.) The Authority had faced with questioning of Health Services Sectors on the spread of Dengue disease due to failure in maintaining and proper cleaning of Head Office premises of the Authority.
- (c.) Even though 4,937 houses from 09 projects of housing schemes constructed under the Urban Regenerative Project, had been vested in the tenants, the institutions responsible had not been assigned to establish management corporations consisting of tenants in order to carry out maintenance and management of those houses.



6. **Systems and Controls**

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Authority from time to time. Special attention is needed in respect of the following areas of control.

- (a.) Accounting
- (b.) Operation of the Computerized Accounting System
- (c.) Control of Debtors / Creditors
- (d.) Control of Advances
- (e.) Budgetary Control
- (f.) Assets Management
- (g.) Procurement Process
- (h.) Human Resources Management
- (i.) Management of Taxes

H. M. Gamini Wijesinghe.

Auditor General

CHAIRMAN'S REVIEW REGARDING AUDITOR
GENERAL'S REPORT

2.2 Consolidated Financial Statements

a). Observations

Consolidated Financial statements of UDA for the year 2014, has been prepared based on the Draft Financial statements of the Paliyagoda Warehouse Complex Ltd and Waters Edge Ltd because the audited of Financial Statements of said companies had not finalized by auditors during that time.

However, subsequently upon receipt of the Audited Financial Statements of Waters Edge Ltd have been submitted to the Government Audit Division on 18th November 2015. The Audited Financial Statements of Paliyagoda Warehouse Complex Ltd would be submitted to the Government Audit Division upon the finalization of the audit.

b.) Observations

As per the Court order Asia Pacific Golf Course Company has been transferred to the Urban Development Authority to carry out the operational activities .Waters Edge Ltd was established to continue the process of said company. At the inception of said company, only one share has been issued amounting to RS.10 and it has been disclosed in the financial statements accordingly. Subsequently, the Authority has requested to issue shares to the receivable value of Rs.842.5 Million in compensate for the value of building transferred to the Waters Edge to a value of Rs.642.5 mn and the loan given to a value of Rs.200 mn.

The revalued amount of the Water's Edge Ltd has been incorporated in the Consolidated Financial Statements for the year 2013.

c.) Observations

Amount of Rs.63, 938,313/- is represented the profit from sale of land for the transferring of hotel building which is earliar belong to the UDA to the waters edge company. Since this an inter company transaction were happened between UDA & its subsidiary company, this amount was adjusted as inter company transaction when preparing the Consolidated Financial Statements.

d.) Observations

As per the draft Statement of Comprehensive Income of the Lanka Rest house Limited the Gross Profit is Rs.30,909,896/- and it has been changed to Rs.30,969,914/ in the Audited Financial

Statements. Accordingly, the audited amount would be adjusted in the Final Accounts for the year 2014.

e.) Observations

This amount represents the value of debtors of the Authority and subsidiary companies after adjusting inter company transactions. Details pertaining to the debtors of these subsidiary companies have submitted to the Government Audit with the respective financial statements.

As a policy, the provision for bad debt required to be made by the respective subsidiary company. Based on the ability to recover debts from debtors. only the Lanka Rest house Ltd has provided provision in the Financial Statements and it has been disclosed accordingly.

f.) Observations

Position held at the Authority	Position held at the subsidiary company	Name of the company appointed		
		Urban Investment and Development Company	Lanka Rest house Ltd	Waters Edge Limited
Chairman	Chairman	√	√	√
Actg. Director General	Director	√	-	-
Additional Director General	Director	√	√	-
Deputy Director General (Finance)	Director	√	√	UDA representation

Urban Development Authority officials have been appointed for the Chairman and the Board of Directors of the above companies is according to the Memorandum of Association of the subsidiaries, such officials must definitely be appointed for the Chairman / Board of Directors.

2.3 Financial Statements of the Authority

2.3.1 Sri Lanka Accounting Standards

(A) Sri Lanka Financial Reporting Standard 07

Observations

The amount of Rs.9,867,732/- is represents the accounting adjustment made for recognition of interest income receivable on fixed deposits held as at 31/12/2014 by using IRR calculation as per the Sri Lanka Financial Reporting Standards (SLFRS).

Accordingly, this amount has been disclosed under the category of receivables as per the Sri Lanka Financial Reporting Standards and would not require disclosing separately.

(B) Sri Lanka accounting Standard 01

(i) Observations

Prior to incorporation of Rest house Limited the management of the rest houses was managed by UDA and rentals were collected from of rest houses as per the agreement signed between UDA & Rest Houses managers. Out of this Rental charge, 70% have been transferred to the relevant Provincial council and the balance 30% was retained as a Management fees as per the agreements.

This amounts is represents such amounts to be payable to Provincial Councils. And also this amount have not been set off against the receivable amount of Rs.779,821,387 to the UDA as per the Audit query.

(ii) Observations

This amount represents the key money received for town development projects that the Authority conducted together with the Provincial Councils. As agreed with the respective Provincial Councils the capital expenditure related to these projects would be set off against key money that has been collected for these projects.

The relevant disclosure related to the above is expected to present in Note to the Account 1.3.15(c) .

Observations

The relevant disclosures have been presented in Note to the Account 1.3.9 and the respective schedule has been submitted to Government Audit Division on 09th December 2015.

Observations

Steps have taken to include the relevant accounting disclosures in the Final Accounts

Observations

As per the directions submitted by the Sri Lanka Accounting Standards and Monitoring Board, due to the loss made by the Paliyagoda Warehouse Company Ltd exceeding the investment made a provision was made for a non recovery of investments in respective years. However, a provision was not made during the current financial year.

The relevant discloser would be made under the Note Number 10 of the final Account 2014

The correct schedules in relation to Refundable Security Deposits and Rental Advances has been submitted to Government Audit Division on 03.09.2015.As per the schedules submitted the amount receivable has not been accounted.

(c) Sri Lanka Accounting Standards 07

Observations

i. The difference denoted through following economic service charge payments. The amount has been represented as changes in debtors in the Cash Flow Statement.

<u>Payment Date</u>	<u>Amount Rs.</u>
17/01/2014	1,206,208/44
11/04/2014	1,061,817/29
17/07/2014	1,239,699/27
16/10/2014	1,236,119/35

ii. Observations

When preparing the Cash Flow Statement the profits generate through sale of furniture and fittings was not deducted from the profit before tax is due to the profit earned through the disposal and the cash consideration received is equal.

iii. Observations

In the preparation of Financial Statements for the year 2014 the interest income earned from the debenture and the debenture interest paid would be disclosed separately in to the cash flow statements.

D. Sri Lanka Accounting Standard 08

Observations

The reduction of revaluation reserve is due to the increase in Land & Building value as per the adoption of New Accounting Principles during the year 2012. Accordingly, since the compensation cost incurred for acquisition of lands increased the revenue reserve decreased apparently. Since, this error was caused when revaluating assets during the year 2011, it is required to correct the same as and when.

Therefore, the relevant adjustment has been made in the respective year and no adjustment was made in the Statement of Comprehensive Income for the current year.

E. Sri Lanka Accounting Standard 12

Observations

According to the Inland Revenue Act no.10 of 2006, the bonuses receiving from services rendered consider as a Qualifying profit and the Circular No.02 of Pay As You Earn required adopting. Thereby, the bonuses paid by The Authority amounting to Rs. 19,460,337/and the Payee Tax of Rs.4,529,939/- has remitted to Inland Revenue Department on 13.01.2015.

When paying bonuses to employees their workings practices, attendance were considered with the view to motivate employees and by doing that it has directly affected to the generation of income for the Authority. Therefore, expenditures that resulted in generating income could be deducted directly and would not have any impact for taxable income for 2014/2015.

Also, in the 25th paragraph of No 25 of 2006 income Act when ascertaining income and profits bonus has not been categorized as a deductible source of income.

F. Sri Lanka Accounting Standard 16

Observations

After obtaining the details and by accessing the legal status relevant actions would be made to disclose in the Financial Statements.

G. Sri Lanka Accounting Standard 17

Observations

The relevant discloser would be made in the Accounts for the year 2014.

H. Sri Lanka Accounting Standard 18

Observations

When Accounting the Fee for services rendered except electricity, Water charges, Management fees other incomes were charges when the service was provided and hence the cash basis was adopted.

In the Financial Statements for the year 2014, the profit generate by sale of Investment Property has been disclosed accurately in the Statement of Comprehensive Income under the heading comprehensive income.

In addition as per the Board of Management Meeting held on 12th May 2009 it was decided to add the National Building Tax (NBT) on the attributable income of the revenue source. Accordingly, the income earned during the year has increased by Rs.63,629,186/- due to the incremental revenue in rent income and lease income due to the inclusion of National Buildings Tax (NBT).

I. Sri Lanka Accounting Standard 19

Observations

The payment of Employee allowances have been disclosed in Note Number 1.3 and further discloser regarding the basis of calculation the allowances would be presented in Final Accounts for the year 2014.

J. Sri Lanka Accounting Standard 20

i.Observations

This grant was received from Government in order to construct the Sethsiripaya Office Complex and to construct the Colombo Central Supermarket. This grant has been disclosed under Note to the Account 1.3.15.4 and the relevant provision for each year is set off in the Statement of Comprehensive Income based on the useful life of the asset. Accordingly, the amount received as a government grant has been considered as contribution made to the capital of the Urban Development Authority and disclosed thereon.

ii. Observations

This income would be adjusted in the Financial Statements for the year 2015.

H. Sri Lanka Accounting Standard 40

i.Observations

When preparing Financial Statements as at 31/12/2012 Authority has used the deem cost base which is prescribed by the SLAS 1.However ,the Accounting Policy was reported incorrectly in related to the disclosure and it was corrected in the financial statements for the year 2013. The reason for the absence of that discloser in the Final Accounts for the year 2014 was the submission of the Accounts for the year 2014 to the Government Audit Division prior to the finalization of audit for the year 2013.

ii. Observations

This includes the cost incurred for the completed housing units in the Urban Regeneration Programme in the City of Colombo. Since, these low income houses are expected to handover to underserve community after the repayment of nominal value in 30 years as agreed it has been classified as a Non- current assets. This has been disclosed under Note to the Account No.14.

2.3.2 Accounting Deficiencies

(A)

i.Observations

Reasons for a negative balance in respect of each project as at 31.12.2014

Project Code	Project	Balance as at 31.12.2015	Reason for the Negative Balance
3570300	Waligama Town Council Office Complex Project	(10,292,239.00)	The cost incurred for this project is Rs.8,477,059.16/- and this has been charged to the Profit and Loss Account for the year. Since this amount has been charged twice in the books of accounts, the cost of this project have been shoen as negative value of Rs Rs.8,477,059.16/-. The cost of the project to the value of Rs.1, 815,180/- bearing 6191100, has also been charged to this project and accordingly negative balance was disclosed and relevant adjustments would be made in the Financial statement s for the year 2014.
8151000	Low Income Housing Project –Wadulla Watta	(418,860.71)	Relevant actions would be taken to correct the negative balance of the project.

ii.Observations

The amount of Rs.104,123,867/-in the Trail Balance is the retained profit brought forward in the year 2014.When extracting the Trail Balance for a new financial year income and expenditure would be set of through an Accounting System. This amount as at 31.12.2014 is equal to the accumulated profit of the current financial year and the retained profit of the previous year.

iii. Observations

The amount receivable from the Reel Company is the cost incurred for providing alternative houses for the Sahaspura Low income Housing Project conducted by the company thus no accounting treatment has been made in the Books of Accounts. However, when the company

liquidates, it has been decided to transfer the project to the National Housing Development Authority as per the approval of the Cabinet of Ministers and hence this Authority do not constitute any liability towards the Authority.

iv. Observations

As identified in the Audit Report 04 lands with a total extent of 194.79 perch , a land at Araliya Uyana,Depanama ,Pannipitiya with an extent of 85 perch (Value of Rs.51 mn)declared as a open land and a land with an extent of 96.82 at Madiwela (value of Rs.79 mn) declared as a Parliament reservation. A land located at Madiwela to an extent of 7.65 perch has not been identified to date.

However, though these lands are valuable these open lands and reservation lands cannot be disposed as per the disposal policy. Therefore, disclosing theses as an asset in the books of accounts is a mere misrepresentation of value of assets.

v. Observations

Refundable Client Deposits balance as at 31.12.2014 is Rs.4,458,767/- and the relevant schedule has been submitted to the Government Audit Division on 05.10.2015.A copy of the same is also attached herewith.

According to our schedule the balance as at 31.12.1989 in the Refundable Client Deposits Account is represent Rs.1, 500 Credit balance that is not a balance of Rs.94, 095,613/- as stated by you.

In addition the credit balance of the above account is Rs.46, 936, 989/17 but not Rs.1,166,567,929/-.Also the credit balance of Rs.46, 936,989/17 has been corrected in August 2015 by the Journal J24251.

vi.

Assets	Cost (Rs.)	Depreciation Percentage	Capital Allowance
Chair legs and Steel	5,912,444/-	10	443,433/-
Tubes			
Spectator Chairs	10,907,118/-	10	1,090,711/-
Air Conditioning System	16,568,346/-	20	3,313,669/-
Passenger Lifts	10,538,436/-	20	2,107,687/-

Observations

Chairs legs & Steel Tubes, Sector Chairs, Air Conditioning Systems & Passenger Lifts and fixed assets were considered as a fixed asset at its purchase. (Attached as per the accounts).In addition when renovating the Racecourse Ground the cost incurred for the Electricity generator considered as a Non current Asset and it has been disclosed accordingly in the year 2013.

vii. Observations

The interest receivable from Fixed Deposit Bearing Number 72939173 has been calculated correctly and has been informed to the Government Audit Division. Therefore, the value of the Fixed Deposits have not been increased by Rs.553,475/-.

The relevant schedules have been submitted herewith accordingly.

viii. Observations

The schedule that was submitted to the Internal Audit Division for Resthouse Debtors is the provision of Rs.169,919,893/-.This also includes provisions made to rent debtors. Correct schedules would be submitted herewith to the Government Audit.

ix. Observations

During the current financial year Rs.2, 423,868,141/-that was considered as a working progress has been transferred to the Investment Property and hence it is not required to Account as the same. Since, this has been accounted in the financial statements and it is already to disclose the same.

x. Observations

The cost incurred for the project amounting to Rs.3,574, 048/- has been considered as a qualifying payment and had been deducted from taxable income and it has been added to the adjusted profit. The relevant correction has been provided in the income tax statement and was submitted to the Income Tax Department on 30th November 2015.

In addition since there is a trade loss during the financial period 2014/2015 there will be no impact to the income tax payment.

xi. Observations

The amount represented as Rs.4,683,844.35/- is the Economic Service Charge (ESC) paid during the Financial Year 2014.The claimable portion of the Economic Service Charge has been adjusted in the Books of Accounts for the year 2014.

xii. Observations

Since, the Economic Service Charge (ESC) is considered as a claimable tax it has not been accounted separately as payable and receivable in the Books of Accounts.

Observations

The project included in the Working progress is not a project that would complete during the year and since the project does not have highly liquid assets, the cost incurred for the project has been classified as noncurrent asset.

Observations

In order to construct the Sethsiripaya Stage II, Urban Investment and Development Company Pvt (Ltd) a fully owned subsidiary company of UDA was formulated and it was partly financed by UDA and the balance through a 15 years credit facility from National Savings Bank.

Since, this money would not be recovered within a one year time period it has been considered a non current asset.

Observations

This amount represents the receivable loan rentals and interests for the loan given to the development projects of different provincial institutions for the projects implemented by provincial institutes as per the donation of Asian development bank. Initially, this money has been recovered from provincial institutions through particular projects and then transferred to the General Treasury. In the year 2007 Urban Development Authority has been appointed to finalize that project and recover the loan and transfer the respective due amount to the General Treasury.

The amount represent in the Statements of Financial Position is amount that was not accrued for the credit facility and hence it has been disclosed as a Non Current Liability.

xiii. Observations

The reason is due to the receipt of Non Refundable Key Money through the Tender Deposit Account in relation to the Dutch Hospital, Galle. However, the amount has been transferred from Tender Deposit Account to Non Refundable Advances account correctly.

xiv. Observations

When an external party agreed to purchase a land the advance received would be credited to this account. When a profit been calculated in relation to such a transaction the advance received would be debited to this account and transferred to Land sales account. Accordingly, as quarried by you amount of Rs.538,635,413/- has not been adjusted as a special value.

2.3.3 Un – reconciled Accounts

i.Observations

Item	Difference	Observations
Sales	608,567,223/-	The sale of building denoted in the Financial Statements is the value of the building Transferred to the Waters Edge Ltd that amounts to Rs.642,500,000/-. However, upon subsequent handing over of accounts for the government audit for the year 2014 a sale of Land and Building to the value of Rs.33,932,777/- has been identified and the accounts have been provided to Audit division under the relevant adjustments subjected to adjusting the same.
Sales	572,760,089/-	The cost of sale of the building denoted in the Financial Statements is the value of the building Transferred to the Waters Edge Ltd that amounts to Rs.578,561,687/-. However, upon subsequent handing over of draft accounts for the government audit for the year 2014 a sale of Land and Building to the value of Rs.33,932,777/- has been identified and the accounts have been provided to Audit division under the relevant adjustments as the same subjected to adjusting the same.
Profit	35,807,134/-	The profit represent in the Draft Financial Statements is the profit generate through transfer of Waters Edge Limited. However, upon subsequent handing over of accounts for the government audit for the year 2014 a sale of Land and Building to the value of Rs.28,131,179/- has been identified and the accounts have been provided subjected to adjusting the same.
Staff Loans	11,803,191/-	The reason for the difference has been informed to Government Audit Division on 04/12/2015 under the query number DE/E/UDA/2015/V15
Rental amount payable to Provincial Councils	1,898,931/-	-

Refundable Tender Deposits	6,000/-	Actions would be taken to correct the difference
Furniture Depreciation	19,971/-	The depreciation amount for the Furniture and fittings, Property plant and Equipments as per the note amounts to Rs.9, 700,514/- and as per the schedule it us Rs.9,720,485/-.Accordingly, an under provision of Rs.19,781/- was made in relation to furniture and fittings and steps would be taken to correct the same in the Financial Statements for the year 2014.
Interest receivable on Fixed Deposits	203,818/-	The relevant steps would be taken to correct in the Financial Statements for the year 2014.
Short Term Investments	200,049/-	Do
Interest receivable on Short Term Investments	128,778/-	Do
Investment Property	1,728,471,622/-	This includes the value of Investment Property, Property Plant and equipments that was provided to the Government Audit Division. This has been disclosed separately in relevant schedules. Therefore, as identified through the audit query the amount of Rs.11,782,471,622/- is represent the value of the Authorities Property Plant and equipments value. This amount has been correctly disclosed in sub schedules and in the relevant accounts.
Debenture	53,924	The amount of Rs.10, 264,267,978/- is the value of debenture and there is no difference in the sub schedules of financial statements.

ii. Observations

The reason for the difference is the write off of Rs.742,940.26/-as bad debts from the management fee receivable to UDA from Rest house Rental Ledger when the Resthouses were managed by the Authority.

This write off is as a decision taken at the 02.05.2014 Board of Management Meeting of Resthouses Limited and this was disclosed in the Company accounts and the reason for the difference is non adjustment of the same in the Financial Statements.

However, upon fiffrence has been correctly disclosed in financial statement for the period of 2015.

iii. Observations

This represents the value in the Income Tax Calculation Statement dated 15.02.2015 that was prepared based on the Draft Financial Statements.

However, the statement provided to the Income Tax Department, for the income tax year 2014/2015 the adjusted profit has been corrected by Rs.39,927,132/-

The cost as at 31.12.2014 for the gratuity is Rs.44,956,857/- and it consist of followings.

	Rs.
Current Service Cost	27,504,032.00
Gratuity Payment	2,452,057.00
Loss due to change of assumptions	2,576,668.00
Provision for arrears gratuity payment	<u>14,424,100.00</u>
Total	<u>44,956,857.00</u>

Out of this Rs.42,380,180/- has been disclosed as an administrative expenditure in the Statement of Comprehensive Income and the balance of Rs.2,576,668/- as other income.

iv. Observations

This represents the value in the Income Tax Calculation Statement dated 15.02.2015 that was prepared based on the Draft Financial Statements for the year 2014. However, for the 2014/2015 Income Tax year the correct Income Tax is Rs.149, 275,738/- and this would be corrected in the Financial statements.

v. Observations

The balance of the gratuity provision account as at 31.12.2014 is Rs.218,090,085/-and based on the Actuarial Value this amounts to Rs.205,665,985/-.The difference of Rs.12,424,100/- is due to exclusion of cost of living from 01.01.2006 to 06.10.2012 and this has not been considered and it would be a provision for arrears gratuity payment. This amount has not been in the Actuarial value.

2.3.4 Receivable and Payable Accounts

i.Observations

As per your audit report unsolved amount of Rs.5,327,356/- given for employees for the year 2014 consist of Rs.4,670,500/- allowance paid to the Members of Board of Management and Audit Committee and it has been accounted as an advance in the Books of Accounts.

A separate schedule has not been maintained for the allowances paid to Members of the Board of Management and it has been recorded in the advance schedule separately.

Accordingly, relevant actions would be taken to maintain a separate schedule/ register for the payment of allowances for the Board of Management.

ii. Observations

The total debtor balance as at 31st December 2014 amounts to Rs.312,878,154/-.It consist of monthly rentals, service charges, fee for use, Annual Rentals and other debtor balances. The amount of Rs.188,463,895/- is the monthly rent debtors of which debt aging beyond 01 year amount to Rs.85,967,943/- and of which rent debtors amounts to 45% but not 60% as stated by you.

The opening balance as at 01.01.2014 amounts to Rs.257,552,858/-.Following actions have been taken to collect arrears rentals and accordingly the areas rental collection ratios have increased by 37%.

1. To seal shops which are not paying the rentals
2. To cease the services to shops which do not pay rentals accordingly

iii. Observations

Since this project was initiated in 2010 there's no advances given as at 01.01.1979.The relevant schedule in relation to the Advances to Contractors was given to the Government Audit Division and wish to state that there's no opening balance.

Observations

The relevant schedule in relation to the Advances to contractors was given to the Government Audit Division and wishes to state that there's no opening balance.

Observations

Relevant actions would be taken to balance the Land Sales Advance Account based on the adjustments made by the Land Division. Accordingly, corrections have been taken in respect of relevant accounts in near future.

(iv) Observations

As at 30.09.2015 of the advances of Rs.4,217,407,251/- bills have been provided and settled and the rest amount would be Rs.3,676,141,126/-.The above advances includes Rs.2,299,750,683/- .Working progress payments out of the Rs. 3,676,141,126/- and relevant actions would be taken to set off them by adopting relevant bills and approvals.

(v) Observations

As at 31.12.2014 the arrears charges is Rs.101,789,415/- and as at 01.01.2014 this amounts to Rs.71,297,051/- and during the year 2014 it is required to charge Rs.32,563,673/- and of which 5% of the value is Rs.1,589,111/- has been charged. There is a persuasion for paying rentals as at 01.01.2014 due to the monthly arrears charges of 2%.

(vi) Observations

Distress Loans

The arrears comprises of employees who have terminated their services 10 years or more, and of which guarantors are also not working at present at the Authority. Therefore, requests would be made from ex- employees to charge arrears when E.P.F payment fund were requested made or to write- off against the Account with the approval of Board of Management.

Housing loan

Observations

Legal actions have been carried out to collect the arrears of Rs.305,934/62 of the total arrears of Rs.599,863/03.In addition relevant actions have been taken to collect monthly housing arrears of Rs.239,311/06 from the debtors.

(vii) Observations

As at 31.12.2014 accrued rentals for six projects which have been renovated by the Authority amounts to Rs.53,697,392/- .The arrears rentals in relation to Race Course ground of among them amounts to Rs.12,224,712/- as at 31.12.2014 and the arrears rental as at 30.11.2015 amounts to Rs.13,394,364/-. Accordingly, the rental collection have increased to 90%.In addition ,except the Floating Market project at Pettah the rest of the 04 projects have recorded an increased collection ratio of 50%.

(viii) Observations

Type of Tax	Value Rs.	Action taken
Goods and Services Tax (GST)	15,409,424/-	This amount represents the recording of Good and Services Tax as per the cash basis. Since at present this tax is not operational and Value Added Tax (VAT) is operational, that amount would be considered as a value added tax and adjustments would be made in the Accounts accordingly.
National Securities Levy (NSL)	50,974,970/-	This amount represents the due collected from debtors that need to be remitted to the tax authorities. Based on the actions that would be made in relation to the debtors whose arrears have not been collected, respective accounting adjustments would be made.
Business Turnover Tax (BTT)	998,771/-	The amount that is recorded in the account is the error due to inaccurate recording of income and expenditure. This has been corrected in the year 2015 through the Journal entry J 24263 and therefore no balance is observed to date.
Rental on Holdings	232,210/-	The amount that is recorded in the account is the error due to inaccurate recording of income and expenditure. This has been corrected in the year 2015 through the Journal entry J 24262 and therefore no balance is observed to date.

(ix) Observations

As per the Nation Building Tax (NBT) Act and the reconciliations to Nations Buildings Tax, it is required to pay tax at the rate of 2% from the income. There is no note has been made in relation to the transfer or non transfer of the same to third party. Accordingly, the national Building Tax (NBT) has been transferred to the M/S One Colombo Pvt Ltd's lease value in relation to the land which was given for the lease basis.

Accordingly, the 2% National Building Tax has been charged directly and it has been considered as revenue during the year. Therefore, the National Buildings Tax and the lease rent has been added and of which 2% of it has been remitted to the Inland Revenue Department as Nation Building Tax (NBT).

2.3.6 Lack of Evidence for the Audit

(i) Observations

No.	Subject	Value Rs.Mn	Evidences that have not been provided	Actions
(A)	Property Plant and Equipments	1,950.40/-	Asset Schedule	The schedule has been submitted on 20.10.2015.
(B)	Revenue Reserves	55,000/-	Descriptive Schedule	A provision has been made in the year 1997 for a value of Rs.55 mn for unexpected responsibilities in relation to lands acquired by the Authority. Further provisions or payments would not be made from the account.
(C)	Compensation Payable	8,277/-	Balance confirmations	This value represent the value ascertain by the internal valuation committee for the payment of compensation in relation to acquired lands. Since the payments are been made based on value provided by the Valuation department it is difficult to provide the balance confirmation letters.
(D)	Adjusting Employee Loans for the current	61.9/-	Descriptive Schedule	The schedule has been given to the Government

	value			Audit Division on 19.01.2016
(E)	Opening balance of the Rest house Rent Payable Account	457.9	Descriptive Schedule	The schedule has been given to the Government Audit Division on 19.01.2016

(ii) Observations

It is the opening balance as at 01.01.2002 for the accounts codes 2995 to 2998.

Accounts Code	Account Name
2995	Opening balance of Fixed Assets (Lands) as at 01.01.2002
2996	Opening balance (Buildings)
2997	Stock for sale 01.01.2002
2998	Working Progress as at 01.01.2002

2.3.7 Non Compliance to Laws, Regulations and Management Decisions

	<u>Reference to Regulations</u>	<u>Non-Compliance</u>
(A)	Financial Regulations 371	<p><i>Observations</i></p> <p>Though it has taken considerable time to settle advance due to the nature of the transactions, respective actions have been made to settle advances made upon completion of the transaction.</p> <p>However, in settling above advances relevant instructions were given to minimize delays.</p>
(B)	Planning circular No.08.of Urban Development Authority dated 30 th Sep 1987 and No. 15 of 18Nov.1993	<p><i>Observations</i></p> <p>As per the letter dated 18th September 2015 Directors, Deputy Directors, Assistant Directors, Unit heads were been informed regarding the above. Accordingly, sufficient information has been submitted to the respective officers in relation to the Accounts. Based on the above some of the provincial institutes have informed their current account balances and the replied letters have been sent</p>

- to other sub offices have not opened Accounts yet. Therefore, it has been informed to respective provincial institute to open Accounts.
- (C) No .12 of 1983 Gratuity payment Act
- Observations*
- As per the No .12 of 1983 Gratuity payment Act though it has been proposes to consider cost of living allowance during the period 01/01/2006 to 06.10.2012, the respective cost of living allowance has not been considered. Accordingly, the due gratuity payment amounts is to Rs.12,424,100/=
- In addition, due to non-recognition of cost of living allowances the amount payable to EPF & Et\TF amounts to Rs.72,553,372/78 and Rs.14,510,674/56.
- Reserved provisions has been made in the Financial Statement for the year 2014 and during the year 2015 upon receipt of Board of Management Approval Rs. 72,553,372/78 was deposited at EPF and Rs. 14,510,674/56 was deposited at ETF.
- (D) Gazette Notification V sub notes of No.1597/8 dated 17th April 2009-Sri Lanka Democratic Socialist Republic.
- i) Paragraph (6II)
- ii) Paragraph 07.
- Observations*
- Respective actions have been taken to obtain service charge from unauthorized constructions and to reconcile plans which are allowable by informing Board of Directors , Planning committee and to obtain the approval of Board Of Management of Urban Development Authority.
- (E) Management Circular No. 39 of 26th May 2009
- Observations*
- Professional allowance being paid by parallel institutes, which seem like Urban Development Authority. The Failure of providing a professional allowance would result a crisis situation administratively and its affects to retain professional qualified staff for various service requirements.
- Accordingly, this matter has been forwarded

to the Board of Management and get an approval regarding the professional allowance This has been argreed and approved verbally by the secretary, Ministry of Defense.

II Management Circular No. 5/2014 dated 21st November 2014.

Observations

Bonus allowance has been approved by the Board of Management of UDA during the year 2014. A bonus allowance of Rs.13,500/= was paid to staff members due to the profitability of this Authority as per the Management circular.

Criteria were considered as per the Management circular No. 05/2014 which set the basis for the bonus payment during the year 2014 following. Although, the Annual Financial Statements were to be submitted to the Auditor General, it was unable to submit on due date due to the adoption of International Financial Reporting Standards (IFRS).

(F) Public Circular No.12 of 02nd June 2003

(i) Paragraph 4.2.6

Observations

As requested reasons for the delay in furnishing the Quarterly Performance Reports within 30days after the completion of each quarter is due to difficulties of collecting information from divisions, Sub offices. Accordingly, a methodology has been introduced as at now to avoid any time delays that may result in collecting required information.

(ii) Paragraph 9.2D

Observations

A new scheme of recruitment and promotion scheme has been prepared and it has been submitted to the Board of Management of the UDA for the approval. Thereafter, it has been decided to obtain the approval to change the composition of the staff.

(iii) Paragraph 9.14

Observations

Establishment of codes, Government

administrative and Management circulars issued by the Management services Department and Shop & office Act is used to solve human resources related problems in orderly. In addition to the rules and regulation procedures which are developing as at now.

- (G) Management Circular No. 30 of 22nd September, 2006 and Administrative Circular No.06/2006
- Observations*
- A new scheme of recruitment and promotion has been prepared and submitted to the Board of Management of UDA to obtain the approval of Board of Management it has been decided to change the composition of the staff.
- (H) Government procurement circulars
- i) Paragraph 1.2.1(c)
- Observations*
- ERP system is not a computerized system thus it is a mechanism that coordinates human and physical resources with a management approach and hence there's no team exist with the required knowledge within the UDA, it has been decided to obtain the service from a private entity. The project cost that has been approved by the Board of Management of UDA amounts to Rs.190 million and there's no sufficient resources available to carry out feasibility study in relation to the above.
- ii) Paragraph 2.5.1
- Observations*
- New Chairman was appointed due to the changes of Government on January 2015, the newly appointed Chairman and Director General have given approvals without considering the procurement procedures and procurement committee approvals and accordingly significant amount of Invoices have been raised. The approximate value of this invoices amounts to Rs.1.4 billion. Accordingly, most of these ordered were delivered and instructed by the Secretary of Ministry. Upon orders were oral and at instances Chairman has given written instructions to senior officers of the Authority.

As per the situation in earlier, officers have stated that it was difficult to question the procurement procedure. Even orders that were submitted by Chairman were beyond his authoritative power and there was no situation to question these powers. Accordingly, when these invoices were submitted to Board of Management there, advice was to submit the same to secretary. Therefore, after observing these invoices secretary has appointed a committee to check whether these goods and services obtained in accordance to market prices and with a proper requirement and this committee comprises Deputy Director (Procurement) Mr.Kariyawasam and the committee invoice in the relevant observation tasks.

Further , Board of Management of UDA has instructed chairman and Director General UDA to request the required action that should be taken against officers who have conducted their activities beyond their authoritative power.

(iii) Paragraph 3.4

Observations

- Conduct of price comparison mechanism

It has been instructed to complete the construction of Race Course International Rugby ground, Grand Stand and Mini Stand complex, Shopping complex within a period of 02 years since it's commenced from June 2011.

Four hundred army personals of 6th engineering regiment were being used for the above purpose. Accordingly, the services of these forces were obtained substantially and it was required to purchase significant goods and services.

- Warehouse facilities, procurement procedure was carried out in partially ordering manner of the required specifications of goods and its description.

Consultancy institutes had to provide their services and asked to prepare descriptions where the procurement procedures taken place. Most of these goods were based on special description and hence these accounts to few supplies, it was decided to call for few suppliers during this period.

In addition, a special procurement committee was appointed to direct these projects with the limits of Rs. 10mn.

Since, these were projects which were carried under the supervision of secretary Ministry of Defence, it was instructed to complete the project in a given time at a superior cost.

- | | | |
|-----|---|---|
| (I) | Public Administrative Circular 14/2008 dated 26/06/2008 | <p><i>Observations</i></p> <p>Since 17 vehicles of the Authority been disposed in a public tender, non-availability of public administrative circular for public entrepreneurship, a board paper referencing 296/2012 submitted to Board of Management of UDA and obtain the approval to use private vehicles as official vehicles.</p> |
| (J) | Finance Minister's letter dated 28 th March 2003(Referencing MF/TR/1/2003) | <p>Since 8 vehicles of which exceed the monthly rent income Rs.40,000 that have been get due to the option of 17 vehicles. Former President was instructed and approved the same according to board paper referencing 188/2014 of the dated 17.07.2014. Fuel was getting from this Authority and its monthly charges is Rs.55,000. Monthly charges would be Rs.57,142 due to the NBT and VAT.</p> |

3. Financial Summary

3.1 Financial Results

a. (Observations)

The reason for the reduction in profit before taxes is due to the utilization of funds for housing projects and other projects through fixed deposits, Treasury bills and the reduction of interest rates, significant amount of recurrent expenditure incurred on behalf of projects and increase of other expenditure. However, in general all other income sources have recorded a growth except interest income when compared to the previous year.

3.2 Analytical Financial Review

(Observations)

As per the above analysis during the year 2013 current ratio is 2:1 and in 2014 its amount decreased upto 1:1.6. This is due to increase of retention money and deposits that amounts to Rs. 1.2 billion. In addition, due to increase of projects during the year 2014 amount payable has increased compared to the year 2013. Accordingly, retention money was increased interms of projects that carryout by this Authority and the amount payable to the contractors and retention money were increased.

Debt to Equity Ratio

As per the financial analysis, this calculation represented the total value of Non-current liabilities, which was considered as debt to equity per the above calculation. However differed lease rent, compensation payable , gratuity payable provision and amounts payable to contractors were been classified as non -current liabilities and are not relevant to the debt capital.

Accordingly, Debt capital of this Authority is denoted debenture funds and amounts collected from long term loans of banks. Therefore, debt to equity ratio in 2014 and 2013 is 6.29:1 and 6.29:1 respectively. Accordingly, there is no considerable increase of debt to equity.

b. (Observations)

During the year, reduction of interest on income of the Authority was caused the utilization of funds for the housing projects and other projects along with the reduction of interest rate payable on deposits.

c. (Observations)

Compared to the previous year the reason for the housing projects and other projects along with the reduction of interest rate payable on deposits.

1. Increase of numbers vehicles that were been rented out for increased projects compared to the previous year.

2. Increase of monthly rentals payable on vehicles from Rs.40,000/= to Rs.55,000/= as the Board of Management decision 188/2014.
3. As per the Board of Management decision 17/2012 dated 03/10/2012 decided to consider and account the allowances paid to Directors for the use of their private vehicles as a allowance paid to transportation expenditure.

The reason for the increase of rates and taxes is due to the payment of rates and taxes to a land that was liberated under the urban regeneration project near the Nawaloka Hospital in 2014. This was not considered when preparing the budget for the year 2014 and inevitably it is required to pay this rates and taxes accordingly.

d. (Observations)

Authority has completed 09 revenue generation projects during the year and have commenced operations accordingly. Recurrent expenditure of these projects when commence, their operations have been transferred to the profit and loss account.

e. (Observations)

The reason for the reduction in fixed deposits is due to the utilization of these fixed deposits for the development projects that were underway during the year 2014.

4. Operational Review

4.1 Performance evaluation

(A/B) (Observations)

Budget for the year 2014 was prepared during the last quarter of 2013 by identifying the required projects. However, these projects may require changing due to government policies and priorities exist and this is considered as a known budgetary principal.

Due to difficulties face to continuation of projects it is required to despite they were not been identified in the budget. However these changes have been incorporated in mid and end year revised budget and would take appropriate actions to obtain the approval from Board of Management.

f. (Observations)

In addition to the 42 development projects that were gazette following development projects were been revised and gazette notification were been issued.

No.	Development Project	Gazette Date	Gazette No
01	Batticaloa Town Development Plan	2014.06.23	1868/8
02	Kalmunai Town Development Plan	2014.06.23	1868/8
03	Balangoda Town Development Plan	2014.06.23	1868/8
04	Rathnapura (Ammended) Town Development Plan	2014.10.16	1884/25
05	Maha Dambulla Town Development Plan	2014.02.12	1849/16
06	Galewela Town Development Plan	2014.02.12	1849/16
07	Naula/Nalanda Town Development Plan	2014.02.12	1849/16
08	Seegiriya/Habarana Town Development Plan	2014.02.12	1849/16
09	Madatugama Town Development Plan	2014.02.12	1849/16

In addition, during the year 2015 apart from the above development plans were built for Panadura and Moratuwa Urban areas and scheduled to publish the gazette notifications.

g. (Observations)

As per the objectives of Urban Development Authority town planning, promotion development plans, coordination and developing cites that are conducive for people have been considered and Rs. 6950 mn has been increased in this regard.

4.2 Management Inefficiencies

a. (Observations)

Though the Authority have taken required steps to obtain the valuation of the acquired land thus failed to obtain the accurate compensation assessment since it's been conducted by an external party. Therefore in order to obtain the relevant compensation assessment following step have taken by the Urban Development Authority.

(I). Request Survey Department to prepare preliminary plans since 2012.

(II). When assessing the ownership of plans submitted by the Survey Department during 2013 these were not in line with the original plan since it's required to measure again.

(III). Since it's required to obtain clearance plans for the 163 perches relevant actions have taken to obtain the same.

(IV). It has been informed and request the provincial Secretary –Maharagama at continuous occasion to inform about the compensation assessment for Navinna acquired land and hence transfer deeds were unable to prepare for the respective company.

(V). As at 31st December 2015 the Authority has set off Rs.30mn against the said land.

b. (Observations)

Land located between Ethulkotte Nipon Mawatha and private land which belongs to Urban Development Authority has been encroaching by private occupants in order to obtain the access from Nipon Mawatha. Most of these occupants do not have the alternative access roads. A water stream is located across this land and in order to get the access across the water stream, small bridges were been removed by the Authority.

Areas where the water stream non-exist, it has been used as a footpath way and it's inevitably difficult to refrain people walking across this land area.

In addition, some of the areas of the land were used for temporary flower plantations and daily inspection by the watchers allocated for the area has reduced these type of encroaches.

Further these unauthorized plantations were been removed in the Nipon Mawatha land and unauthorized accesses were been dismantled and further actions have been taken to avoid the unauthorized actions.

c. (Observations)

Dilapidated railway Quarters located at Dematagoda 587 ward considered as underserved settlement as per the Survey conducted by the Urban Development Authority. Further, Railway department after successive discussions has agreed to provide houses with the ownership to these peoples who lived in these quarters from a prolonged time. However lands which owned by Railway Department would be given to UDA upon their consent and according, UDA would construct employees quarters .These houses were also given at a monthly rent basis and as a result no financial impact has created to UDA.

d. (Observations)

25 Numbers of unauthorized encroaches have been resolved through clearing the land boundaries and respective legal actions have taken to avoid these unauthorized encroaches. Instructions

regarding these were been requested from provincial secretary and after completing the compensation examination lands which can acquire and lands legal actions can be executed is being identified.

e. (Observations)

Accordingly when deconstructing employee quarters at Colombo 06, Wellawatta, Mayura Plase, which being to the old Wallawatta Mill following procurement procedures were adopt.

01. Ascertaining the base value of the building through the internal valuation committee of the Authority.
02. By considering the base value as the lowest price tender were been called for contract the deconstructing the same in following newspapers.
 1. Dinamina - 03/10/2014
 2. Daily News- 03/10/2014
 3. Thinakaran – 03/10/2014

Accordingly, during the tender procedure following contractors have submitted their prices.

1. Dimuthu Enterprises – Rs.12,200,240/-
2. Anura Jayalath - Rs.3,800,000/-

However, no contractor has submitted tenders exceeding the base value of Rs.14.5mn by adhering to tender procedures and hence it was difficult to select a suitable contractor. Since there was asignificant deviation among two tenders it was informed to the highest bidder to pay the base price and accept the tender but the highest bidder hasn't shown any importance regarding the same.

Meantime, it was decided to have the opening ceremony of “LakmuthuSewana”housing Scheme in the said land where the project located next to the site on 07th October 2014 as per the decision taken by the Ministry of Defense and Urban Development.

Accordingly, in order to expedite the dismantling the building and to have land suitable for the development purposes a discussion was held with the participation of Deputy Director General (Finance), Director(Land and Management), Director (Engineering Services), Director (Urban Regeneration Programme in the city of Colombo).

In emergency situations similar to these, it is the procedure to call for tenders for reusable items and to dismantle items which have no reusable value. Accordingly, it was decided to deconstruct

the building and to keep the reusable items at the site for relevant tender procedure and this has been approved by the chairman of the Authority.

Accordingly, with the supervision of Urban Regeneration programme officials and secretary officers of the Authority base on approved prices machinery and labour was hired as per procurement guidelines and deconstructed the same. In addition, reusable items were kept at the same land and it was decided to tender the same by following relevant tender procedures.

By following the tender procedure it was able to collect Rs.750,000/- by accessing the value with the involvement of the Land & Management Division.

Accordingly, the reason for not awarding the contract for bidders is due to inability to furnish quotations at agreed prices thus, it has been rejected by the Technical Evaluation Committee.

Further prior to dismantling the building base value was considered as Rs.14.5mn by the internal valuation committee and after dismantling timber reusable was valued at 750,000/-. Accordingly the both valuations was conducted by the same internal valuation thus stems that the true value of the reusable items reduced after dismantling the same.

f. (Observations)

In order to collect charges from tenants of Urban Regeneration Programme following actions were been taken and according during the year 2015 it was able to collect monthly income.

- (i) Disconnecting the services which areas water charges are due.
- (ii) Collect monthly rentals and water charges by visiting to each housing unit.

g. (Observations)

Since UDA had not established secured fences had not demarked boundaries of UDA lands, accompanied land owners have establishes temporary and permanent boundaries as per their expectation and some of the lands were being cultivated with permanent crops such as coconut.

Example:

Location	Planning No. and Lot	Extent(Perches)	Value(Rs.)
Beddagana	1433 lot No. 01	5.32	6,384,000
Araliya Uyana(Depanama)	1342 Lot No. 20	20.00	12,000,000
Araliya Uyana(Depanama)	1342 lot No. 60	65.00	39,000,000

Madiwela	5529	7.65	6,120,000
Madiwela(Infront of MP's Quarters)	8091	96.82	79,016,000
Total		194.79	142,520,000

As per the audit report 04 lands with an extent of 194.79 perches (Value of Rs. 51.mn) as an opened land, were been considered as reservation lands. However land at Madiwela with an extent of 7.65 perch (P.M.G 5529) has not been identified.

However though the values of these lands are significant it is not possible to dispose these as they are considered as reservation lands. Therefore disclose of these assets in the financial statements is an over valuation of assets.

h. (Observations)

Though it has been informed to the liquidator regarding the transfer of the ownership of vehicles of Peliyagoda warehouse complex (pvt) ltd, these vehicles have not been transferred as at today.

I. (Observations)

The balance amount denotes the management and employee charges borne for several years in relation to proceeding the transportation services and hence it is not possible to set off against when issuing the “Transportation – Seasons”. Further this has been retained to set off in future given any loss created to employees in relation to transportation.

j. (Observations)

The above land use cannot be considered as unauthorized use and there were building materials available in the adjoining land. The land that belong to the authority cannot be considered as a commercial land and it is a land adjoining to the main road and the subject land and accurate land demarcation has been carried out.

k. (Observations)

As per the audit report land with an extent of 5.32 has been leased out to TRZ construction (pvt)ltd for a housing project is out the total land extent 0 Acres, 02 Roads, 16 purchase and as per the lease agreement a shop required to construct in the said land and should handed over to UDA.

As per the lease agreement, 75% of the value of land should be provided with 06 housing units and the land that denoting the same with a plan NO.14333 lot 02 has been handed over by the lease, thus has not taken actions to handover the shop.

However, this project has been handled by project management division previously and by the studding the tax files in relation to above. Further, since it is difficult to obtain a written file in relation to handling over 06 housing units that equivalent to 75%of the land value it's difficult to extract written evidence regarding the same.

By considering the above the value of 06 houses the lessor has given to UDA is equivalent to 75% of the land value that is Rs.3,240,000/-, as per the report it was observed that the land with extent of 5.32 perch has not been handed over the lessor. In addition, since there is no written evidence regarding the same it's not possible to collect money from the lessor.

I. (Observations)

Debenture Issue

- I. Lands which are liberating through the Urban Regeneration Programme owned by different state agencies and of which have been liberated already would required to lease out for investors for commercial purposes and this process would take a considerable time.

Land which are being liberated through this project been identified for the suitable development and the leasing out of these lands been handled by the business development unit.

The primary objective of this programme is to provide housing requirement for the underserved community in Colombo and to liberate land for commercial purposes. The programme do not constitute as an individual project thus it is based on the demand for lands at Colombo and the economic development in the country.

Observations

Plans have been developed to redeem the debenture of Rs.10 bn that was issued during the year 2015.

4.3 Operational inefficiencies

a. (Observations)

An operation of the Colombo gold center was commenced since 05th September 2014 and as per the lease agreement key money has to be paid in two equal installments. Accordingly after paying 50% of key money shops were handed over to tenants and the opportunity has been given to commence operations and monthly rental have been collected since 05/09/2014.

In accordance to the above conditions this authority has taken measures to collect rental. However, due to unavailability of incomes streams to these tenants it was unable to collect rental as expected.

However, reminding letters and other notifications, telephone calls weekly were been given to tenants and it has been taken appropriate actions to collect monthly rentals.

As preliminary step, monthly rentals from tenants would be collected and the later on upon the maturity of the business steps would be taken to collect the key money in quick succession. specially since the project which consist of 84 shops do not have the reach of customers. it is inevitably difficult to collect rentals from tenants. Accordingly this authority with the participation of shop owners have taken respective measures. Further the 13 shop owners have handed over their shops to UDA since they were unable to pay the required rentals. Accordingly as at now 71 shops are in operation.

Though it has been agreed for the point a, due to the procedure that is under way collection of monthly rentals has increased to 80% .

b. (Observations)

as per the cabinet decision of deficiency entrepreneurship and the deficiency acquittance of assets to the governments the land that was under supervision was 14.5 acres of which transfer deed have not received for a land at the extent of 2 acres 11.85 perches .after obtaining the transfer deed a relevant measures would be taken to develop the same out of the 14 acres 2.56 acres land extend have been given to 3 institutes (postal department, lee hedges, senolanka hotel company)and the balance land extend for a car park.(charmers Granaries) .

c. (Observations)

As highlighted in the previous year's audit ,if it is required to write off balance in capital working progress and a provision for this has been made during the year 1996.

Though this has been deducted from client projects in the draft financial statements as highlighted in previous years, in the financial accounts this deduction from the capital working progress would be disclosed.

I Observations

Procurement plan has been prepared for the year 2014 and accordingly procurement has been carried out.

II Observations

Most of the project have completed during 2014 and it is required to obtain the condominium approval from condominium authority upon completion of significant amount of requirements and accordingly relevant actions have taken to obtain condominium approval for all these projects.

4.4 Transactions of contentious nature

a. (Observations)

Directions were given by then secretary of ministry of defence and urban development for the conservation of ahalepola walawwa. Accordingly,by identifying it as a persistence building funds have been utilized for the conservation of the above building.

b. (Observations)

unit cost of a house located at Laksanda Sewana Housing Project amounts to Rs.2.68 and as the directions of the Ministry of Defence and Urban Development a housing unit was given at a cost of Rs.1.5mn for 158 Families who have lost their homes due to the waste dump at meethotamulla.Meethotamulla area was the area where the waste was dumped that were collected in the Colombo and it's suburbs.pepole who lived in these areas were faced with difficulties and this matter was raised at a national level(due to riots and refrain from transportation of debris and waste)

Further these houses were given to beneficiaries at a cost of Rs.1 mn to be repaid in 30 years. Per the municipal council as agreed to provide Rs.1.5mn for each housing units.fur the the land on which the ways dumped is own to UDA.and by liberalization of the land it will be able to use for depositing these wastes.

Respective action has been taken to collect dues from the municipal council and further it has been instructed to set off against the rates and taxes payable.

4.5 Uneconomical Transactions

a. (Observations)

Expenditure in relation to opening of projects, constructing memorials, advertising, food and beverage required to handle by the authority. Since the ownership and capital infusion was done by UDA. Further, these projects were handed over to public by the Hon. President of Sri Lanka hence these were organized in an esteemed manners. Therefore, these functions required the esteemed organization, standards thus required to be borne by the Urban Development Authority.

b. (Observations)

During the year 2014 the company has commenced the payment of dividends and accordingly October 2014 UDA has received a divided of Rs.1.16mn.

c. (Observations)

This represent the preference shares issued by Reel Company to the value of Rs.26.5mn in respect of 02 lands lease out for 99 years. Since, the above company failed to maintain a favorable financial position it was unable to process the housing project. Therefore, all lease agreements were cancelled due to unsatisfactory financial situation of the company.

Accordingly, as per the cabinet approval, respective actions have been taken to liquidate company.

However, the above land has been required by UDA, and due to the significant improvements taken place in Colombo this can be utilized for high financial viable projects.

d. (Observations)

Declaration of dividends would be done by considerable profit generation and other factors for share investments. Accordingly, dividends which were not received by UDA from investments made in other companies would be notified and respective actions would executed by consulting Board of Management.

4.6 Apparent Irregularities.

(Observations)

After the leagle proceedings of Bandarawela and Peradeniya Rest houses bearing 169/2005 and 6483 agreements entered with both parties along with the area no notice has been made in relation to decision of the law and only consideration was given to management fees.

4.7 Apparent Irregularities.

Following observations have been made.

A.)Urban Regeneration Project

(i) (Observations)

Out of 10 projects that have completed 08 project's lands are belong to UDA, of which 34 housing units under Puradora Uyana project and 216 projects in Laksanda Sewana project belong to other government institutes and actions would be taken to acquire the ownership of these lands. This extent of these lands amounts to 1 acre and 2 perches. Further acquisitions of lands for other housing projects are underway.

(ii) (Observations)

As per the nature of this project it's difficult to call for competitive bidding process and as proposed by the cabinet approval procurement committee respective procurement procedures have been taken. The documents under the phase II of the project being awarded to contractor with C1 ICTAD grading with the respective financial capacity at an agreed price.

5projects during the 2014 year end was awarded for construction under the Board of Management meeting was not held and 04 projects were been awarded during the year 2015 and these projects wre approved by cabinet committee on Economic affairs and these projects are in the process of commencement.

(iii) (Observations)

Since at the time of awarding the contract tender documents were not prepared and future conditions that needed to be entered in to contract agreement it requires a substantial time in relation to the phase II of the project. Accordingly, some of the conditions were not been agreed by contractor and took considerable time to come up to an agreement. Therefore, 03 contract agreement have been signed and further discussion are underway in order to execute the agreements.

(iv) (Observations)

These contracts were awarded on the basis that 100% finance would be provided by the contractor and this has provided a bank guarantee. Since, financial difficulties encountered by the contractor the project has stopped temporary and it is expected to recommence the project accordingly.

(Observations)

The contract was stopped based on mutual agreement reached between parties and penalties were not recovered from entering a guarantee.

(v) (Observations)

Though there's a mechanism to recover the advance payment and installments due to various reasons this has taken considerable time. It is expected to carry out a procedure in order to recover the above. Further Board of Management approval has been given to sign contracts for these award houses for tenants and the respective process is in the process.

(vi) (Observations)

- a.** There's an agreed mechanism to award houses for underserved community who lost their houses. Housing units that provided by UDA is approximately 400sqft and families who deprived their homes living in 1000 to 1500sqft, and the mechanism that are adopted even allocated housing unit for a person who is having 1000sqfts. However by considering the complaints made by these individuals two houses exceeding 700 sqfts and a basis exceeding 1100sqfts were been handed over.
- b.** By considering the request made by the contractors in order to function the same T10dense iron rod been placed as a cross and instead of 6 inches concrete base to balance 1.6 inches concrete base was agreed. Practically these fences were been placed with G1 pipe as concrete base. (The reason for use of 6 inches x 6 inches iron panel was due to case of estimation purposes based on the building department prices.)
- c.** Based on a proposal that was made by the Ministry of Defense and Urban Development applications were called from Government Servant and since there were positive feedbacks it has been decided to launch the project. The contract was awarded to the contractor during the month of November 2014 and the contract company is in the process to start the project. Further as per the Urban Development Authority Act's was granted to carry out development activities and steps have taken to carry out middle income housing project within the involvement of UDA.

4.8 Personal Administration

During the year under review all the details of the staff of UDA.

Position	As at 31 st December			
	Approved Staff	Actual Staff	Excess	Shortage
• SJunior Executives	31	23	-	08
• MMiddle management	159	146	-	13
• JJunior Management	374	292	-	82
• MManagement Assistant	550	620	70	-
• PPrimary	556	442	-	130
Total	1670	1503	70	233

(Observations)

Management Service Department approval has been given to 1670 staff during the year 2011. However due to change in the scope of the authority and due to increase of service requirements, based on the requirements staff were been required to some of the positions. However, these recruitments were done by calling for applications along with the interview process.

The recruitment for shortage of position and consideration for excess staff can may be done after the recruitment process.

5. Accountability and Good governance

5.1 Submission of Financial Statements

(Observation)

By adopting new audit standards, the draft financial statement for the year 2014 was prepared and after obtaining the Board of Management Approval it has been submission to the Auditor General Department on 24th July 2015.

However, as per the directions given by the Government Audit Division, the Director Statements on the Preparation of financial statement been included in the financial statement and the submitted the same to government Audit Division on 04th August 2015.

The preparation of the Annual Report or the year 2014 is in progress upon completion of the same it would be submitted for the Audit Division.

5.2 Corporate Plan

a) Observation

The corporate plan for Urban Development Authority was prepared during first few months in 2014 and hence it is no requirement to upgrade the same.

b) Observation

The corporate plan for the year 2013-2017 was prepared by an external party by utilizing the information submitted by UDA. By identifying the priority action, plans have been in progress to action those targets in given time periods. Since no index has been prepared in relation to these, it is difficult to access the progress accordingly.

However commencing from the year 2016, it has been suggested to develop key performance indication and accordingly it would be able to compare to actual expected targets.

c) Observation

For the year 2014, the entire targets and the plans have been prepared based on the objectives of corporate plans and responsibilities have had been assigned to directions of difficult divisions. However, due to the preparation of Key Performance Indicators during the year 2016, it would be able to assign duties and responsibilities in accessing the performance.

5.3 Action Plan

a) Observations

The corporate plan for the year 2013-2017 was prepared during the early months of 2014 and when the corporate plan finalized the action plan was already completed and some of tactical plans that need to be incorporated to the action plan as we not been included. However, when carefully investigation, it is observable that some of the tactical plans are included in the above report.

b) Observation

Once the action plan prepared, it would be summarized and if there are any discrepancy exist it would be corrected in the next year and there is no adequacy staff to comment the same during the year no there is a progress monitoring unit established to update the same.

Observasion

Action plan of the Urban Development Authority has been prepared by considering plans which are executable by different divisions. Accordingly respective plans would be carryout by few officers and therefore contract details of the directors of the division have been submitted for information purpose.

c) Observasion

Though there is a specified targets given for each division as per the action there's no mechanism exist in relation to accessing the progress. However progress of the project were been evaluated accordingly.

Therefore, during year 2015 in order to access the progress of each division respective information was collected by providing awareness direction.

5.4 Internal Audit

(a) Observation

Further operations to be taken by the authority's audit committee after the brode consideration.

- (b) Observation
Amended new human recourse planning of internal audit division simultaneously effect to the broden of Authorit's working scope of the approval of management committee according to the management recommendation. Approval will be taken from the management service department of the treasury in near future.
- c) Observation
Futher action will be taken in relation to the above by obtaing the observation from the audit committee

5.5 Budget control

----- Observation

Reasons for the variation between Actual income & Budgeted income are given below.

Rent Income

Main reason for the variation of the rent income and budget income was the key money collected from the newly opened commercial complex and such income has not been considered at the time of the preparation of Budget income for the year 2014. However this income has extimated to Rs 1,778 mn in the Revised Budget 2014.

Sales of Fixed Assets

UDA has earned actual profit Rs.Mn 63.9 form the sale of fixed Assets compared to the budgted amount of Rs.Mn 55.5. & this was favorable to the UDA

Service charges

Consultancy charges, Planning approval charges, legle charges, electricity bill charges of project has been included in income category. Accordingly, following reasons would be mentioned inrelation to the decrease of monetry value actual figure rather than estimated figures.

- Due to the non-receipt of the anticipated project in the year income from the Consultancy have been reduced during the year under review.

- Due to the limitation of the Human Recourse & Physical Charges Recourse in the provincial office, it has been difficult to carry out proper investigation to eliminate the budget income from the change of use. . However, planning approval charges have been collected rather than estimated amount for the year 2016

- Interest income

Interest income have not been increased as anticipated due to the utilization of the excess funds to the implementation of New project in 2014.

- Dividend income

The authority has received dividends higher than the budgeted dividends & this was favorable to the UDA

- Other income

This income category comprise the income earned from the Non-refundable tender fees, Transfer fee for legal matter and penalty for delaying late payments.

Reason for the decreased of the above income was the revise of the penalty income rates from 60% per year to 24% per year as per the approval of the Board management commencing as at 01 July 2014.

5.6 Tabaling Annual report

Observation

The Annual report of Urban Development Authority 2011 has been submitted to the parliament in order to table in the parliament. The annual report in 2012 has already finished and it was approved by board of management and the cabinet. Also the drafted annual report in 2013 has already approved, but it's English and Tamil translations will be proceeded in three languages and expect to table the annual reports 2012,2013 according to approval of cabinet after submitting annual reports from Auditor General department.

5.7 Unresolved Audit paragraph

(a) Observation

This building had been constructed in 2002 for the use of Street vendors however this place were not suitable for this purpose this authority could not get maximum utilization of this project. However, in view of the better utilization of this land, it has been identify

for the construction of new housing project under the Urban Regeneration programme and removals of 147 housing units.

(b) Observation

An Action will be taken to obtain the General treasury approval in future

(c) Observation

The amount receivable as at 30th November 2015 for the preparation Dambulla new town plan is amounting to Rs 25, 110,266. New project has been prepared under the Dambulla town planning project for the current land of shopping location. Accordingly; arrears amount should be collected at situation of offering new shoppes.

Additionally, legal action has been taken for some shop owners in relation to the arrears amount in collection period.

(d) Observation

According to the Supreme Court Judgment, the UDA has been requested to pay valuation of the building amounting to Rs 406,486,000 to the Asia Pacific Golf course Ltd. Subsequently, court has granted permission to deposit said compensation in the court by instalment basis and accordingly UDA had deposited Rs. 45 Mn & 100 Mn in the years 2013 & 2014 respectively.

(e) Observation

Money collected as Service charge on development permits has been transferred to the Urban Regeneration Development Authority for constructing lower income housing projects is called "KusumNiwasa". This project is not in operation and UDA has implemented same kind of lower income housing projects for the families who are living in poor living condition since 2010. According to the decision of Board of Management of UDA, said money transfers to the above Authority have been stopped by UDA.

5.8 Environmental and corporate social responsibilities

(a) Observation

The major responsibility of the Urban Development Authority is the development of the country. Accordingly, accordingly, development projects have been implemented

covering all districts of the country. However, immediate actions have been taken for the unauthorized constructions As soon as unauthorized constructions were reported.

(b) Observation

From october 2014, Actions have been taken for minimize the issues pointed out in this report.

(c) Observation

According to the Apartment ownership Low no 11 of 1973 and Apartment ownership (Amendment) Act no 15 of 1982, to incorporate the condominium management Authority the right of the houses should be transferred to the householders. Until then condominium management Authority cannot be incorporate legally.

6. System and control

Observation

Special attentions have been drown to improve strengthen and streamline of internal control system under the supervision of internal Audit Division of this authority.

Chairman

Urban Development Authority

2.2 Consolidated Financial Statements

a). Observations

Consolidated Financial statements of UDA for the year 2013, has been prepared based on the Draft Financial statements of the Paliyagoda Warehouse Complex Ltd and Waters Edge Ltd because the audit of financial Statements of said companies had not finalized by auditors during that time.

However, subsequently upon the receipt of the Audited Financial Statements of Waters Edge Ltd it was submitted to the Government Audit Division on 18th November 2015.The Audited Financial Statements of Paliyagoda Warehouse Complex Ltd is expected to submit to the Government Audit Division upon the finalization of the audit.

b.) Observations

As per the Court order Asia Pacific Golf Course Company has been transferred to the Urban Development Authority to carry out the operational activities. At the inception of said company, only one share has been issued amounting to RS.10 and it has been disclosed in the financial statements accordingly. Subsequently, the Authority has requested to issue shares to the receivable value of Rs.842.5 Million in compensate for the value of building transferred to the Waters Edge to a value of Rs.642.5 mn and the loan given to a value of Rs.200 mn.

The revalued amount of the Water's Edge Ltd has been incorporated in the Consolidated Financial Statements for the year 2013.

c.) Observations

The profit from sale of land and building amounts to Rs.63, 938,313/- is the profit that was generated from transferring the building of the hotel to the company. Since this transaction is attributable to a subsidiary of UDA when preparing the Consolidated Financial Statements the relevant adjustments have been made.

d.) Observations

As per the draft Statement of Comprehensive Income the Gross Profit of the Lanka Rest house Limited is Rs.30,909,896/- and based on the audit this amounts to Rs.30,969,914/-..Accordingly, the audited amount would be adjusted in the Final Accounts for the year 2014.

e.) Observations

This amount represents the value of debtors of the Authority and subsidiary companies after adjusting intercompany transactions. Details pertaining to the debtors of these subsidiary companies have submitted to the Government Audit with the respective financial statements.

As a policy, the provision for bad debt required to be made by the respective subsidiary company. Based on the ability to recover debts from debtors of Lanka Rest house Ltd the required provision has only been made in the Financial Statements and it has been disclosed accordingly.

f.) Observations

Position held at the Authority	Position held at the subsidiary company	Name of the company appointed		
		Urban Investment and Development Company	Lanka Rest house Ltd	Waters Edge Limited
Chairman	Chairman	√	√	√
Actg. Director General	Director	√	-	-
Additional Director General	Director	√	√	-
Deputy Director General	Director	√	√	UDA

(Finance)				representation
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The appointment of chairman and the Board of Directors is based on the Memorandum of Association of the subsidiary company and these officers required comprising of ex-officious.

2.3 Financial Statements of the Authority

2.3.1 Sri Lanka Accounting Standards

(A) Sri Lanka Financial Reporting Standard 07

Observations

The amount represents the impairment profit of Rs.9,867,732/- when disclosing the value of fixed deposits as per the Sri Lanka Financial Reporting Standards (SLFRS).

Accordingly, this amount has been disclosed as a receivable interest income as per the Sri Lanka Financial Reporting Standards and would not required to disclose separately.

(B) Sri Lanka accounting Standard 01

(i) Observations

Prior to incorporation of Rest house Limited the management of the rest houses were carried out by UDA and from the rentals collected from the management of rest houses, 70% funds were transferred to the relevant Provincial council and the balance 30% was retained as a Management fee accordance to the agreements that have reached.

Accordingly, the amounts represents the 70% of the amount payable to Provincial Councils and as per the audit query the amount receivable as Rs.779,821,387/- has not been set off.

(ii) Observations

This amount represents the key money received for town development projects that the Authority conducted together with the Provincial Councils. As agreed with the respective Provincial Councils the capital expenditure related to these projects would be set off against key money that has been collected for these projects.

The relevant disclosure related to the above is expected to present in Note to the Account 1.3.15(c).

Observations

The relevant disclosure presented in Note to the Account 1.3.9 and the respective schedule has been submitted to Government Audit Division on 09th December 2015.

Observations

Steps have taken to disclose the relevant accounting treatment in preparation of Financial Statements.

Observations

As per the directions submitted by the Sri Lanka Accounting Standards and Monitoring Board, due to the loss made by the Paliyagoda Warehouse Company Ltd exceeding the investment made a provision was made for a non recovery of investments in respective years. However, a provision was not made during the current financial year.

The relevant discloser would be made available in preparation of Financial Statements under the Note Number 10.

The correct schedules in relation to Refundable Security Deposits and Rental Advances has been submitted to Government Audit Division on 03.09.2015. As per the schedules submitted the amount receivable has not been accounted.

(c) Sri Lanka Accounting Standards 07

Observations

i. The difference denoted through following economic service charge payments. The amount has been represented as changes in debtors in the Cash Flow Statement.

<u>Payment Date</u>	<u>Amount Rs.</u>
17/01/2014	1,206,208/44
11/04/2014	1,061,817/29
17/07/2014	1,239,699/27
16/10/2014	1,236,119/35

ii. Observations

When preparing the Cash Flow Statement the profits generate through sale of furniture and fittings was not deducted from the profit before tax is due to the profit earned through the disposal and the cash consideration received is equal.

iii. Observations

In the Financial Statements for the year 2014 interest income earned from the debenture and the debenture interest paid would be disclosed separately.

D. Sri Lanka Accounting Standard 08

Observations

The reduction of revaluation reserve is due to the increase in Land & Building value as per the adoption of New Accounting Principles during the year 2012. Accordingly, since the compensation cost incurred for acquisition of lands increased the revenue reserve decreased apparently. Since, this error was caused when revaluating assets during the year 2011, it is required to correct the same as and when.

Therefore, the relevant adjustment has been made in the respective year and no adjustment was made in the Statement of Comprehensive Income for the current year.

E. Sri Lanka Accounting Standard 12

Observations

According to the Inland Revenue Act no.10 of 2006, the bonuses receiving from services rendered consider as a Qualifying profit and the Circular No.02 of Pay As You Earn required adopting. Thereby, the bonuses paid by The Authority amounting to Rs. 19,460,337/and the Payee Tax of Rs.4,529,939/- has remitted to Inland Revenue Department on 13.01.2015.

When paying bonuses to employees their workings practices, attendance were considered with the view to motivate employees and by doing that it has directly affected to the generation of income for the Authority. Therefore, expenditures that resulted in generating income could be deducted directly and would not have any impact for taxable income for 2014/2015.

Also, in the 25th paragraph of No 25 of 2006 income Act when ascertaining income and profits bonus has not been categorized as a deductible source of income.

F. Sri Lanka Accounting Standard 16

Observations

After obtaining the details and by accessing the legal status relevant actions would be made to disclose in the Financial Statements.

G. Sri Lanka Accounting Standard 17

Observations

The relevant disclosure would be made in the Accounts for the year 2014.

H. Sri Lanka Accounting Standard 18

Observations

When Accounting the Fee for services rendered except electricity, Water charges, Management fees other incomes were charged when the service was provided and hence the cash basis was adopted.

In the Financial Statements for the year 2014, the profit generated by sale of Investment Property has been disclosed accurately in the Statement of Comprehensive Income under the heading comprehensive income.

In addition as per the Board of Management Meeting held on 12th May 2009 it was decided to add the National Building Tax (NBT) on the attributable income of the revenue source. Accordingly, the income earned during the year has increased by Rs.63,629,186/- due to the incremental revenue in rent income and lease income due to the inclusion of National Buildings Tax (NBT).

I. Sri Lanka Accounting Standard 19

Observations

The payment of Employee allowances have been disclosed in Note Number 1.3 and further disclosure regarding the basis of calculation the allowances would be presented in Final Accounts for the year 2014.

J. Sri Lanka Accounting Standard 20

i. Observations

This grant was received from Government in order to construct the Sethsiripaya Office Complex and to construct the Colombo Central Supermarket. This grant has been disclosed under Note to the Account 1.3.15.4 and the relevant provision for each year is set off in the Statement of Comprehensive Income based on the useful life of the asset. Accordingly, the amount received as a government grant has been considered as contribution made to the capital of the Urban Development Authority and disclosed thereon.

ii. Observations

This income would be adjusted in the Financial Statements for the year 2015.

H. Sri Lanka Accounting Standard 40

i. Observations

When preparing Financial Statements as at 31/12/2012 Authority has used the deem cost base which is prescribed by the SLAS 1. However, the Accounting Policy was reported incorrectly in related to the disclosure and it was corrected in the financial statements for the year 2013. The reason for the absence of that disclosure in the Final Accounts for the year 2014 was the submission of the Accounts for the year 2014 to the Government Audit Division prior to the finalization of audit for the year 2013.

ii. Observations

This includes the cost incurred for the completed housing units in the Urban Regeneration Programme in the City of Colombo. Since, these low income houses are expected to handover to underserve community after the repayment of nominal value in 30 years as agreed it has been classified as a Non-current assets. This has been disclosed under Note to the Account No.14.

2.3.2 Accounting Deficiencies

(A)

i. Observations

Reasons for a negative balance in respect of each project as at 31.12.2014

Project Code	Project	Balance as at 31.12.2015	Reason for the Negative Balance
3570300	Waligama Town Council Office Complex Project	(10,292,239.00)	The cost incurred for this project amounts to Rs.8,477,059.16/- and this has been charged to the Profit and Loss Account for the year. Since this amount has been charged twice in the books of accounts and the cost of the project to the value of Rs.1,815,180/- bearing 6191100, has

			been charged to this project a negative balance was disclosed and relevant adjustments would be made in the Financial statements for the year 2014.
8151000	Low Income Housing Project – Wadulla Watta	(418,860.71)	Relevant actions would be taken to correct the negative balance of the project.

ii. Observations

The amount of Rs.104,123,867/-in the Trail Balance is the retained profit brought forward in the year 2014. When extracting the Trail Balance for a new financial year income and expenditure would be set of through an Accounting System. This amount as at 31.12.2014 is equal to the accumulated profit of the current financial year and the retained profit of the previous year.

iii. Observations

The amount receivable from the Reel Company is the cost incurred for providing alternative houses for the Sahaspura Low income Housing Project conducted by the company thus no accounting treatment has been made in the Books of Accounts. However, when the company liquidates, it has been decided to transfer the project to the National Housing Development Authority as per the approval of the Cabinet of Ministers and hence this Authority do not constitute any liability towards the Authority.

iv. Observations

As identified in the Audit Report 04 lands with a total extent of 194.79 perch , a land at Araliya Uyana, Depanama , Pannipitiya with an extent of 85 perch (Value of Rs.51 mn) declared as a open land and a land with an extent of 96.82 at Madiwela (value of Rs.79 mn) declared as a Parliament reservation. A land located at Madiwela to an extent of 7.65 perch has not been identified to date.

However, though these lands are valuable these open lands and reservation lands cannot be disposed as per the disposal policy. Therefore, disclosing theses as an asset in the books of accounts is a mere misrepresentation of value of assets.

v. Observations

Refundable Client Deposits balance as at 31.12.2014 is Rs.4,458,767/- and the relevant schedule has been submitted to the Government Audit Division on 05.10.2015. A copy of the same is also attached herewith.

According to our schedule the balance as at 31.12.1981 in the Refundable Client Deposits Account is Rs.1,500 Credit balance not a balance of Rs.94,095,613/- as stated by you.

In addition the credit balance of the above account is Rs.46,936,989/17 but not Rs.1,166,567,929/-. Also the credit balance of Rs.46,936,989/17 has been corrected in August 2015 by the Journal J24251.

vi.

Assets	Cost (Rs.)	Depreciation Percentage	Capital Allowance
Chair legs and Steel	5,912,444/-	10	443,433/-
Tubes			
Spectator Chairs	10,907,118/-	10	1,090,711/-
Air Conditioning System	16,568,346/-	20	3,313,669/-
Passenger Lifts	10,538,436/-	20	2,107,687/-

Observations

Chairs legs & Steel Tubes, Sector Chairs, Air Conditioning Systems & Passenger Lifts and fixed assets were considered as a fixed asset at its purchase. (Attached as per the accounts). In addition when renovating the Racecourse Ground the cost incurred for the Electricity generator considered as a Non current Asset and it has been disclosed accordingly in the year 2013.

vii. Observations

The interest receivable from Fixed Deposit Bearing Number 72939173 has been calculated correctly and has been informed to the Government Audit Division. Therefore, the value of the Fixed Deposits have not been increased by Rs.553,475/-.

The relevant schedules have been submitted herewith accordingly.

viii. Observations

The schedule that was submitted to the Internal Audit Division for Resthouse Debtors is the provision of Rs.169,919,893/-. This also includes provisions made to rent debtors. Correct schedules would be submitted herewith to the Government Audit.

ix. Observations

During the current financial year Rs.2, 423,868,141/-that was considered as a working progress has been transferred to the Investment Property and hence it is not required to Account the same. Since, this has been accounted in the financial statements it is not required to disclose the same.

x. Observations

The cost incurred for the project amounting to Rs.3,574, 048/- has been considered as a qualifying payment and had been deducted from taxable income and it has been added to the adjusted profit. The relevant correction has been provided in the income tax statement and was submitted to the Income Tax Department on 30th November 2015.

In addition since there is a trade loss during the financial period 2014/2015 there will be no impact to the income tax payment.

xi. Observations

The amount represented as Rs.4,683,844.35/- is the Economic Service Charge (ESC) paid during the Financial Year 2014.The claimable portion of the Economic Service Charge has been adjusted in the Books of Accounts for the year 2014.

xii. Observations

Since, the Economic Service Charge (ESC) is considered as a claimable tax it has not been accounted separately as payable and receivable in the Books of Accounts.

Observations

The project included in the Working progress is not a project that would complete during the year and since the project does not have highly liquid assets, the cost incurred for the project has been classified as noncurrent asset.

Observations

In order to construct the Sethsiripaya Stage II, Urban Investment and Development Company Pvt (Ltd) a fully owned subsidiary company of UDA was formulated and it was partly financed by UDA and the balance through a 15 years credit facility from National Savings Bank.

Since, this money would not be recovered in a one year time period it has been considered a non current asset.

Observations

This amount represents the receivable loan rentals and interests for the loan given to the development projects of different provincial institutions for the projects implemented by provincial institutes as per the donation of Asian development bank. Initially, this money has been recovered from provincial institutions through particular projects and then transferred to the General Treasury. In the year 2007 Urban Development Authority has been appointed to finalize that project and recover the loan and transfer the respective due amount to the General Treasury.

The amount represent in the Statements of Financial Position is amount that was not accrued for the credit facility and hence it has been disclosed as a Non Current Liability.

xiii. Observations

The reason is due to the receipt of Non Refundable Key Money through the Tender Deposit Account in relation to the Dutch Hospital, Galle. However, the amount has been transferred from Tender Deposit Account to Non Refundable Advances account correctly.

xiv. Observations

When an external party agreed to purchase a land the advance received would be credited to this account. When a profit been calculated in relation to such a transaction the advance received would be debited to this account and transferred to Land sales account. Accordingly, as quarried by you amount of Rs.538,635,413/- has not been adjusted as a special value.

2.3.3 Un – reconciled Accounts

i.Observations

Item	Difference	Observations
Sales	608,567,223/-	The sale of building denoted in the Financial Statements is the value of the building Transferred to the Waters Edge Ltd that amounts to Rs.642,500,000/-. However, upon subsequent handing over of accounts for the government audit for the year 2014 a sale of Land and Building to the value of Rs.33,932,777/- has been identified and the accounts have been provided subjected to adjusting the same.
Sales	572,760,089/-	The cost of sale of the building denoted in the Financial Statements is the value of the building Transferred to the Waters

		Edge Ltd that amounts to Rs.578,561,687/-. However, upon subsequent handing over of accounts for the government audit for the year 2014 a sale of Land and Building to the value of Rs.33,932,777/- has been identified and the accounts have been provided subjected to adjusting the same.
Profit	35,807,134/-	The profit generated in the Draft Financial Statements is the profit generate through transfer of Waters Edge Limited. However, upon subsequent handing over of accounts for the government audit for the year 2014 a sale of Land and Building to the value of Rs.28,131,179/- has been identified and the accounts have been provided subjected to adjusting the same.
Staff Loans	11,803,191/-	The reason for the difference has been informed to Government Audit Division on 04/12/2015 under the query number DE/E/UDA/2015/V15
Rental amount payable to Provincial Councils	1,898,931/-	-
Refundable Tender Deposits	6,000/-	Actions would be taken to correct the difference
Furniture Depreciation	19,971/-	The depreciation amount for the Furniture and fittings, Property plant and Equipments as per the note amounts to Rs.9, 700,514/- and as per the schedule it us Rs.9,720,485/-.Accordingly, an under provision of Rs.19,781/- was made in relation to furniture and fittings and steps would be taken to correct the same in the Financial Statements for the year 2014.
Interest receivable on Fixed Deposits	203,818/-	The relevant steps would be taken to correct in the Financial Statements for the year 2014.
Short Term Investments	200,049/-	Do
Interest receivable on Short Term Investments	128,778/-	Do
Investment Property	1,728,471,622/-	This includes the value of Investment Property, Property Plant and equipments that was provided to the Government Audit Division. This has been disclosed separately in relevant schedules. Therefore, as identified through the audit query the amount of Rs.11,782,471,622/- is the value of the Authorities Property Plant and equipments value. This amount has been correctly disclosed in sub schedules and in the relevant accounts.
Debenture	53,924	The amount of Rs.10, 264,267,978/- is the value of debenture

		and there is no difference.
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ii. Observations

The reason for the difference is the write off of Rs.742,940.26/-as bad debts from the management fee receivable to UDA from Rest house Rental Ledger when the Resthouses were managed by the Authority.

This write off is as a decision taken at the 02.05.2014 Board of Management Meeting of Resthouses Limited and this was disclosed in the Company accounts and the reason for the difference is non adjustment of the same in the Financial Statements.

iii. Observations

This represents the value in the Income Tax Calculation Statement dated 15.02.2015 that was prepared based on the Draft Financial Statements for the year 2014.

However, for the 2014/2015 Income Tax year the statement provided to the Income Tax Department, the adjusted profit has been corrected by Rs.39,927,132/-

The cost as at 31.12.2014 for the gratuity is Rs.44,956,857/- and it consist of followings.

	Rs.
Current Service Cost	27,504,032.00
Gratuity Payment	2,452,057.00
Loss due to change of assumptions	2,576,668.00
Provision for arrears gratuity payment	<u>14,424,100.00</u>
Total	<u>44,956,857.00</u>

Out of this Rs.42,380,180/- has been disclosed as an administrative expenditure in the Statement of Comprehensive Income and the balance of Rs.2,576,668/- as other income.

iv. Observations

This represents the value in the Income Tax Calculation Statement dated 15.02.2015 that was prepared based on the Draft Financial Statements for the year 2014. However, for the 2014/2015 Income Tax year the correct Income Tax is Rs.149, 275,738/- and this would be corrected in the Financial statements.

v. Observations

The balance of the gratuity provision account as at 31.12.2014 is Rs.218,090,085/-and based on the Actuarial Value this amounts to Rs.205,665,985/-.The difference of Rs.12,424,100/- is due to exclusion of cost of living from 01.01.2006 to 06.10.2012 and this has not been considered in the Actuarial Value.

2.3.4 Receivable and Payable Accounts

i.Observations

As per your audit report unsolved amount of Rs.5,327,356/- given for employees for the year 2014 consist of Rs.4,670,500/- allowance paid to the Members of Board of Management and Audit Committee and it has been accounted as an advance in the Books of Accounts.

A separate schedule has not been maintained for the allowances paid to Members of the Board of Management and it has been recorded in the advance schedule separately.

Accordingly, relevant actions would be taken to maintain a separate schedule/ register for the payment of allowances for the Board of Management.

ii. Observations

The total debtor balance as at 31st December 2014 amounts to Rs.312,878,154/-.It consist of monthly rentals, service charges, fee for use, Annual Rentals and other debtor balances. The amount of Rs.188,463,895/- is the monthly rent debtors of which debt aging beyond 01 year amount to Rs.85,967,943/- and of which rent debtors amounts to 45% but not 60% as stated by you.

The opening balance as at 01.01.2014 amounts to Rs.257,552,858/-.Following actions have been taken to collect arrears rentals and accordingly the areas rental collection ratios have increased by 37%.

4. To seal shops which are not paying the rentals
5. To cease the services to shops which do not pay rentals accordingly

iii. Observations

Since this project was initiated in 2010 there's no advances given as at 01.01.1997.The relevant schedule in relation to the Advances to Contractors was given to the Government Audit Division and wish to state that there's no opening balance.

Observations

The relevant schedule in relation to the Advances to contractors was given to the Government Audit Division and wishes to state that there's no opening balance.

Observations

Relevant actions would be taken to balance the Land Sales Advance Account based on the adjustments made by the Land Division

(iv) Observations

As at 30.09.2015 of the advances of Rs.4,217,407,251/- bills have been provided and settled for a value of Rs.3,676,141,126/-.The above advances includes Rs.2,299,750,683/-. Working progress payments and relevant actions would be taken to set off them by adopting relevant bills and approvals.

(v) Observations

As at 31.12.2014 the arrears charges is Rs.101,789,415/- and as at 01.01.2014 this amounts to Rs.71,297,051/- and during the year 2014 it is required to charge Rs.32,563,673/- and of which 5% of the value which is Rs.1,589,111/- has been charged. As at 01.01.2014 the monthly arrears charge amounts to 2%.

(vi) Observations

Distress Loans

The arrears comprises of employees who have terminated their services 10 years or more, and of which guarantors are also not working at present at the Authority. Therefore, requests would be made from ex- employees to charge arrears when gratuity payments were made or to write- off against the Account with the approval of Board of Management.

Observations

Legal actions have been carried out to collect the arrears of Rs.305,934/62 of the total arrears of Rs.599,863/03.In addition relevant actions have been taken to collect monthly housing arrears of Rs.239,311/06 from the debtors.

(vii) Observations

As at 31.12.2014 accrued rentals for six projects which have been renovated by the Authority amounts to Rs.53,697,392/- .The arrears rentals in relation to Race Course ground of among them

amounts to Rs.12,224,712/- as at 31.12.2014 and the arrears rental as at 30.11.2015 amounts to Rs.13,394,364/-. Accordingly, the rental collection have increased to 90%.In addition ,except the Floating Market project at Pettah the rest of the 04 projects have recorded an increased collection ratio of 50%.

(viii) Observations

Type of Tax	Value Rs.	Action taken
Goods and Services Tax (GST)	15,409,424/-	This amount represents the recording of Good and Services Tax as per the cash basis. Since at present this tax is not operational and Value Added Tax (VAT) is operational, that amount would be considered as a value added tax and adjustments would be made in the Accounts accordingly.
National Securities Levy (NSL)	50,974,970/-	This amount represents the due collected from debtors that need to be remitted to the tax authorities. Based on the actions that would be made in relation to the debtors whose arrears have not been collected, respective accosting adjustments would be made.
Business Turnover Tax (BTT)	998,771/-	The amount that is recorded in the account is the error due to inaccurate recording of income and expenditure .This has been corrected in the year 2015 through the Journal entry J 24263 and therefore no balance is observed to date.
Rental on Holdings	232,210/-	The amount that is recorded in the account is the error due to inaccurate recording of income and expenditure. This has been corrected in the year 2015 through the Journal entry J 24262 and therefore no balance is observed to date.

(ix) Observations

As per the Nation Building Tax (NBT) and the reconciliations to Nations Buildings Tax, it is required to pay tax at the rate of 2% from the income. There is no note has been made in relation to the transfer or non transfer of the same to third party. Accordingly, the national Building Tax (NBT) has been transferred to the M/S One Colombo Pvt Ltd's lease value in relation to the land which was given for the lease basis.

Accordingly, the 2% National Building Tax has been charged directly and it has been considered as revenue during the year. Therefore, the National Buildings Tax and the lease rent has been added and of which 2% of it has been remitted to the Inland Revenue Department as Nation Building Tax (NBT).

5.3.6 Lack of Evidence for the Audit

(iii) Observations

No.	Subject	Value Rs.Mn	Evidences that have not been provided	Actions
(A)	Property Plant and Equipments	1,950.40/-	Asset Schedule	The schedule has been submitted on 20.10.2015.
(B)	Revenue Reserves	55,000/-	Descriptive Schedule	A provision has been made in the year 1997 for a value of Rs.55 mn for unexpected responsibilities in relation to lands acquired by the Authority. Further provisions or payments would not be made from the account.
(C)	Compensation Payable	8,277/-	Balance confirmations	This value represent the value ascertain by the internal valuation committee for the payment of compensation in relation to acquired lands. Since the payments are been made based on value provided by the

				Valuation department it is difficult to provide the balance confirmation letters.
(D)	Adjusting Employee Loans for the current value	61.9/-	Descriptive Schedule	The schedule has been given to the Government Audit Division on 19.01.2016
(E)	Opening balance of the Rest house Rent Payable Account	457.9	Descriptive Schedule	The schedule has been given to the Government Audit Division on 19.01.2016

(iv) Observations

It is the opening balance as at 01.01.2002 for the accounts codes 2995 to 2998.

Accounts Code	Account Name
2995	Opening balance of Fixed Assets (Lands) as at 01.01.2002
2996	Opening balance (Buildings)
2997	Stock for sale 01.01.2002
2998	Working Progress as at 01.01.2002

5.3.7 Non Compliance to Laws, Regulations and Management Decisions

<u>Reference to Regulations</u>	<u>Non-Compliance</u>
(A) Financial Regulations 371	<p><i>Observations</i></p> <p>Though it has taken considerable time to settle advance due to the nature of the transactions, respective actions have been made to settle advances made upon completion of the transaction.</p> <p>However, in settling above advances relevant instructions were given to minimize delays.</p>
(B) Planning circular No.08.of Urban Development Authority dated 30 th Sep 1987 and No. 15 of 18Nov.1993	<p><i>Observations</i></p> <p>As per the letter dated 18th September 2015 Directors, Deputy Directors, Assistant Directors, Unit heads were been informed</p>

regarding the above. Accordingly, sufficient information has been submitted to the respective officers in relation to the Accounts. Based on the above some of the provincial institutes have informed their current account balances and other sub offices have not opened Accounts as per their replied letters. Therefore, it has been informed to respective provincial institute to open Accounts.

(C) No .12 of 1983 Gratuity payment Act

Observations

As per the No .12 of 1983 Gratuity payment Act though it has been proposes to consider cost of living allowance during the period 01/01/2006 to 06.10.2012, the respective cost of living allowance has not been considered. Accordingly, the due gratuity payment amounts to Rs.12,424,100/=

In addition, due to non-recognition of cost of living allowances the amount payable to EPF & Et\TF amounts to Rs.72,553,372/78 and Rs.14,510,674/56.

Reserved provisions has been made in the Financial Statement for the year 2014 and during the year 2015 upon receipt of Board of Management Approval Rs. 72,553,372/78 was deposited at EPF and Rs. 14,510,674/56 was deposited at ETF.

(D) Gazette Notification V sub notes of No.1597/8 dated 17th April 2009-Sri Lanka Democratic Socialist Republic.

iii) Paragraph (6II)

iv) Paragraph 07.

Observations

Respective actions have been taken to obtain service charge from unauthorized constructions and to reconcile plans which are allowable by informing Board of Directors , Planning committee and to obtain the approval of Board Of Management of Urban Development Authority.

(E) Management Circular No. 39 of 26th May 2009

Observations

In addition to the Urban Development Authority, professional allowance being paid by parallel institutes. Failure to provide a

professional allowance would result a crisis situation administratively and to retain professional qualified staff, to obtain professional qualified staff to various service requirements.

Accordingly, this matter has been forwarded to the Board of Management and it has been approved to provide the professional allowance and also this has been argued and approved by the secretary, Ministry of Defense and Urban Development orally.

II Management Circular No. 5/2014 dated 21st November 2014.

Observations

During the year 2014 Board Management of UDA, has approved to provide a bonus allowance for the employees of UDA. Since UDA was able to record a profit as per the Management circular a bonus allowance of Rs.13,500/= was paid to staff members.

As per the Management circular No. 05/2014 which set the basis for the payment of bonus during the year 2014 following criteria were considered. Accordingly Annual Financial Statements were to be submitted to the Auditor General on due date thus due to adoption of International Financial Reporting Standards (IFRS) it was unable to submit the same on due date.

(F) Public Circular No.12 of 02nd June 2003

(ii) Paragraph 4.2.6

Observations

As requested the reasons for delay in furnishing the Quarterly Performance Reports within 30days after the completion of each quarter is due to difficulties faced in collecting information from divisions, Sub offices. Accordingly, a methodology has been introduce as at now to avoid any time delays that may result in collecting required information.

(iv) Paragraph 9.2D

Observations

(v) Paragraph 9.14	<p>A new scheme of recruitment and promotion scheme has been prepared and it has been submitted to the Board of Management of the UDA for the approval. Thereafter, it has been decided to obtain the approval to change the composition of the staff.</p>
	<i>Observations</i>
	<p>In order to solve human resources related problems establishment codes, Government administrative and Management circulars issued by the Management services Department and Shop & office Act was based in addition to the rules and regulation procedures which are developing as at now.</p>
(G) Management Circular No. 30 of 22 nd September, 2006 and Administrative Circular No.06/2006	<p><i>Observations</i></p> <p>A new scheme of recruitment and promotion has been prepared and submitted to the Board of Management of UDA to obtain the approval of Board of Management it has been decided to change the composition of the staff.</p>
(H) Government procurement circulars iii) Paragraph 1.2.1(c)	<p><i>Observations</i></p> <p>As prescribed, an ERP system is not a computerized system thus it is a mechanism that coordinates human and physical resources with a management approach and hence there's no team exist with the required knowledge within the UDA, it has been decided to obtain the service from a private entity. The project cost that has been approved by the Board of Management of UDA amounts to Rs.190 million and there's no sufficient resources available to carry out feasibility study in relation to the above.</p>
iv) Paragraph 2.5.1	<p><i>Observations</i></p> <p>Due to the Government change on January 2015, the newly appointed chairman and Director General has given approvals without considering the procurement procedures and procurement committee approvals and</p>

accordingly significant amount of Invoices have been raised. The approximate value of this invoices amounts to Rs.1.4 billion .Accordingly, as instructed by the secretary most of these ordered were delivered. Most of these orders were oral and at instances chairman has given written instructions to senior officers of the authority.

As per the situation that was exist earlier, officers have stated that it was difficult to question the procurement procedure. Even orders that were submitted by chairman were beyond his authoritative power and there was no situation to question these powers. Accordingly when these invoices were submitted to Board of Management there, advice was to submit the same to secretary. Therefore, after observing these invoices secretary has appointed a committee to check whether these goods and services obtained in accordance to market prices and with a proper requirement and this committee comprises Deputy Director (Procurement)Mr.Kariyawasam and the committee invoice in the relevant observation tasks.

Further , Board of Management of UDA has instructed chairman and Director General UDA to request the required action that should be taken against officers who have conducted their activities beyond their authoritative power.

(iv) Paragraph 3.4

Observations

- Conduct of price comparison mechanism

It has been instructed to complete the construction of Race Course International Rugby ground, Grand Stand and Mini Stand complex, Shopping complex within a period

of 02 years since it's commenced from June 2011.

Four hundred army personals of 6th engineering regiment were being used for the above purpose. Accordingly the services of these forces were obtained substantially and it was required to procure significant goods and services.

- Warehouse facilities, and by considering description of the materials it is required to carry out procurement procedures.

Further consultancy services providing institutes were been asked to prepare descriptions as and where the procurement procedures taken place. Most of these goods were based on special description and hence these accounts to few supplies, it was decided to call for few suppliers during this period.

In addition, for these projects with the limits of Rs. 1mn were being directed to a special procurement committee.

Since, these were projects which were carried under the supervision of secretary Ministry of Mega polis & Western Development it was instructed to complete the project in a given time at a superior cost.

- (I) Public Administrative Circular 14/2008 dated 26/06/2008

Observations

Since 17 vehicles of the Authority been disposed in a public tender, non availability of public administrative circular for public entrepreneurship, a board paper referencing 296/2012 submitted to Board of Management of UDA and obtain the approval to use private vehicles as official vehicles.

- (J) Finance Minister's letter dated 28th March 2003(Referencing MF/TR/1/2003)

6. Financial Summary

3.1 Financial Results

a. (Observations)

The reason for the reduction in profit before taxes is due to the utilization of funds for housing projects and other projects through fixed deposits, Treasury bills and the reduction of interest rates, significant amount of recurrent expenditure incurred on behalf of projects and increase of other expenditure. However in general except interest income all other income sources have recorded a growth in compared to the previous year.

3.2 Analytical Financial Review

(Observations)

As per the above analysis during the year 2013 current ratio is 2:1 and in 2014 it amounts 1:1.6 and this is due to increase of retention money and deposits that amounts to Rs. 1.2 billion. In addition due to increase of projects during the year 2014 amount payable has increased compared to the year 2013. Accordingly due to increase of projects retention money and as a result of amount payable to contractors the ratio has changed.

Debt to Equity Ratio

When calculating the above debt to equity ratio total value of Non-current liabilities were considered as per the above calculation. However differed lease rent, compensation payable, gratuity payable provision and amounts payable to contractors were been classified as non-current liabilities and are not relevant to the debt capital.

Accordingly Debt capital should formulate from debenture funds and amounts collected from long term loans of banks. Therefore, debt to equity ratio from 2014 to 2013 is 6.29:1 and 6.29:1 and this stuns no increase of debt to equity ratio of the Authority.

b. (Observations)

During the year interest income of the Authority was reduced due to the utilization of funds for the housing projects and other projects along with the reduction of interest rate payable on deposits.

c. (Observations)

Compared to the previous year the reason for the housing projects and other projects along with the reduction of interest rate payable on deposits.

5. Increase of numbers vehicles that were been rented out for increased projects compared to the previous year.
6. Increase of monthly rentals payable on vehicles from Rs.40,000/= to Rs.55,000/= as the Board of Management decision 188/2014.
7. As per the Board of Management decision 17/2012 dated 03/10/2012 decided to consider and account the allowances paid to Directors for the use of their private vehicles as a allowance paid to transportation expenditure.

The reason for the increase of rates and taxes is due to the payment of rates and taxes to a land that was liberated under the urban regeneration project near the Nawaloka Hospital in 2014. This was not considered when preparing the budget for the year 2014 and inevitably it is required to pay this rates and taxes accordingly.

d. (Observations)

Authority has completed 09 revenue generation projects during the year and have commenced operations accordingly. Recurrent expenditure of these projects when commence, their operations have been transferred to the profit and loss account.

e. (Observations)

The reason for the reduction in fixed deposits is due to the utilization of these fixed deposits for the development projects that were underway during the year 2014.

8. Operational Review

4.1 Performance evaluation

(A/B) (Observations)

Budget for the year 2014 was prepared during the last quarter of 2013 by identifying the required projects. However, these projects may require changing due to government policies and priorities exist and this is considered as a known budgetary principal.

Due to difficulties face to continuation of projects it is required to despite they were not been identified in the budget. However these changes have been incorporated in mid and end year

revised budget and would take appropriate actions to obtain the approval from Board of Management.

f. (Observations)

In addition to the 42 development projects that were gazette following development projects were been revised and gazette notification were been issued.

No.	Development Project	Gazette Date	Gazette No
01	Batticaloa Town Development Plan	2014.06.23	1868/8
02	Kalmunai Town Development Plan	2014.06.23	1868/8
03	Balangoda Town Development Plan	2014.06.23	1868/8
04	Rathnapura (Ammended) Town Development Plan	2014.10.16	1884/25
05	Maha Dambulla Town Development Plan	2014.02.12	1849/16
06	Galewela Town Development Plan	2014.02.12	1849/16
07	Naula/Nalanda Town Development Plan	2014.02.12	1849/16
08	Seegiriya/Habarana Town Development Plan	2014.02.12	1849/16
09	Madatugama Town Development Plan	2014.02.12	1849/16

In addition, during the year 2015 apart from the above development plans were built for Panadura and Moratuwa Urban areas and scheduled to publish the gazette notifications.

g. (Observations)

As per the objectives of Urban Development Authority town planning, promotion development plans, coordination and developing cites that are conducive for people have been considered and Rs. 6950 mn has been increased in this regard.

4.2 Management Inefficiencies

a. (Observations)

Though the Authority have taken required steps to obtain the valuation of the acquired land thus failed to obtain the accurate compensation assessment since it's been conducted by an external party. Therefore in order to obtain the relevant compensation assessment following step have taken by the Urban Development Authority.

(I). Request Survey Department to prepare preliminary plans since 2012.

(II). When assessing the ownership of plans submitted by the Survey Department during 2013 these were not in line with the original plan since it's required to measure again.

(III). Since it's required to obtain clearance plans for the 163 perches relevant actions have taken to obtain the same.

(IV). It has been informed and request the provincial Secretary –Maharagama at continuous occasion to inform about the compensation assessment for Navinna acquired land and hence transfer deeds were unable to prepare for the respective company.

(V). As at 31st December 2015 the Authority has set off Rs.30mn against the said land.

b. (Observations)

Land located between Ethulkotte Nipon Mawatha and private land which belongs to Urban Development Authority has been encroaching by private occupants in order to obtain the access from Nipon Mawatha. Most of these occupants do not have the alternative access roads. A water stream is located across this land and in order to get the access across the water stream, small bridges were been removed by the Authority.

Areas where the water stream non-exist, it has been used as a footpath way and it's inevitably difficult to refrain people walking across this land area.

In addition, some of the areas of the land were used for temporary flower plantations and daily inspection by the watchers allocated for the area has reduced these type of encroaches.

Further these unauthorized plantations were been removed in the Nipon Mawatha land and unauthorized accesses were been dismantled and further actions have been taken to avoid the unauthorized actions.

c. (Observations)

Dilapidated railway Quarters located at Dematagoda 587 ward considered as underserved settlement as per the Survey conducted by the Urban Development Authority. Further, Railway department after successive discussions has agreed to provide houses with the ownership to these peoples who lived in these quarters from a prolonged time. However lands which owned by Railway Department would be given to UDA upon their consent and according, UDA would construct employees quarters .These houses were also given at a monthly rent basis and as a result no financial impact has created to UDA.

d. (Observations)

25 Numbers of unauthorized encroachments have been resolved through clearing the land boundaries and respective legal actions have been taken to avoid these unauthorized encroachments. Instructions regarding these were requested from provincial secretary and after completing the compensation examination lands which can acquire and lands legal actions can be executed is being identified.

e. (Observations)

Accordingly when deconstructing employee quarters at Colombo 06, Wellawatta, Mayura Place, which belong to the old Wallawatta Mill following procurement procedures were adopted.

03. Ascertain the base value of the building through the internal valuation committee of the Authority.

04. By considering the base value as the lowest price tender were called for contract the deconstructing the same in following newspapers.

4. Dinamina - 03/10/2014
5. Daily News- 03/10/2014
6. Thinakaran – 03/10/2014

Accordingly, during the tender procedure following contractors have submitted their prices.

3. Dimuthu Enterprises – Rs.12,200,240/-
4. Anura Jayalath - Rs.3,800,000/-

However, no contractor has submitted tenders exceeding the base value of Rs.14.5mn by adhering to tender procedures and hence it was difficult to select a suitable contractor. Since there was a significant deviation among two tenders it was informed to the highest bidder to pay the base price and accept the tender but the highest bidder hasn't shown any importance regarding the same.

Meantime, it was decided to have the opening ceremony of "LakmuthuSewana" housing Scheme in the said land where the project located next to the site on 07th October 2014 as per the decision taken by the Ministry of Defense and Urban Development.

Accordingly, in order to expedite the dismantling the building and to have land suitable for the development purposes a discussion was held with the participation of Deputy Director General (Finance), Director(Land and Management), Director (Engineering Services), Director (Urban Regeneration Programme in the city of Colombo).

In emergency situations similar to these, it is the procedure to call for tenders for reusable items and to dismantle items which have no reusable value. Accordingly, it was decided to deconstruct the building and to keep the reusable items at the site for relevant tender procedure and this has been approved by the chairman of the Authority.

Accordingly, with the supervision of Urban Regeneration programme officials and secretary officers of the Authority base on approved prices machinery and labour was hired as per procurement guidelines and deconstructed the same. In addition, reusable items were kept at the same land and it was decided to tender the same by following relevant tender procedures.

By following the tender procedure it was able to collect Rs.750,000/- by accessing the value with the involvement of the Land & Management Division.

Accordingly, the reason for not awarding the contract for bidders is due to inability to furnish quotations at agreed prices thus, it has been rejected by the Technical Evaluation Committee.

Further prior to dismantling the building base value was considered as Rs.14.5mn by the internal valuation committee and after dismantling timber reusable was valued at 750,000/-. Accordingly the both valuations was conducted by the same internal valuation thus stems that the true value of the reusable items reduced after dismantling the same.

f. (Observations)

In order to collect charges from tenants of Urban Regeneration Programme following actions were been taken and according during the year 2015 it was able to collect monthly income.

- (iii) Disconnecting the services which areas water charges are due.
- (iv) Collect monthly rentals and water charges by visiting to each housing unit.

g. (Observations)

Since UDA had not established secured fences had not demarked boundaries of UDA lands, accompanied land owners have establishes temporary and permanent boundaries as per their expectation and some of the lands were being cultivated with permanent crops such as coconut.

Example:

Location	Planning No. and Lot	Extent(Perches)	Value(Rs.)
Beddagana	1433 lot No. 01	5.32	6,384,000

Araliya Uyana(Depanama)	1342 Lot No. 20	20.00	12,000,000
Araliya Uyana(Depanama)	1342 lot No. 60	65.00	39,000,000
Madiwela	5529	7.65	6,120,000
Madiwela(Infront of MP's Quarters)	8091	96.82	79,016,000
Total		194.79	142,520,000

As per the audit report 04 lands with an extent of 194.79 perches (Value of Rs. 51.mn) as an opened land, were been considered as reservation lands. However land at Madiwela with an extent of 7.65 perch (P.M.G 5529) has not been identified.

However though the values of these lands are significant it is not possible to dispose these as they are considered as reservation lands. Therefore disclose of these assets in the financial statements is an over valuation of assets.

h. (Observations)

Though it has been informed to the liquidator regarding the transfer of the ownership of vehicles of Peliyagoda warehouse complex (pvt) ltd, these vehicles have not been transferred as at today.

I. (Observations)

The balance amount denotes the management and employee charges borne for several years in relation to proceeding the transportation services and hence it is not possible to set off against when issuing the “Transportation – Seasons”. Further this has been retained to set off in future given any loss created to employees in relation to transportation.

j. (Observations)

The above land use cannot be considered as unauthorized use and there were building materials available in the adjoining land. The land that belong to the authority cannot be considered as a commercial land and it is a land adjoining to the main road and the subject land and accurate land demarcation has been carried out.

k. (Observations)

As per the audit report land with an extent of 5.32 has been leased out to TRZ construction (pvt)ltd for a housing project is out the total land extent 0 Acres, 02 Roads, 16 purchase and as per the lease agreement a shop required to construct in the said land and should handed over to UDA.

As per the lease agreement, 75% of the value of land should be provided with 06 housing units and the land that denoting the same with a plan NO.14333 lot 02 has been handed over by the lease, thus has not taken actions to handover the shop.

However, this project has been handled by project management division previously and by the studding the tax files in relation to above. Further, since it is difficult to obtain a written file in relation to handling over 06 housing units that equivalent to 75%of the land value it's difficult to extract written evidence regarding the same.

By considering the above the value of 06 houses the lessor has given to UDA is equivalent to 75% of the land value that is Rs.3,240,000/-, as per the report it was observed that the land with extent of 5.32 perch has not been handed over the lessor. In addition, since there is no written evidence regarding the same it's not possible to collect money from the lessor.

I. (Observations)

Debenture Issue

- II. Lands which are liberating through the Urban Regeneration Programme owned by different state agencies and of which have been liberated already would required to lease out for investors for commercial purposes and this process would take a considerable time.

Land which are being liberated through this project been identified for the suitable development and the leasing out of these lands been handled by the business development unit.

The primary objective of this programme is to provide housing requirement for the underserved community in Colombo and to liberate land for commercial purposes. The programme do not constitute as an individual project thus it is based on the demand for lands at Colombo and the economic development in the country.

Observations

Plans have been developed to redeem the debenture of Rs.10 bn that was issued during the year 2015.

4.3 Operational inefficiencies

a. (Observations)

An operation of the Colombo gold center was commenced since 05th September 2014 and as per the lease agreement key money has to be paid in two equal installments. Accordingly after paying 50% of key money shops were handed over to tenants and the opportunity has been given to commence operations and monthly rental have been collected since 05/09/2014.

In accordance to the above conditions this authority has taken measures to collect rental. However, due to unavailability of incomes streams to these tenants it was unable to collect rental as expected.

However, reminding letters and other notifications, telephone calls weekly were been given to tenants and it has been taken appropriate actions to collect monthly rentals.

As preliminary step, monthly rentals from tenants would be collected and the later on upon the maturity of the business steps would be taken to collect the key money in quick succession. specially since the project which consist of 84 shops do not have the reach of customers. it is inevitably difficult to collect rentals from tenants. Accordingly this authority with the participation of shop owners have taken respective measures. Further the 13 shop owners have handed over their shops to UDA since they were unable to pay the required rentals. Accordingly as at now 71 shops are in operation.

Though it has been agreed for the point a, due to the procedure that is under way collection of monthly rentals has increased to 80% .

b. (Observations)

as per the cabinet decision of deficiency entrepreneurship and the deficiency acquittance of assets to the governments the land that was under supervision was 14.5 acres of which transfer deed have not received for a land at the extent of 2 acres 11.85 perches .after obtaining the transfer deed a relevant measures would be taken to develop the same out of the 14 acres 2.56 acres land extend have been given to 3 institutes (postal department, lee hedges, senolanka hotel company)and the balance land extend for a car park.(charmers Granaries) .

c. (Observations)

As highlighted in the previous year's audit ,if it is required to write off balance in capital working progress and a provision for this has been made during the year 1996.

Though this has been deducted from client projects in the draft financial statements as highlighted in previous years, in the financial accounts this deduction from the capital working progress would be disclosed.

I Observations

Procurement plan has been prepared for the year 2014 and accordingly procurement has been carried out.

II Observations

Most of the project have completed during 2014 and it is required to obtain the condominium approval from condominium authority upon completion of significant amount of requirements and accordingly relevant actions have taken to obtain condominium approval for all these projects.

4.4 Transactions of contentious nature

a. (Observations)

Directions were given by then secretary of ministry of defence and urban development for the conservation of ahalepola walawwa. Accordingly,by identifying it as a persistence building funds have been utilized for the conservation of the above building.

b. (Observations)

unit cost of a house located at Laksanda Sewana Housing Project amounts to Rs.2.68 and as the directions of the Ministry of Defence and Urban Development a housing unit was given at a cost of Rs.1.5mn for 158 Families who have lost their homes due to the waste dump at meethotamulla.Meethotamulla area was the area where the waste was dumped that were collected in the Colombo and it's suburbs.pepole who lived in these areas were faced with difficulties and this matter was raised at a national level(due to riots and refrain from transportation of debris and waste)

Further these houses were given to beneficiaries at a cost of Rs.1 mn to be repaid in 30 years. Per the municipal council as agreed to provide Rs.1.5mn for each housing units.fur the the land on which the ways dumped is own to UDA.and by liberalization of the land it will be able to use for depositing these wastes.

Respective action has been taken to collect dues from the municipal council and further it has been instructed to set off against the rates and taxes payable.

4.5 Uneconomical Transactions

a. (Observations)

Expenditure in relation to opening of projects, constructing memorials, advertising, food and beverage required to handle by the authority. Since the ownership and capital infusion was done by UDA. Further, these projects were handed over to public by the Hon. President of Sri Lanka hence these were organized in an esteemed manners. Therefore, these functions required the esteemed organization, standards thus required to be borne by the Urban Development Authority.

b. (Observations)

During the year 2014 the company has commenced the payment of dividends and accordingly October 2014 UDA has received a divided of Rs.1.16mn.

c. (Observations)

This represent the preference shares issued by Reel Company to the value of Rs.26.5mn in respect of 02 lands lease out for 99 years. Since, the above company failed to maintain a favorable financial position it was unable to process the housing project. Therefore, all lease agreements were cancelled due to unsatisfactory financial situation of the company.

Accordingly, as per the cabinet approval, respective actions have been taken to liquidate company.

However, the above land has been required by UDA, and due to the significant improvements taken place in Colombo this can be utilized for high financial viable projects.

d. (Observations)

Declaration of dividends would be done by considerable profit generation and other factors for share investments. Accordingly, dividends which were not received by UDA from investments made in other companies would be notified and respective actions would executed by consulting Board of Management.

4.6 Apparent Irregularities.

(Observations)

After the leagle proceedings of Bandarawela and Peradeniya Rest houses bearing 169/2005 and 6483 agreements entered with both parties along with the area no notice has been made in relation to decision of the law and only consideration was given to management fees.

4.7 Apparent Irregularities.

Following observations have been made.

A.)Urban Regeneration Project

(i) (Observations)

Out of 10 projects that have completed 08 project's lands are belong to UDA, of which 34 housing units under Puradora Uyana project and 216 projects in Laksanda Sewana project belong to other government institutes and actions would be taken to acquire the ownership of these lands. This extent of these lands amounts to 1 acre and 2 perches. Further acquisitions of lands for other housing projects are underway.

(ii) (Observations)

As per the nature of this project it's difficult to call for competitive bidding process and as proposed by the cabinet approval procurement committee respective procurement procedures have been taken. The documents under the phase II of the project being awarded to contractor with C1 ICTAD grading with the respective financial capacity at an agreed price.

5projects during the 2014 year end was awarded for construction under the Board of Management meeting was not held and 04 projects were been awarded during the year 2015 and these projects wre approved by cabinet committee on Economic affairs and these projects are in the process of commencement.

(iii) (Observations)

Since at the time of awarding the contract tender documents were not prepared and future conditions that needed to be entered in to contract agreement it requires a substantial time in relation to the phase II of the project. Accordingly, some of the conditions were not been agreed by contractor and took considerable time to come up to an agreement. Therefore, 03 contract agreement have been signed and further discussion are underway in order to execute the agreements.

(iv) (Observations)

These contracts were awarded on the basis that 100% finance would be provided by the contractor and this has provided a bank guarantee. Since, financial difficulties encountered by the contractor the project has stopped temporary and it is expected to recommence the project accordingly.

(Observations)

The contract was stopped based on mutual agreement reached between parties and penalties were not recovered from entering a guarantee.

(v) (Observations)

Though there's a mechanism to recover the advance payment and installments due to various reasons this has taken considerable time. It is expected to carry out a procedure in order to recover the above. Further Board of Management approval has been given to sign contracts for these award houses for tenants and the respective process is in the process.

(vi) (Observations)

- a. There's an agreed mechanism to award houses for underserved community who lost their houses.

Housing units that provided by UDA is approximately 400sqft and families who deprived their homes living in 1000 to 1500sqft, and the mechanism that are adopted even allocated housing unit for a person who is having 1000sqfts. However by considering the complaints made by these individuals two houses exceeding 700 sqfts and a basis exceeding 1100sqfts were been handed over.

- b. By considering the request made by the contractors in order to function the same T10dense iron rod been placed as a cross and instead of 6 inches concrete base to balance 1.6 inches concrete base was agreed. Practically these fences were been placed with G1 pipe as concrete base. (The reason for use of 6 inches x 6 inches iron panel was due to case of estimation purposes based on the building department prices.)

- c.

Based on a proposal that was made by the Ministry of Defense and Urban Development applications were called from Government Servant and since there were positive feedbacks it has been decided to launch the project. The contract was awarded to the contractor during the month of November 2014 and the contract company is in the process to start the project. Further as per the Urban Development Authority Act's was

granted to carry out development activities and steps have taken to carry out middle income housing project within the involvement of UDA.

4.8 Personal Administration

During the year under review all the details of the staff of UDA.

Position	As at 31 st December			
	Approved Staff	Actual Staff	Excess	Shortage
• Senior Executives	31	23	-	08
• Middle management	159	146	-	13
• Junior Management	374	292	-	82
• Management Assistant	550	620	70	-
• Primary	556	442	-	130
Total	1670	1503	70	233

(Observations)

Management Service Department approval has been given to 1670 staff during the year 2011. However due to change in the scope of the authority and due to increase of service requirements, based on the requirements staff were been required to some of the positions. However, these recruitments were done by calling for applications along with the interview process.

The recruitment for shortage of position and consideration for excess staff can may be done after the recruitment process.

5. Accountability and Good governance

5.1 Submission of Financial Statements

(Observation)

By adopting new audit standards, the draft financial statement for the year 2014 was prepared and after obtaining the Board of Management Approval it has been submission to the Auditor General Department on 24th July 2015.

However, as per the directions given by the Government Audit Division, the Director Statements on the Preparation of financial statement been included in the financial statement and the submitted the same to government Audit Division on 04th August 2015.

The preparation of the Annual Report or the year 2014 is in progress upon completion of the same it would be submitted for the Audit Division.

5.2 Corporate Plan

a) Observation

The corporate plan for Urban Development Authority was prepared during first few months in 2014 and hence it is no requirement to upgrade the same.

b) Observation

The corporate plan for the year 2013-2017 was prepared by an external party by utilizing the information submitted by UDA. By identifying the priority action, plans have been in progress to action those targets in given time periods. Since no index has been prepared in relation to these, it is difficult to access the progress accordingly.

However commencing from the year 2016, it has been suggested to develop key performance indication and accordingly it would be able to compare to actual expected targets.

c) Observation

For the year 2014, the entire targets and the plans have been prepared based on the objectives of corporate plans and responsibilities have had been assigned to directions of difficult divisions. However, due to the preparation of Key Performance Indicators during the year 2016, it would be able to assign duties and responsibilities in accessing the performance.

5.3 Action Plan

a) Observations

The corporate plan for the year 2013-2017 was prepared during the early months of 2014 and when the corporate plan finalized the action plan was already completed and some of tactical plans that need to be incorporated to the action plan as we not been included. However, when carefully investigation, it is observable that some of the tactical plans are included in the above report.

b) Observation

Once the action plan prepared, it would be summarized and if there are any discrepancy exist it would be corrected in the next year and there is no adequacy staff to comment the same during the year no there is a progress monitoring unit established to update the same.

Observation

Action plan of the Urban Development Authority has been prepared by considering plans which are executable by different divisions. Accordingly respective plans would be carryout by few officers and therefore contract details of the directors of the division have been submitted for information purpose.

c) Observation

Though there is a specified targets given for each division as per the action there's no mechanism exist in relation to accessing the progress. However progress of the project were been evaluated accordingly.

Therefore, during year 2015 in order to access the progress of each division respective information was collected by providing awareness direction.

5.4 Internal Audit

(a) Observation

Further operations to be taken by the authority's audit committee after the brode consideration.

(b) Observation

Amended new human recourse planning of internal audit division simultaneously effect to the broden of Authorit's working scope of the approval of management committee according to the management recommendation. Approval will be taken from the management service department of the treasury in near future.

c) Observation

Futher operations to be taken by the authorit's audit committee after the brode consideration.

5.5 Budget control

Observation

Reasons for the variation between Actual income & Budgeted income are given below.

Rent Income

Main reason for the variation of the rent income and budget income was the key money collected from the newly opened commercial complex and such income has not been considered at the time of the preparation of Budget income for the year 2014. However, this income has been estimated at Rs 1,778 mn in the Revised Budget 2014.

Sales of Fixed Assets

Although, Rs.Mn 55.5 Profit of fixed assets sales has been mentioned in Accounts, its actual profit would be Rs.Mn 63.9 in favourable manner.

Service charges

Consultancy charges, Planning approval charges, legal charges, electricity bill charges of project has been included in income category. Accordingly, following reasons would be mentioned in relation to the decrease of monetary value actual figure rather than estimated figures.

- Consultancy fee was lower without having expectable project in relevant year to the authority.
- Charges were not received due to the reason of improper usage of scarce resources by covering the provincial institutes. However, earning high income from planning approval charges rather than estimated amount.

- Interest income

This income unable to invest in expectable manner as the reason of the project expenditure in 2014.

- Dividend income

The institute is in favourable situation due to the dividend income is higher than the budgeted income.

- Other income

Delay payment, Non refundable tender fees, Transfer fee for legal matter were charging for receiving late payments.

Although, currently using 60% rate of delay payment and it would be 24% according to the change of No 09 Management decision, 2014.05.12 commencing as at 01 July 2014. Subsequently, its income would be lower than the budgeted income.

5.6 **Tabaling Annual report**

----- Observation

The Annual report of Urban Development Authority 2011 has been submitted to the parliament in order to table in the parliament. The annual report in 2012 has already finished and it was approved by board of management and the cabinet. Also the drafted annual report in 2013 has already approved, but its English and Tamil translations will be proceeded in three languages and expect to table the annual reports 2012,2013 according to approval of cabinet after submitting annual reports from Auditor General department.

5.7 **Unresolved Audit paragraph**

----- (a) Observation

This building had been constructed in 2002, for the Street, vendors and authority could not get maximum utilization of this project. However, this land hope to be maximum utilized in proposed development projects under the Urban Regeneration programme and removals of 147 housing units.

(b) Observation

An Action will be taken to obtain the General treasury approval in future

(c) Observation

The receivable amount of Rs25, 110,266 for the Dambulla new town planning as at 30th November 2015. New project has been prepared under the Dambulla town planning project for the current land of shopping location. Accordingly; arrears amount should be collected at situation of offering new shops.

Additionally, legal action has been taken for some shop owners in relation to the arrears amount in collection period.

(d) Observation

According to the Supreme Court Judgment, the UDA has been requested to pay valuation of the building amounting to Rs406, 486,000 to the Asia Pacific Golf Course Ltd. Subsequently, court has granted permission to deposit said compensation in the court by instalment basis and accordingly UDA had deposit Rs. 45 Mn & 100 Mn in the years 2013 & 2014 respectively.

(e) Observation

Received money from Service charge on development permits has been transferred to the Urban Regeneration Development Authority for the purpose of constructing lower income housing projects is called “KusumNiwasa”. This is not an ongoing project and UDA carryout lower income housing projects for the lower income holders since 2010. According to the decision of board of management, it is stop to transfer the relevant amount to the above authority.

5.8 Environmental and corporate social responsibilites

(a) Observation

Main objective of this Authority is Urban Development. Accordingly, Developemntprogmmme have been implemented covering all distict in the country.Stepshave been taken to take immediate action when the unauthorized constructions are reported.

(b) Observation

Action has been taken since October 2014 to minimize the issues identified.

(c) Observation

According to the Apartment ownership Low no 11 of 1973 and Apartment ownership (Amendment) Act no 15 of 1982, to incorporate the condominium management Authority the right of the houses should be transferred to the householders. Until then condominium management Authority cannot be incorporate legally.

6. System and control

Observation

Special attentions have been drown to improve strengthen and streamline of internal control system under the supervision of internal Audit Division of this authority.

Chairman
Urban Development Authority

Financial Statements

**URBAN DEVELOPMENT AUTHORITY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2014**

		Group		Company	
		2014 Rs.	Restated 2013 Rs.	2014 Rs.	2013 Rs.
	Note				
Revenue	2	3,512,355,813	2,365,965,370	2,351,679,766	1,343,630,641
		3,512,355,813	2,365,965,370	2,351,679,766	1,343,630,641
Gross Profit					
Other Income	3	777,153,512	1,624,911,172	778,775,796	1,557,702,335
Government Grants		14,422,001	14,422,001	14,422,001	14,422,001
Administration Expenses	4	(2,467,287,387)	(2,456,765,247)	(1,902,615,647)	(1,935,764,991)
Selling and Distribution Expenses		(35,531,054)	(25,787,338)	-	-
Other Expenses	6	(503,598,292)	(47,060,687)	(491,969,239)	(36,192,845)
Results from Operating Activities		1,297,514,594	1,475,685,271	750,292,677	943,797,140
Finance Cost	5	(329,689,292)	(437,777,645)	(974,471)	(856,922)
Net Finance Cost		(329,689,292)	(437,777,645)	(974,471)	(856,922)
Share of profit of equity accounted investees		178,673,146	83,359,799	-	-
Profit before income tax		1,146,498,447	1,121,267,425	749,318,206	942,940,218
Income tax expense	7	234,079,690	(288,458,616)	283,600,033	(247,454,217)
		1,380,578,137	832,808,810	1,032,918,239	695,486,001
Other comprehensive income					
Actuarial gain/(Loss)		(4,268,078)	(51,562,117)	(2,576,668)	(51,562,117)
Other comprehensive income for the year		(4,268,078)	(51,562,117)	(2,576,668)	(51,562,117)
Total comprehensive income for the year		1,376,310,059	781,246,693	1,030,341,571	643,923,884

URBAN DEVELOPMENT AUTHORITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st December 2014

ASSETS	Note	Group		Authority	
		Restated		2014	2013
		2014	2013		
		Rs	Rs	Rs	Rs
NON CURRENT ASSETS					
Property, plant and equipment	8	4,667,527,025	4,052,699,566	1,950,369,704	1,769,930,967
Investment Property	9	88,519,245,507	80,710,495,284	86,214,764,585	78,971,652,347
Investments in Subsidiaries	10	-	-	1,187,500,080	345,000,080
Investments in Associates	11	524,889,823	368,375,873	132,000,000	132,000,000
Other Investments	12	47,812,341	74,762,341	47,809,841	74,759,841
Receivable from Subsidiaries	13	-	-	3,729,960,429	4,003,432,404
Loan given to local authorities-UDSP		68,603,938	84,091,076	68,603,938	84,091,076
Stock in trade	14	13,014,408,778	874,859,548	13,014,408,778	874,859,548
Capital work in progress		10,479,723,177	13,074,174,666	10,559,503,453	13,154,539,446
TOTAL NON CURRENT ASSETS		117,322,210,588	99,239,458,355	116,904,920,807	99,410,265,710
CURRENT ASSETS					
Inventories		28,807,324	33,732,743	7,442,766	7,585,431
Trade and Other Receivables	15	705,779,495	1,107,533,940	523,968,496	714,195,242
Staff Debtors		191,818,758	190,801,011	191,818,758	190,801,011
Prepaid Staff Cost		61,897,288	65,258,132	61,897,288	65,258,132
Deposits, prepayments & advances	16	8,012,832,514	3,779,610,245	8,003,632,930	3,461,337,425
Fixed Deposits		7,789,341,732	11,406,197,152	7,637,745,200	11,285,192,193
Investment In Repos		816,188,811	72,634,551	560,000,000	-
Cash & cash equivalents	17	100,274,702	94,458,393	44,735,720	47,277,560
TOTAL CURRENT ASSETS		17,706,940,624	16,750,226,166	17,031,241,157	15,771,646,994
TOTAL ASSETS		135,029,151,212	115,989,684,522	133,936,161,964	115,181,912,703
EQUITY & LIABILITIES					
EQUITY					
Stated Capital	18	100,000,000	100,000,000	100,000,000	100,000,000
Net government contribution	19	1,001,234,894	1,015,656,895	1,001,234,894	1,015,656,895
		1,101,234,894	1,115,656,895	1,101,234,894	1,115,656,895
Capital reserves	20	8,462,785	8,462,785	8,462,785	8,462,785
Revenue reserves	21	55,000,000	55,000,000	55,000,000	55,000,000
Retained Earnings	22	75,819,115,594	74,178,183,319	75,076,490,788	73,788,239,423
TOTAL EQUITY		76,983,813,273	75,357,302,998	76,241,188,467	74,967,359,102
LIABILITIES					
NON CURRENT LIABILITIES					
Interest bearing Borrowings -NSB	23	2,392,634,000	2,798,750,000	2,300,000,000	2,605,000,000
Debenture	24	-	10,259,444,909	-	10,259,444,909
UDSP Loan	25	154,414,377	169,901,516	154,414,377	169,901,516
Deferred Lease Rent	26	18,280,378,040	15,824,709,403	18,575,928,040	16,127,159,403
Accrued compensation on lands		8,277,820,350	689,378,049	8,277,820,350	689,378,049
Key Money Received On Project Developments		127,147,392	172,958,686	127,147,392	172,958,686
Defined Benefit Obligation - Gratuity	27	233,393,207	206,031,981	218,090,086	185,673,704
Payable to Contractor	28	942,904,861	2,362,455,771	942,904,861	2,362,455,771
Payable to Asia Pasific Golf Course Ltd		358,483,000	416,163,210	358,483,000	403,483,000
TOTAL NON CURRENT LIABILITIES		30,767,175,226	32,899,793,525	30,954,788,106	32,975,455,037
CURRENT LIABILITIES					
Debenture	24	10,264,267,978	-	10,264,267,978	-
Interest bearing Borrowings- NSB	23	288,336,000	75,000,000	240,000,000	75,000,000
Bank Loan - Short Term		3,662,369,863	-	3,662,369,863	-
Expense & other creditors	29	6,575,622,036	2,607,790,902	6,228,903,200	2,171,034,372
Deferred Taxation	30	854,795,863	1,227,161,814	780,231,295	1,209,885,030
Deposits & advances	31	5,488,026,838	3,253,255,248	5,482,728,838	3,235,222,488
Bank overdraft	32	144,744,136	569,380,036	81,684,219	547,956,676
TOTAL CURRENT LIABILITIES		27,278,162,713	7,732,587,999	26,740,185,392	7,239,098,563
TOTAL EQUITY & LIABILITIES		135,029,151,212	115,989,684,522	133,936,161,965	115,181,912,703

The Accounting policies and Notes on pages 06 to 37 form an integral part of these Financial Statements. I hereby , Certify that these Financial Statements give a true and fair view of the Authority's state of affairs as at 31.12.2014 and its surplus for the year then ended.

W.L.D.P.V.Jayawardena

Deputy Director General (Finance)

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the board of Directors and signed on their behalf.

Ranjith Fernando

Chairman

Date

Chandana Ranasinghe

Board Member

Date

URBAN DEVELOPMENT AUTHORITY
STATEMENT OF CHANGES IN EQUITY
As at 31st December 2014

Statement Of Changes In Equity for the Authority

	Stated Capital Rs.	Net Govt Contribution Rs.	Capital Reserve Rs.	Revenue Reserve Rs.	Retained Surplus Rs.	Total Rs.
Balance as at 1st January 2013	100,000,000	1,030,078,896	8,462,785	55,000,000	73,144,315,539	74,337,857,220
Grants written Back to Income	-	(14,422,001)	-	-	-	(14,422,001)
Expenditure Over Income For The year	-	-	-	-	695,486,001	695,486,001
Total Other Comprehensive income	-	-	-	-	(51,562,117)	(51,562,117)
Balance as at 31st December 2013	100,000,000	1,015,656,895	8,462,785	55,000,000	73,788,239,422	74,967,359,102
Balance as at 1st January 2014	100,000,000	1,015,656,895	8,462,785	55,000,000	73,788,239,422	74,967,359,102
Grants written Back to Income	-	(14,422,001)	-	-	-	(14,422,001)
Correction of gain on Land Valuation	-	-	-	-	257,909,794	257,909,794
Expenditure Over Income For The year	-	-	-	-	1,032,918,239	1,032,918,239
Total Other Comprehensive income	-	-	-	-	(2,576,668)	(2,576,668)
Balance as at 31st December 2014	100,000,000	1,001,234,894	8,462,785	55,000,000	75,076,490,787	76,241,188,467

Statement Of Changes In Equity for the Group

	Stated Capital Rs.	Net Govt Contribution Rs.	Capital Reserve Rs.	Revenue Reserve Rs.	Retained Surplus Rs.	Total Rs.
Balance as at 1st January 2013	100,000,000	1,030,078,896	8,462,785	55,000,000	73,391,832,605	74,585,374,285
Adjustments to waters Edge	-	-	-	-	3,638,191	3,638,191
Grants written Back to Income	-	(14,422,001)	-	-	-	(14,422,001)
Expenditure Over Income For The year	-	-	-	-	832,808,810	832,808,810
Total Other Comprehensive income	-	-	-	-	(51,562,116)	(51,562,116)
Balance as at 31st December 2013	100,000,000	1,015,656,895	8,462,785	55,000,000	74,176,717,490	75,355,837,170
Balance as at 1st January 2014	100,000,000	1,015,656,895	8,462,785	55,000,000	74,176,717,490	75,355,837,170
Adjustments to UNIDEP Profit	-	-	-	-	1,465,829	1,465,829
Balance as at 1st January 2014- Restated	100,000,000	1,015,656,895	8,462,785	55,000,000	74,178,183,318	75,357,302,998
Adjustments to waters Edge	-	-	-	-	6,712,422	6,712,422
Grants written Back to Income	-	(14,422,001)	-	-	-	(14,422,001)
Correction of gain on Land Valuation	-	-	-	-	257,909,794	257,909,794
Expenditure Over Income For The year	-	-	-	-	1,380,578,137	1,380,578,137
Total Other Comprehensive income	-	-	-	-	(4,268,078)	(4,268,078)
Balance as at 31st December 2014	100,000,000	1,001,234,894	8,462,785	55,000,000	75,819,115,594	76,983,813,273

* The profit of the Urban Investment & Development Company (Pvt) Ltd (UNIDEP) for the year 2013 has been restated in the year 2014. The amount of Rs.1,465,829 have been adjusted as prior year adjustment in the UNIDEP Financial Statements in respect of the over statement of the accumulated depreciation. Accordingly, This adjustment was made in the consolidated Financial Statements for the year 2014.

URBAN DEVELOPMENT AUTHORITY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2014
STATEMENT OF CASH FLOW FOR AUTHORITY

	2014 Rs.	2013 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit/(loss) before Income Tax	749,318,206	942,940,218
Add: Provision for bad debts	62,726,533	460,426,079
Depreciation	243,738,155	243,307,728
Provision for gratuity	44,956,857	24,599,181
prepaid Staff cost	17,031,822	13,672,306
Prior Year Adjustments	368,453,366	742,005,294
	<u>1,117,771,572</u>	<u>1,684,945,513</u>
Less : Rent	1,953,674,140	1,044,915,338
Profit on sale of land & Buildings	92,069,492	7,190,065
Written Back portion of Govt Grants	14,422,001	14,422,001
Dividend	33,822,199	30,986,996
Interest	395,433,782	2,279,973,226
	<u>2,489,421,615</u>	<u>2,377,487,626</u>
OPERATING SURPLUS/(DEFICIT) BEFORE WORKING CAPITAL CHANGES	<u>(1,371,650,043)</u>	<u>(692,542,113)</u>
WORKING CAPITAL CHANGES		
Increase / (decrease) in trade & other creditors	2,160,623,969	628,095,903
(Increase) / decrease in debtors	66,927,522	(219,417,795)
(Increase) / decrease in Staff Debtors	2,343,097	(68,033,127)
(Increase) / decrease in inventories, deposits	(4,542,152,840)	(1,446,533,230)
Increase / (decrease) in Advances & Deposits	2,247,506,350	1,143,504,244
Increase / (decrease) in Payable on Contract	(1,419,550,909)	1,082,224,424
	<u>(1,484,302,811)</u>	<u>1,119,840,419</u>
CASH GENERATED/(USED) FROM/TO OPERATIONS		
Rent Received in Cash	1,582,713,335	664,596,053
Income Tax paid	(125,386,786)	(381,440,273)
Premia on Land leased out	2,843,999,768	4,641,371,133
Gratuity paid	(12,540,475)	(6,408,656)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,288,785,842</u>	<u>4,918,118,257</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend Received	42,072,198	31,153,088
Debenture Interest paid	(1,098,504,599)	(1,095,124,635)
Interest Received - Debenture Funds	848,709,935	881,347,800
Interest Received- Others	385,787,411	1,316,824,334
Purchase/Disposal of Fixed Assets	(237,786,279)	(78,006,108)
Key Money Received	(45,811,294)	148,339,695
(Increase)/ Decrease Lands & Buildings	1,763,088,889	61,296,448
(Increase) / Decrease Capital Working Progress	2,849,653,727	(6,929,764,811)
(Increase) / Decrease Stock In Trade	(12,139,549,230)	(874,859,548)
Compensation paid on land Acquisition	(235,934,738)	(270,364,634)
Recovery/(payment) to subsidiary company	273,471,975	(285,066,093)
investment in Fixed Deposite	3,647,446,993	1,144,816,672
investment in other Investment	26,950,000	-
Short term Investments	(561,213,003)	(2,103,794)
compensation paid to APGCL	(45,000,000)	(3,000,000)
Sale proceeds from sale of Land & Buildings	33,932,778	9,347,305
Net cash provided /(used) by investing activities	<u>(4,492,685,237)</u>	<u>(5,945,164,280)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank Loan received	3,662,369,863	-
NSB loan Repaid	(140,000,000)	(75,000,000)
Net cash provided/(used) by financing activities	<u>3,522,369,863</u>	<u>(75,000,000)</u>
NET DECREASE IN CASH & CASH EQUIVALENTS	<u>462,517,613</u>	<u>(674,747,717)</u>
CASH & BANK BALANCE AT BEGINNING OF THE YEAR	B (519,786,628)	154,961,089
CASH & BANK BALANCE AT END OF THE YEAR	A <u>(57,269,014)</u>	<u>(519,786,628)</u>
CASH & BANK BALANCE AT END OF THE YEAR	A	B
Bank Over Draft	(81,684,219)	(547,956,676)
Bank balance (Favorable)	24,053,078	27,802,783
Petty cash & Cash in Hand	362,126	367,264
	<u>(57,269,014)</u>	<u>(519,786,628)</u>

URBAN DEVELOPMENT AUTHORITY
NOTES TO THE ACCOUNTS
CONSOLIDATED CASH FLOW STATEMENT FOR GROUP
For the Year ended 31st December 2014

	2014 Rs.	2013 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss before Income Tax	1,146,498,447	1,121,267,425
Add: Provision for bad debts	68,929,454	460,975,526
Depreciation	388,302,214	364,227,994
Provision for gratuity	47,506,505	31,244,365
prepaid Staff cost	17,031,822	13,672,306
	-	-
	<u>521,769,995</u>	<u>870,120,191</u>
	1,668,268,442	1,991,387,616
Less : Rent	2,558,994,840	1,617,093,902
Profit on sale of Land & Buildings	28,131,179	7,190,065
Share of Investment in Associates	178,673,146	83,359,799
Written Back portion of Govt Grants	14,422,001	14,422,001
Dividend	1,663,003	2,537,702
Interest	414,984,016	1,305,730,605
	<u>3,196,868,185</u>	<u>3,030,334,074</u>
Operating surplus/(deficit) before working capital Changes	(1,528,599,743)	(1,038,946,459)
working capital changes		
Increase / (decrees) in trade & other creditors	2,232,191,948	878,189,843
(Increase) / decrees in debtors	133,359,506	(227,851,809)
(Increase) / decrees in Staff Debtors debtors	2,343,097	(68,033,127)
(Increase) / decrees in inventories, deposits	(4,228,296,850)	(1,585,379,197)
Increase / (decrees) in Advances & Deposits	2,234,771,590	1,144,074,244
Increase / (decrease) in Payable on bank Guarantee	(1,419,550,909)	1,082,224,424
	<u>(1,045,181,619)</u>	<u>1,223,224,377</u>
Cash generated/(used) from/to operations		
Rent Received in Cash	2,362,100,056	992,987,036
Income Tax paid	(139,700,504)	(399,249,029)
Premia on Land leased out	2,843,999,768	4,641,371,133
Gratuity paid	(17,205,472)	(9,300,762)
	<u>5,049,193,847</u>	<u>5,225,808,378</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend Received	9,913,001	2,703,795
Debenture Interest paid	(1,098,504,599)	(1,095,124,635)
Interest Received - Debenture Funds	848,709,935	881,347,800
Interest Received	383,805,148	1,284,439,262
Purchase/ Disposal of Fixed Assets	(411,057,862)	(149,103,041)
Key Money Received	(45,811,294)	148,339,695
Increase / Decrease Lands & Buildings	1,457,944,404	(4,045,169,965)
(Increase) / Decrease Capital Working Progress	2,839,423,085	(3,294,089,444)
(Increase) / Decrease Stock In Trade	(12,139,549,230)	(874,859,548)
Compensation paid on land Acquisition	(235,934,738)	(270,364,634)
investment in Fixed Deposite	3,616,855,420	1,199,049,184
investment in other Investment	26,950,000	-
Short term Investments	(744,767,264)	(74,723,404)
Compensation paid to APGSL	(57,680,209)	(3,000,000)
Sale proceeds from sale of Land & Buildings	33,932,778	9,347,305
	<u>(5,515,771,425)</u>	<u>(6,281,207,631)</u>
Net cash provided /(used) by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank Loan Received	3,662,369,863	178,750,000
NSB loan Repaid	(192,780,000)	(75,000,000)
	<u>3,469,589,863</u>	<u>103,750,000</u>
Net cash provided/(used) by financing activities		
NET INCREASE IN CASH & CASH EQUIVALENTS	429,230,923	(767,371,335)
CASH & BANK BALANCE AT BEGINNING OF THE YEAR	B (494,020,874)	B 273,350,461
CASH & BANK BALANCE AT END OF THE YEAR	A (64,789,950)	A (494,020,874)
CASH & BANK BALANCE AT END OF THE YEAR	A	B
Bank Over Draft	(144,744,136)	(569,380,036)
Bank balance (Favorable)	74,607,348	70,448,968
Petty cash & Cash in Hand	5,346,838	4,910,194
	<u>(64,789,950)</u>	<u>(494,020,874)</u>

URBAN DEVELOPMENT AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year ended 31st December 2014

1. CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.3.1 CORPORATE INFORMATION

1.3.1 Reporting Entity

Urban Development Authority is a body corporate, duly established on 6th September 1978 under the Urban Development Authority Law No.41 of 1978 enacted by the National State Assembly. The Head Office of the Authority is located at 06th Floor, Sethsiripaya, and Battaramulla. The consolidated financial statements of the Company as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries.

1.3.2 Principle Activities and Nature of Operation

The Urban Development Authority (UDA) is a multi-disciplinary organization engaged in urban planning and sustainable urban development in Sri Lanka.

1.3.1 BASIS OF PREPARATION

1.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRSs). The consolidated financial statements were authorized for issue by the Board of Directors on 29th February 2016

1.2 Basis of Measurement

The Financial Statements of the Company have been prepared on the historical cost basis except for the following material items included in the Statement of Financial Position;

- Liability for defined benefit obligations is recognised as the present value of the defined benefit obligation, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

1.3 Functional and presentation currency

These consolidated financial statements are presented in Sri Lankan Rupee's, which is the Company's functional currency. All financial information presented in Sri Lankan Rupee's

1.4 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with SLFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The Estimates and associated assumption are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from the other sources.

The Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that financial year or in the period of the revision and future periods if the revision affects both current and future financial years.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Critical accounting estimate/ judgment	Note No	Page No
classification of investment property	09	25

Information about assumptions and estimates uncertainties that have a significant risk of resulting in a material adjustment in the financial statements are included in the table below:

Critical accounting estimate/ judgment	Note No	Page No
Investment Property	09	25
Capital Working Progress		
Property, plant and equipment	08	24
Employee Benefits	26	30

1.3.1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

1.1 Basis of Consolidation

(a) Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date - i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group also takes into consideration potential voting rights that are currently exercisable.

1.3 SIGNIFICANT ACCOUNTING POLICIES

1.3.1 Basis of Consolidation(Continued)

(a) Business Combination (Continued)

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any Non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships such amounts are generally recognised in profit or loss. Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Financial Statements of Subsidiaries are included in the consolidated Financial Statements from the date that control commences, until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(c) Investments in associates (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Investments in associates are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.3.1 Basis of Consolidation (Continued)

(d) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the

Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

1.3.2. Foreign Currency Transactions

All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are affected. Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference.

1.3.3 Financial assets and financial liabilities

(a) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts intends either to settle on a net basis or realize the assets and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables and available-for-sale financial assets.

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.3.3 Financial assets and financial liabilities (Continued)

(i) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction

costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivable comprise cash and cash equivalents, Staff debtors and trade and other receivables, including related party receivables.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call and fixed deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(iii) Held to maturity Financial Investments

Held to Maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Company has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest Income' in the Income Statement. The losses arising from impairment of such investments are recognised in the Income Statement in 'Impairment charges for other financial assets'.

(b) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contracted obligations are discharged, cancelled or expired.

The Group classifies non-derivative financial liabilities in to the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. After initial recognition, such financial liabilities including finance lease liabilities are subsequently measured at amortised cost using the EIR method.

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.3.3 Financial assets and financial liabilities (Continued)

All other short term liabilities which are neither trading liabilities nor liabilities designated as at fair value through profit or loss are classified as 'Trade and other payables'. Trade and other payables are initially recognised at fair value which is the transacted amount on an arm's length basis. Amortised cost method is not applied as the basis for subsequent measurement since these liabilities are payable on demand.

The details of the Company's financial liabilities at amortised cost are disclosed in Notes 24 on page 29. Other financial liabilities comprise: loans and borrowings, trade and other payables.

1.3.4 Impairment

1.3.4.1 Non-derivative Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are as assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reserved through profit or loss. Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.3.1 Financial assets and financial liabilities (Continued)

1.3.4 Impairment (Continued)

1.3.4.2 Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Groups of assets (the “cash generating unit”). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (Group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.3.5 Property, Plant and Equipment

i. Recognition and Measurement

Property, Plant and Equipment are stated at cost/revaluation less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprise its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labor, and any other costs directly attributable to bringing the asset to the working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, they are accounted for separate items (major component) of property, plant and

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

1.3.5 Property, Plant and Equipment (continued)

ii. Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is

recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

iii. Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as incurred.

iv. De-recognition

The carrying amount of an item of property, plant and equipment is de-recognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on de-recognition are recognized within other income in profit or loss.

v. Depreciation

Depreciation is recognized in profit or loss on the straight-line basis over the estimated useful lives of each part of item of Property, Plant and Equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal Group that is classified as held for sale) and the date that the asset is derecognised. Depreciation is not charged on Freehold Land and Capital Work in Progress.

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.3.5 Investment Property (Continued)

The estimated useful lives are as follows:

Asset Category	Useful Lives
Buildings	Over a period of 50 years
Motor Vehicles	Over a period of 5 years
Furniture & Fittings	Over a period of 10 years
Office Equipment	Over a period of 5 years

Books and manuals	Over a period of 4 years
Plant and Equipment	Over a period of 5 years

1.3.6 Recognition and Measurement

Property which is held to earn rental income or for capital appreciation or for both are classified as Investment Property. Investment Property is measured initially at cost, including transaction costs.

Deemed Cost of Land and Building of Owner occupied property and Deemed Cost of Land and Building of Investment Property have been measured at fair value at the date of transition to SLFRSs which were carried in the statement of financial position prepared in accordance with previous SLAS on the basis of acquisition cost.

1.3.7 Subsequent Measurement

Subsequent to initial recognition, Investment Property is stated at Deemed cost less accumulated depreciation and accumulated impairment losses, which reflects market conditions at the transition date. The cost incurred for the acquisition or construction of investment property is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied will flow to the Group and its cost can be measured reliably.

1.3.8. De recognition

Investment Property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Income Statement in the period of derecognition.

1.3.9 Leasing

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

- **Operating Leases - Company as a lessor**

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The Company as a lessor as well as the Company has a portfolio of land and building all over the country which has been used to earn rental and capital appreciation. Contingent rents are recognised as revenue in the period in which they are earned, if any.

1.3.10 Capital Work in Progress

Capital expenses incurred during the year which are not completed as at the reporting date are shown as Capital Work-in-Progress, whilst the capital assets which have been completed during the year and available to use have been transferred to Property, Plant and Equipment.

1.3.11 Borrowing cost

Borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying assets have been capitalized as part of the cost of the asset in accordance with Sri Lanka Accounting Standards 23 (LKAS 23) "Borrowing Cost". Capitalization of borrowing cost ceases when substantially all activities necessary to prepare the qualifying assets for its intended use are completed.

1.3.12 Inventories

Inventories are valued at lower of cost and net realizable value. Cost is determined on the weighted average cost basis and includes expenses incurred in acquiring the inventories and bringing them to their existing location and condition.

1.3.13 Employee benefits

(a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which contributions are made into a separate fund and the entity will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plan are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Defined Contribution Plans - Employees Provident Fund and Employees Trust Fund

All employees who are eligible for Employees Provident Fund contribution and Employees Trust Fund contribution are covered by relevant contribution funds in line with respective statutes and regulations. The Group contributes 15 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

(c) Defined Benefit Plan - Gratuity

A Defined Benefit Plan is a post-employment benefit plan other than a Defined Contribution Plan as defined in the Sri Lanka Accounting Standard - LKAS 19 on 'Employee Benefits'. The Company is liable to pay retirement benefits under the Payment of Gratuity Act, No.12 of 1983. Provision has been made in the Financial Statements for retirement gratuity as Employee benefit liability from the first year of service for all employees. Gratuity plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and compensation. The liability recognised in

respect of employee benefit liability in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date together with adjustments for unrecognized past service costs. The employee benefit liability is calculated annually by independent actuaries using the 'projected unit credit method' as required by the Sri Lanka Accounting Standard - LKAS 19 on 'Employee Benefits'.

The present value of the defined benefit plan is determined by discounting the estimated future cash outflows using interest rates of long term Government Bonds or high quality Corporate Bonds. Actuarial gains or losses are recognised in Other Comprehensive Income in the period in which they arise. The current service cost and interest cost are recognised as an expense in the Income Statement.

1.3.14 Provisions

Provisions are recognised if, as a result of a past event the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions and liabilities are recognised in the balance sheet. Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risk specific to the liability. Unwinding of discount is recognised as finance cost

1.3.15 Statement of Comprehensive Income

1.3.15.1 Revenue

(a) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(b) Fees for Service rendered

All fees for services rendered except for fee for electricity, water charges, and Management of Rest House & Client projects are accounted on cash basis.

(c) Key Money

Key money received by the Authority for lease or rented properties have been identified as income for the year in which the key money is received. However, key money received for development projects undertaken by the Authority on behalf of clients or government, have been shown under liabilities since such key money has to be setoff against the project development cost.

1.3.15.2 Interest Income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the

financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

1.3.15.2 Dividend Income

Dividend income is accounted when the shareholders' right to receive payment is established.

1.3.15.3 Other Income

Profits or losses from disposal of property, plant and equipments recognized having deducted from proceeds on disposal, the carrying value of the assets and the related expenses.

Foreign currency gains and losses are reported on a net basis.

1.3.15.4 Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognised in profit or loss as other income amounts Rs. 14,422,001 on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

1.3.15.5 Expenditure Recognition

(a) Other Expenses

All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year.

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.3.15 Statement of Comprehensive Income (Continued)

1.3.15.1 Taxation

(a) Current Taxes

Current Income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The provision for income tax is based on the elements of income and expenditures reported in the Financial Statements and computed with in accordance with the provisions of the Inland Revenue Act.

The relevant details are disclosed in the respective notes to the Financial Statements.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

1.4 OTHER GENERAL ACCOUNTING POLICIES

(a) Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged.

The relevant details are disclosed in the Note 33 to the Financial Statements.

1.5 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of Land and Buildings is based on the market approach using quoted market prices for similar items when available.

(ii) Investment property

The groups internal independent valuation team having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, valued the Group's investment property portfolio as at 1st January 2011. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a

willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents. Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin.

1.6 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Events after the reporting period are those events favorable and unfavorable that occurs between the end of the reporting period and the date when the Financial Statements are authorized for issue.

The nature of the events occurring after the reporting period is considered and appropriate adjustments to or disclosures are made in the Financial Statements, where necessary.

URBAN DEVELOPMENT AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2014

		Group		Authority	
		31st December	31st December	31st December	31st December
		2014	2013	2014	2013
		Rs.	Rs.	Rs.	Rs.
2. REVENUE					
Rent	2.1	2,558,994,840	1,616,337,668	1,953,674,140	1,044,915,338
Fee for services rendered	2.2	391,098,959	280,947,387	391,098,959	280,947,387
Service Charge on high-rise building		5,226,650	13,990,702	5,226,650	13,990,702
Service Charge on Development Permit		1,680,016	3,777,214	1,680,016	3,777,214
Waters Edge Gross Profit	2.3	524,385,433	408,666,132	-	-
Lanka Rest House Gross Profit	2.4	30,969,915	42,246,268	-	-
		<u>3,512,355,813</u>	<u>2,365,965,370</u>	<u>2,351,679,766</u>	<u>1,343,630,641</u>
3. OTHER INCOME					
Interest Income	3.1	414,984,016	1,305,751,354	395,433,782	1,279,973,226
Dividend Received	3.2	1,663,003	2,537,702	33,822,199	30,986,996
Miscellaneous Income	3.3	330,821,666	309,432,051	255,896,675	239,552,048
Profit from sale of land & buildings	3.4	28,131,179	7,190,065	92,069,492	7,190,065
Profit from sale of Furniture	3.5	1,553,648	-	1,553,648	-
		<u>777,153,512</u>	<u>1,624,911,172</u>	<u>778,775,796</u>	<u>1,557,702,335</u>
4. ADMINISTRATION EXPENDITURE					
Salaries & Wages		914,535,505	775,619,613	734,411,110	646,298,246
Contribution to EPF/ETF , Gratuity etc		157,504,197	148,478,752	137,136,207	126,597,274
Arrears of EPF,ETF & Gratuity		99,488,147	-	99,488,147	-
Prepaid Staff Cost		17,031,822	13,672,306	17,031,822	13,672,306
Bonus		34,067,578	32,853,606	19,430,337	17,750,000
Unutilized leave		38,976,887	33,126,640	38,551,666	33,046,101
Welfare payment		8,198,274	34,683,595	5,852,417	5,257,248
Traveling		20,763,198	24,579,787	16,058,449	14,397,597
Office Supplies Requisites		97,676,840	104,346,503	73,795,155	70,596,221
Repairs and Maintenance		94,576,554	71,684,451	61,178,649	54,625,982
Electricity Charges		261,121,178	212,783,389	195,391,316	138,461,589
Telephone Charges		13,269,746	12,819,780	9,731,176	8,871,318
Charges for Water		28,764,881	25,615,540	20,828,756	18,976,113
Health & Sanitation Services		55,576,633	29,631,464	46,004,445	21,238,315
Rental & Hire Charges		20,104,903	18,961,089	18,781,355	16,085,289
Transport , Advertising , Security & Others		90,035,953	63,299,477	67,076,217	39,880,153
Depreciation		388,302,214	363,326,195	243,738,155	243,307,728
Audit Fees		1,964,298	2,436,486	1,000,000	1,388,904
Rates & Taxes		19,407,509	1,230,814	16,963,551	987,695
Insurance Premium		5,438,900	3,503,521	1,566,867	1,472,232
Subscription & Membership Fees		473,567	1,522,048	347,221	399,623
Losses & Write Off		68,929,454	460,975,526	62,726,533	460,426,079
Others		16,633,419	4,889,034	15,526,096	2,028,978
Directors Emoluments		2,126,500	1,524,000	-	-
Laundry Charges		12,319,228	15,201,632	-	-
		<u>2,467,287,387</u>	<u>2,456,765,247</u>	<u>1,902,615,647</u>	<u>1,935,764,991</u>
5. FINANCIAL COST					
Interest on bank loan		324,607,225	430,222,625	-	-
Interest on Bank over Draft		4,135	3,843	4,135	3,843
Bank Charges		1,214,136	1,114,326	970,336	853,080
Credit Card Discount & Other		3,863,796	6,436,851	-	-
		<u>329,689,292</u>	<u>437,777,645</u>	<u>974,471</u>	<u>856,922</u>
6. OTHER EXPENSE					
Grants, Contributions/Others		616,418	5,542,005	616,418	5,542,005
Nation Building Tax		53,622,277	41,518,682	41,993,224	30,650,840
Project Operational Cost		449,359,597	-	449,359,597	-
		<u>503,598,292</u>	<u>47,060,687</u>	<u>491,969,239</u>	<u>36,192,845</u>
7. TAXATION					
Taxation on Profit for the year		163,896,597	408,103,376	146,053,702	384,375,761
Deferred Taxation (Gain)/ Loss		(397,976,287)	(119,644,760)	(429,653,735)	(136,921,544)
		<u>(234,079,690)</u>	<u>288,458,616</u>	<u>(283,600,033)</u>	<u>247,454,217</u>

URBAN DEVELOPMENT AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2014

	Group		Authority	
	31st December 2014 Rs.	31st December 2013 Rs.	31st December 2014 Rs.	31st December 2013 Rs.
2.1 Rent				
2.1.1 Monthly Rent	1,136,395,322	964,276,223	524,174,622	385,953,893
2.1.2 Lease Rents	458,948,896	510,029,273	465,848,896	516,929,273
2.1.3 Ground Rent	741,426	1,477,069	741,426	1,477,069
2.1.4 Fee for Use & Occupation of Premises	14,373,077	9,878,171	14,373,077	9,878,171
2.1.5 Key money Received	948,536,119	130,676,932	948,536,119	130,676,932
	<u>2,558,994,840</u>	<u>1,616,337,668</u>	<u>1,953,674,140</u>	<u>1,044,915,338</u>
2.2 Fee for services rendered				
2.2.1 Planning Approval	93,940,938	70,846,028	93,940,938	70,846,028
2.2.2 Legal Services	15,268,264	10,070,298	15,268,264	10,070,298
2.2.3 Rest House Management Fees	64,420	166,796	64,420	166,796
2.2.4 Maintenance Services	266,827	803,703	266,827	803,703
2.2.5 Financial Management Services	999,992	734,664	999,992	734,664
2.2.6 Mgt Fees and Consultancy charges on projects	34,846,480	10,687,532	34,846,480	10,687,532
2.2.7 Change of Use of Buildings	77,727,144	50,977,031	77,727,144	50,977,031
2.2.8 Fee for Electricity	156,547,253	127,159,629	156,547,253	127,159,629
2.2.9 Service Charge on leases	3,088,026	3,105,021	3,088,026	3,105,021
2.2.10 Fee for Architectural Services	8,214,051	6,318,995	8,214,051	6,318,995
2.2.11 Fee for computer services	135,564	77,690	135,564	77,690
	<u>391,098,959</u>	<u>280,947,387</u>	<u>391,098,959</u>	<u>280,947,387</u>
2.3 Waters Edge Ltd Gross Profit				
Food & Beverages Revenue	778,133,833	620,216,672	-	-
Cost of Sale	(253,748,400)	(211,550,540)	-	-
Gross Profit	<u>524,385,433</u>	<u>408,666,132</u>	<u>-</u>	<u>-</u>
2.4 Lanka Rest House Ltd Gross Profit				
Rest House Rental Income	42,226,768	54,304,159	-	-
Cost of Sale	(11,256,854)	(12,057,891)	-	-
Gross Profit	<u>30,969,915</u>	<u>42,246,268</u>	<u>-</u>	<u>-</u>

URBAN DEVELOPMENT AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2014

	Group		Authority	
	31st December 2014 Rs.	31st December 2013 Rs.	31st December 2014 Rs.	31st December 2013 Rs.
3.1 Interest Income				
3.1.1 on Term Deposits	363,059,803	1,170,387,800	343,509,569	1,144,609,672
3.1.2 on Re-Purchase Order	19,336,557	19,974,540	19,336,557	19,974,540
3.1.3 on Savings Accounts	405	10,072	405	10,072
3.1.4 on Staff Loans	27,477,611	22,432,437	27,477,611	22,432,437
3.1.5 on Lease Rent	2,839,302	90,352,194	2,839,302	90,352,194
3.1.7 on UDSP Loan	2,270,337	2,594,310	2,270,337	2,594,310
	414,984,016	1,305,751,354	395,433,782	1,279,973,226
3.2 Dividend Received				
3.2.1 Onally Holdings Ltd.	-	-	20,999,997	19,499,997
3.2.2 Lanka Electricity Company (Private) Ltd	450,000	1,350,000	450,000	1,350,000
3.2.3 WatersEdge Limited	-	-	10,000,000	8,949,297
3.2.4 State Institution Temporary Surplus Trust Fund	1,213,003	1,187,702	1,213,003	1,187,702
3.2.5 Ocean View Development Co. (Pvt) Ltd	-	-	1,159,200	-
	1,663,003	2,537,702	33,822,199	30,986,996
3.3 Miscellaneous Income				
3.3.1 Non-Refundable Tender Deposits	3,949,267	3,437,863	3,949,267	3,435,567
3.3.2 Processing Fees for Issuing C.O. C	23,098,663	18,301,123	23,098,663	18,301,123
3.3.3 Penalty-Delayed Payments	20,293,984	36,380,556	20,293,984	36,380,556
3.3.4 Unauthorised Construction Fees	50,262,221	34,520,351	50,262,221	34,520,351
3.3.5 Demolition Fee	15,374,117	12,827,777	15,374,117	12,827,777
3.3.6 Sundries	10,658,589	5,874,176	10,658,589	5,822,274
3.3.8 Temporary Rentals	50,147,859	47,642,026	47,516,508	46,735,956
3.3.9 Car Parking Fees	40,260,382	30,268,921	40,260,382	30,268,921
3.3.10 Other Misc revenue	2,997,424	6,219	2,102,602	5,979
3.3.11 Sale of Publication	10,852,024	2,883,819	10,852,024	2,883,819
3.3.13 Transfer Fee For Legal Matters	26,793,591	47,659,316	26,793,591	47,659,316
3.3.14 Sundry Income from staff	1,348,543	692,409	1,348,543	692,409
3.3.15 Race Course Booking charges	3,386,185	18,000	3,386,185	18,000
3.3.15 Membership Fee Income	34,220,345	49,127,476	-	-
3.3.16 Hall hire Charges & Other Charges	37,178,473	19,792,019	-	-
	330,821,666	309,432,051	255,896,675	239,552,048
3.4 3.4.1 Profit from sale of land & buildings				
Sale proceeds on Lands	33,932,778	-	33,932,778	-
Sale proceeds on building	-	9,347,305	642,500,000	9,347,305
Total	33,932,778	9,347,305	676,432,778	9,347,305
Less : Cost of Land Sold	5,801,599	-	5,801,599	-
Cost of building Sold	-	2,157,240	615,491,153	2,157,240
Total	28,131,179	7,190,065	55,140,026	7,190,065
Add : Accumulated Depreciation on Buildings sold	-	-	36,929,466	-
Profit on sale of Land & building	28,131,179	7,190,065	92,069,492	7,190,065
3.5 3.5.1 Profit from sale of Fixed Assets				
Sale proceeds on Disposal of Fixed Assets	1,553,648	-	1,553,648	-
Less : Cost of Fixed Assets sold	2,565,769	-	2,565,769	-
	(1,012,121)	-	(1,012,121)	-
Add : Accumulated Depreciation on Fixed Assets sold	2,565,769	-	2,565,769	-
Profit on sale of Fixed Assets	1,553,648	-	1,553,648	-

URBAN DEVELOPMENT AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8 a Property, Plant & Equipment for the Authority

	Land	Building	Plant & Machinery	Furniture & fittings	Motor vehicles	Bicycles	Office equipments	Library books	Total
Cost as at 01/01/2014	90,883,000	1,661,588,622	184,674,700	86,573,472	91,390,249	221,252	267,163,603	1,571,934	2,384,066,832
Depreciation 01/01/2014	-	99,333,466	148,528,068	57,299,629	88,924,614	172,322	218,336,973	1,540,792	614,135,865
WDV as at 01/01/2014	90,883,000	1,562,255,156	36,146,632	29,273,843	2,465,635	48,930	48,826,630	31,142	1,769,930,967
Cost									
Balance as at 1/1/2014	90,883,000	1,661,588,622	184,674,700	86,573,472	91,390,249	221,252	267,163,603	1,571,934	2,384,066,832
Additions	-	-	50,458,871	112,544,256	-	-	77,347,711	1,210	240,352,048
Disposals	-	-	-	(2,396,562)	-	-	(169,207)	-	(2,565,769)
Balance as at 31/12/2014	90,883,000	1,661,588,622	235,133,571	196,721,166	91,390,249	221,252	344,342,107	1,573,144	2,621,853,111
Depriciation									
Balance as at 1/1/2014	-	99,333,466	148,528,068	57,299,629	88,924,614	172,322	218,336,973	1,540,792	614,135,865
Charges	-	33,231,772	4,592,814	9,720,295	63,300	11,029	12,283,208	10,894	59,913,311
Written back onDisposal	-	-	-	(2,396,562)	-	-	(169,207)	-	(2,565,769)
Balance as at 31/12/2014	-	132,565,238	153,120,882	64,623,362	88,987,914	183,351	230,450,974	1,551,686	671,483,407
WDV as at 31/12/2014	90,883,000	1,529,023,384	82,012,689	132,097,804	2,402,335	37,901	113,891,133	21,458	1,950,369,704

8 a Property, Plant & Equipment for the Group

	Land	Building	Plant & Machinery	Furniture & fittings	Motor vehicles	Bicycles	Office equipments	Library books	Total
Cost as at 01/01/2014	117,966,081	4,172,629,704	200,714,151	143,191,246	131,710,994	221,252	335,197,043	1,571,934	5,103,202,405
Depreciation 01/01/2014	-	460,943,312	149,959,871	67,707,929	128,409,186	172,322	241,769,427	1,540,792	1,050,502,839
WDV as at 01/01/2014	117,966,081	3,711,686,392	50,754,280	75,483,317	3,301,808	48,930	93,427,616	31,142	4,052,699,566
Cost									
Balance as at 1/1/2014	117,966,081	4,172,629,704	200,714,151	143,191,246	131,710,994	221,252	335,197,043	1,571,934	5,103,202,405
Additions	41,250	909,924,780	51,332,981	140,187,973	20,902,800	-	201,673,061	1,210	1,324,064,055
Disposals	-	(615,585,233)	(26,999)	(2,843,956)	-	-	(169,207)	-	(618,625,395)
Balance as at 31/12/2014	118,007,331	4,466,969,251	252,020,133	280,535,263	152,613,794	221,252	536,700,897	1,573,144	5,808,641,064
Depriciation									
Balance as at 1/1/2014	-	460,943,312	149,959,871	67,707,929	128,409,186	172,322	241,769,427	1,540,792	1,050,502,839
Charges	-	75,503,380	6,417,132	17,251,418	2,824,243	11,029	28,088,339	10,894	130,106,434
Written back onDisposal	-	(36,929,466)	-	(2,396,562)	-	-	(169,207)	-	(39,495,235)
Balance as at 31/12/2014	-	499,517,226	156,377,003	82,562,785	131,233,429	183,351	269,688,559	1,551,686	1,141,114,039
WDV as at 31/12/2014	118,007,331	3,967,452,025	95,643,129	197,972,478	21,380,365	37,901	267,012,338	21,458	4,667,527,025

URBAN DEVELOPMENT AUTHORITY
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9 INVESTMENT PROPERTY - AUTHORITY

	At fair value						Balance as at 12/31/2014
	Balance as at 01/01/2014	Additions During the year	Revaluation During the year	Transferred to / From WIP	Written back on Disposals	Adjustments During the year	
Land	71,818,582,138	5,751,229,270			(5,801,599)	50,335,873	77,614,345,682
Buildings	7,606,262,083			2,209,735,224	(615,491,153)		9,200,506,154
Total	79,424,844,221	5,751,229,270		2,209,735,224	(615,491,153)	50,335,873	86,814,851,836

	Depreciation						Balance as at 12/31/2014
	Balance as at 01/01/2014		Charges for the year	Write Back for Revalued Property	Written back on Disposals	Adjustments During the year	
Land	-						
Buildings	453,191,873		183,824,843		(36,929,466)		600,087,251
Total	453,191,873	-	183,824,843	-	(36,929,466)	-	600,087,251
WDV	78,971,652,347						86,214,764,585

INVESTMENT PROPERTY - GROUP

	Balance as at 01/01/2014 (Restated)	Additions During the year	Revaluation During the year	Transferred to / From	Written back on Disposals	Adjustments During the year	Balance as at 12/31/2014
	Land	69,945,267,138	5,751,229,270			(5,801,599)	50,335,873
Buildings	11,292,137,529	61,404,747		2,209,735,224		-	13,563,277,500
Total	81,237,404,667	5,812,634,017		2,209,735,224	(5,801,599)	50,335,873	89,304,308,182

	Depreciation						Balance as at 12/31/2014
	Balance as at 01/01/2014		Charges for the year	Write Back for Revalued Property	Written back on Disposals	Adjustments During the year	
Land	-						
Buildings	526,909,382		258,153,293				785,062,675
Total	526,909,382	-	258,153,293	-	-	-	785,062,675
WDV	80,710,495,284						88,519,245,507

Note-

The construction Work of the 07 No's commercial Projects have been completed and declared opened during the year 2014. Accordingly, the cost amounting to Rs.2,209,735,244/= as at 31/12/2014 has been transferred from Capital working Progress Account to the investment property Account in the Financial Accounting year 2014.

	UDA	Group		Authority	
		2014 RS	2013 RS	2014 RS	2013 RS
10 INVESTMENT IN SUBSIDIARIES	Share %				
Urban Investment & Development Co.(Pvt) Ltd	100%	-	-	345,000,000	345,000,000
Temporary share Allotment by Waters Edge Ltd	100%	-	-	842,500,010	10
UDA Rest House Company Ltd	100%	-	-	70	70
Peliyagoda Ware House Complex Co. Ltd.	100%	-	-	499,999,930	499,999,930
Less : Provision for Falling of value of Investment				(499,999,930)	(499,999,930)
		-	-	1,187,500,080	345,000,080

Provision for Falling of value of Investment

Peliyagoda Warehouse Complex Company Ltd had recorded a significant losses repeatedly and those losses have exceeded the above Investment. Accordingly, due to the falling value of the investment provision has been made to record the recoverability of UDA investment.

11 INVESTMENT IN ASSOCIATES COMPANIES

	UDA Share %	2014 RS	2013 RS	2014 RS	2013 RS
11.1 Ocean View Development Co.(Pvt) Ltd		229,766,605	179,521,713	92,000,000	92,000,000
Share of Results after Tax	43.39%	46,341,962	50,244,891		
Less:					
Dividend Received		(1,159,200)	-		
		274,949,366	229,766,605	92,000,000	92,000,000
11.2 Onally Holdings Plc.	47.00%	138,609,269	124,994,358	40,000,000	40,000,000
Share of Results after Tax		132,331,184	33,114,908		
Less:					
Dividend Received		(20,999,997)	(19,499,997)		
		249,940,456	138,609,269	40,000,000	40,000,000
		524,889,823	368,375,873	132,000,000	132,000,000

12 OTHER INVESTMENTS

12.1 Lanka Electricity Company (pvt) Ltd	9,000,000	9,000,000	9,000,000	9,000,000
12.2 Housing Development Finance Corp.	500,000	500,000	500,000	500,000
12.3 R.E.E.L. Company	2,000,000	28,950,000	2,000,000	28,950,000
12.4 Colombo Lands & Development Co. Ltd.	36,309,841	36,309,841	36,309,841	36,309,841
12.5 Lanka Hospital Pvt Ltd	2,500	2,500		
	47,812,341	74,762,341	47,809,841	74,759,841

Note : The liquidation process for REEL Company had been started and therefore, out of above investment of Rs. 28.95mn would be revised (Refer Note 33.3)

13 RECEIVABLES FROM SUBSIDIARIES

13.1 Peliyagoda Warehouse Complex Company Ltd (Note 12.1.1)	-	-	-	22,841,493
13.2 Urban Investment & Development Company (Pvt) Ltd	-	-	3,729,960,429	3,980,590,911
	-	-	3,729,960,429	4,003,432,404

14 STOCK IN TRADE

As per the direction of Government of Sri Lanka , Urban Regeneration Programme was initiated by UDA as a national project to provide better shelter for underserved community in the City of Colombo.

This account represents the cost incurred for completed projects under the Urban Regeneration Programme in the city of Colombo. These housing projects are to be handed over to the underserved community upon the recovery of a nominal value within the agreed time period.

The above project cost would be recovered from the said nominal value to be collected and proceeds of lease of lands which are liberated by execution of relocation of underserved settlements in the city of Colombo. Therefore, the cost incurred of this the project has been identified under the category of Stock in Trade.

Name of the Housing Project

	2014 RS	2013 RS	2014 RS	2013 RS
Mihidusenpura	905,794,156	874,859,548	905,794,156	874,859,548
Siriisara Uyana & Methsara Uyana	3,447,185,981	-	3,447,185,981	-
Laksada Sevana	816,612,437	-	816,612,437	-
Randiya Uyana	2,936,962,906	-	2,936,962,906	-
Sirisada Sewana	1,011,283,727	-	1,011,283,727	-
Sirimuthu Uyana	1,433,786,090	-	1,433,786,090	-
Muwadora Sewana	2,136,179,416	-	2,136,179,416	-
Puradora Sewana	44,646,866	-	44,646,866	-
Lakmuthu Sewana	281,957,195	-	281,957,195	-
	13,014,408,778	874,859,548	13,014,408,778	874,859,548

URBAN DEVELOPMENT AUTHORITY
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		2014	Group	2014	Authority
		Rs.	2013	Rs.	2013
			Rs.	Rs.	Rs.
15	Debtors				
	Rent Debtors	592,728,084	904,116,268	492,941,838	635,414,599
	Lease Debtors	413,152,663	862,407,878	413,152,663	862,407,878
	Rest House Debtors	114,066,129	113,841,752	114,066,129	113,841,752
	Development Expenditure	171,493,077	170,909,027	171,493,077	170,909,027
	Interest Receivable	3,746,983	1,068,065	534,891	387,810
	Consultancy Fees	21,405,449	20,426,302	21,405,449	20,426,302
	VAT Receivable	92,254,852	105,287,713	-	-
	Other Debtors	130,606,595	118,547,391	143,417,869	98,960,170
		1,539,453,832	2,296,604,396	1,357,011,916	1,902,347,537
	Less: Provision for bad debt	(833,674,338)	(1,189,070,456)	(833,043,420)	(1,188,152,295)
	Total Debtors	705,779,495	1,107,533,940	523,968,496	714,195,241
15	DEBTORS				
15.1	Debtors				
	RENT DEBTORS				
15.1.1	Monthly Rental			189,034,582	141,015,324
- 15.1.2	V.A.T. Receivable From Monthly Rentals			24,745,197	21,060,011
15.1.3	V.A.T. Receivable From Key Money			4,205,674	2,580,869
15.1.4	20% Of Frozen Arrears			30,962,599	32,892,667
15.1.5	Rent Arrears Frozen			21,439,930	22,009,088
15.1.6	Fee For Electricity			26,964,112	19,551,939
15.1.7	Fee For Use & Occupation			31,201,535	28,473,917
15.1.8	Penalty On Delayed Monthly Rent & Fee For Use			76,370,498	331,515,187
15.1.9	Key Money receivable			37,750,244	20,714,360
15.1.10	Penalty On Key Money			116,809	113,101
- 15.1.11	Arrears Of Government Tax (Rent)			15,296,417	15,488,136
15.1.12	Deposit for Electricity			25,393,594	-
15.1.13	Deposit for Water Charge			9,460,646	-
	LEASE DEBTORS				
- 15.1.12	V.A.T. Receivable From Premia And Lease Rent			357,948,301	597,140,296
15.1.13	Annual lease rent			9,605,607	95,587,025
- 15.1.14	Ground Rent			954,417	834,359
15.1.15	Interest on Lease Premia			134,804	186,178
15.1.16	Penalty on Delayed Lease Rent & Premia			15,661,498	134,425,245
15.1.17	Premia on Land Leased out			4,979,672	11,171,397
- 15.1.18	Arrears of Govt. Tax -Lease Rent			20,325,489	20,325,989
15.1.19	Service charges on lease properties			3,542,876	2,737,388
	REST HOUSE DEBTORS				
15.1.20	Rest House Penalty			76,143,784	75,991,462
15.1.21	VAT Receivable from Rest Houses			2,749,834	2,742,104
- 15.1.22	VAT Receivable from Circuit Bungalows			156,656	169,249
15.1.23	Rest House Rent Receivable			18,505,478	18,441,057
- 15.1.24	Room Charges from Circuit Bungalows			375,670	375,670
- 15.1.25	Frozen Rest House Penalty			14,073,767	14,061,255
15.1.26	Rest House Other Debtors			1,653,215	1,653,230
- 15.1.27	Food & Bev. Receivable from Circuit Bungalows			129,349	129,349
- 15.1.28	Hire of Furniture			125,000	125,000
- 15.1.29	Room Charges from Rest Houses			153,376	153,376
	DEVELOPMENT EXPENDITURE				
15.2.1	My. of Sports & Youth Affairs			84,615,679	84,615,679
- 15.2.2	Bills Receivable NHDA			39,836,941	39,836,941
15.2.3	My. Of Urban Development Cons. & Pub Utilities			25,007,130	25,007,130
- 15.2.4	Receivables from Treasury			4,393,732	4,393,732
- 15.2.5	Colombo Municipal Council			4,447,302	4,447,302
- 15.2.6	Other MISCL Debtors			13,192,293	12,608,243
	INTEREST RECEIVABLE				
- 15.2.7	Interest Receivable from other Sources			387,810	387,810
15.2.8	Interest Receivable from REPO's			147,081	0
	CONSULTANCY FEES				
- 15.2.10	Consultancy Fees SRCC & Treasury Fund			472,000	472,000
- 15.2.11	Management Fee Receivable On Client's Project			20,933,449	19,954,302
	VAT Receivable				
15.2.12	VAT Receivable				
	OTHER DEBTORS				
- 15.2.13	Current A/C Ocean View			10,085,613	10,085,613
15.2.14	Rest House Company LTD A/C			74,601,012	73,849,486
15.2.15	Waters Edge Limited Current A/C			56,192,816	3,999,990
- 15.2.17	Dividend Receivable			-	8,249,999
- 15.2.18	Ministry of Education			5,406	5,406
- 15.2.19	UDSP Receivables Personnel Emoluments			16,479	16,479
- 15.2.20	Cheque Rtn/Dishnrd Control A/C			2,124,937	2,361,728
- 15.2.21	Cheques Return Charges Receivable			255,705	255,990
- 15.2.22	vat retained on UDA income			135,901	135,901
15.2.23	Other Debtors			-	-
				1,357,011,916	1,902,347,537
15.2.27	Provision for Bad Debts			(833,043,420)	(1,188,152,295)
				523,968,496	714,195,241
	STAFF DEBTORS				
- 15.2.24	Staff Loans			191,941,833	190,900,765
- 15.2.26	Staff Receivable			(123,075)	(100,175)
				191,818,758	190,800,590

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	2014 RS	2013 RS	2014 RS	2013 RS
16 DEPOSITS, PRE-PAYMENTS & ADVANCES				
16.1 Advances to Contractors	4,528,705,125	2,383,191,133	4,526,044,416	2,070,213,348
16.2 Advance on Housing Project	3,351,000,261	1,270,493,017	3,351,000,261	1,270,493,017
16.3 Deposits with Suppliers	5,969,043	5,969,043	5,969,043	5,969,043
16.4 Deposits for Services	13,827,977	6,092,602	13,337,977	5,602,602
16.5 Sundry Advances	43,499,666	41,237,978	42,632,889	41,232,978
16.6 Deposit for Electricity	8,998,494	8,998,494	5,248,494	5,248,494
16.7 Security Deposits - Electricity	8,845,730	10,516,418	8,845,730	10,516,418
16.8 Receivable form Contractors(UDSP)	3,485,138	3,485,138	3,485,138	3,485,138
16.9 Pre Payments	3,194,769	3,484,354	1,762,671	2,434,319
16.10 Compensation Deposits	41,926,891	41,925,891	41,926,891	41,925,891
16.11 Advance Given to Staff	3,379,421	4,216,177	3,379,421	4,216,177
	8,012,832,514	3,779,610,245	8,003,632,930	3,461,337,425
17 CASH & CASH EQUIVALENTS				
17.1 Short Term Investments:				
- S.I.T.S.T.Fund	20,320,516	19,107,513	20,320,516	19,107,513
	20,320,516	19,107,513	20,320,516	19,107,513
17.2 CASH & BANK BALANCES				
COLLECTION ACCOUNTS				
17.2.1 BOC - Mahiyangana Branch	325,560	325,560	325,560	325,560
17.2.2 BOC - Battaramulla Branch	250,000	111,463	250,000	111,463
17.2.3 BOC - Dalada veediya Kandy	1,011,651	663,632	1,011,651	663,632
17.2.4 BOC - Kataragama Branch	578,631	128,508	578,631	128,508
17.2.5 BOC - Central Super Market Branch	532,864	563,879	532,864	563,879
17.2.6 BOC - Anuradhapura Branch	176,982	23,760	176,982	23,759,50
17.2.7 BOC- Nuwraeliya Branch	-	272,708	-	272,708
CURRENT ACCOUNTS				
17.2.8 BOC - Kandy Branch	1,186,938	326,238	1,186,938	326,238
17.2.9 BOC - Hambntota priority Project	88,951	88,951	88,951	88,951
17.2.10 BOC -Galle Bazaar Branch	11,291,392	5,653,592	11,291,392	5,653,592
17.2.11 BOC - Badulla Branch	5,826,243	3,019,369	5,826,243	3,019,369
17.2.12 BOC - Supergrade Branch Kurunegala	976,107	2,269,100	976,107	2,269,100
17.2.13 BOC - Jaffna Branch	1,426,382	13,478,849	1,426,382	13,478,849
17.2.14 BOC - Anuradapura New Town Branch	10,000	464,250	10,000	464,250
17.2.15 BOC - Supergrade Branch Rathnapura	1,500	1,500	1,500	1,500
17.2.12 Bank Account - PWCC Ltd	38,492,240	9,530,629	-	-
17.2.13 Bank Account - UNIDEP Ltd	-	761,575	-	-
17.2.14 Bank Account - Waters Edge	8,643,369	21,796,974	-	-
17.2.15 Bank Account - UDA Rest House Ltd	3,311,793	10,441,856	-	-
17.2.16 BOC - Debit Tax Exempt	106,868	106,868	-	-
17.2.16 BOC - Debenture Account	251,639	251,889	251,639	251,888.97
17.2.18 Peoples Bank Current Account	58,298	100,000	58,298	100,000
SAVINGS ACCOUNTS				
17.2.19 BOC- Foreign Currency Saving Account	59,940	59,536	59,940	59,536
	74,607,348	70,440,686	24,053,078	27,802,783
17.3 Petty Cash Imprests	602,224	755,927	362,126	367,264
16.4 Cash in hand	4,744,614	4,154,267	-	-
	100,274,702	94,458,393	44,735,720	47,277,560

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	2014 RS	2013 RS	2014 RS	2013 RS
18 Capital:				
18.1 1979 Rs. 20,000,000				
18.2 1980 Rs. 80,000,000				
	100,000,000	100,000,000	100,000,000	100,000,000
19 Net Government Capital Contribution:				
19.1 For Sethsiripaya Administrative Complex	707,912,899	729,674,900	707,912,899	715,252,899
19.2 For Colombo Central Super Market	228,571,995	235,653,996	228,571,995	235,653,996
19.3 For Sellakataragama Shops	64,750,000	64,750,000.00	64,750,000	64,750,000
	1,001,234,894	1,030,078,896	1,001,234,894	1,015,656,895
20 Capital Reserves:				
20.1 Demolition of Structures	1,028,303	1,028,303	1,028,303	1,028,303
20.2 Equity & Central Bank rev.-UDSP	7,434,482	7,434,482	7,434,482	7,434,482
	8,462,785	8,462,785	8,462,785	8,462,785
21 Revenue Reserves:				
Contingency Fund	55,000,000	55,000,000	55,000,000	55,000,000
22 Accumulated Deficit				
Excess of Income over Expenditure For the Year	1,380,578,137	832,808,810	1,032,918,239	695,486,001
Adjustments to waters Edge profit	6,712,422	3,638,191		
Actuarial Loss (Benificited obligations)	(4,268,078)	(51,562,117)	(2,576,668)	(51,562,117)
Correction of gain on Land Valuation	257,909,794		257,909,794	
Balance B/F from Previous Year (Restated)	74,178,183,319	73,391,832,605	73,788,239,423	73,144,315,539
Accumulated Deficit	75,819,115,594	74,176,717,490	75,076,490,788	73,788,239,423
Accumulated Profit/(Deficit) B/F	74,178,183,319	74,176,717,490	73,788,239,423	73,144,315,539
Prior Year Adjustment(Unidep)	-	1,465,829	-	-
Accumulated Profit/(Deficit) B/F (Restated)	74,178,183,319	74,178,183,319	73,788,239,423	73,144,315,539

23 Interest bearings Borrowings

	Group		Authority	
	2014	2013	2014	2013
23.1 NSB	2,540,000,000	2,680,000,000	2,540,000,000	2,680,000,000
23.2 Commercial	140,970,000	193,750,000	-	-
	2,680,970,000	2,873,750,000	2,540,000,000	2,680,000,000
Payable within one year	288,336,000	75,000,000	240,000,000	75,000,000
Payable after one year	2,392,634,000	2,798,750,000	2,300,000,000	2,605,000,000
	2,680,970,000	2,873,750,000	2,540,000,000	2,680,000,000

23.1 NSB Loan

Loan balance as at Balance Sheet date represent the loan installments released from the year 2009 from NSB out of the total credit facility of Rs. 2,770 Million obtained for construction of Sethsiripaya Stage ii Building; the project implemented through Urban Investment and Development Company (Pvt) Ltd, a fully Loan repayment will become due after the grace period of 3 years from November 2009.Repayment of the loan and the due interest is guaranteed owned by General Treasury subsidiary of UDA .

	Group		Authority	
	2014 RS	2013 RS	2014 RS	2013 RS
Balance as at 01st January	2,680,000,000	2,755,000,000	2,680,000,000	2,755,000,000
Add: Loan Drawdown during the year	-	-	-	-
Less: Loan repayment during the year	(140,000,000)	(75,000,000)	(140,000,000)	(75,000,000)
Balance as at 31st December	2,540,000,000	2,680,000,000	2,540,000,000	2,680,000,000
23.2 Commercial Bank Loan				
Balance as at 01st January	-	-	-	-
Add: Loan Drawdown during the year	193,750,000			
Less: Loan repayment during the year	(52,780,000)			
Balance as at 31st December	140,970,000	193,750,000		

24 Debenture

The authority(UDA) has issued 5 years redeemable debentures to the value of Rs. 10 billion as at 31st December 2014 to facilitate the implementation of Colombo city development programme. The repayment of the principal and interest on these Debentures are being secured by the Government of Sri Lanka.

The details of debenture issue are as follows,

	Value (Rs)	Interest Rate	Due date of Interest	Maturity date
Type - A	9,721,160,000	11%	annually	04.10.2015
Type - B	730,000	Treasury Bill Rate +	bi-annually	04.10.2015
Type - C	278,110,000	10%	monthly	04.10.2015
	10,000,000,000			

Movement in Debentures

	2014	2013	2014	2013
Balance as at 01st January 2014	10,259,444,909	10,251,337,275	10,259,444,909	10,251,337,275
Issued during the year	-	-	-	-
Interest amortised cost for the period	272,092,480	268,377,045	272,092,480	268,377,045
Interest paid during the year	(267,269,411)	(260,269,411)	(267,269,411)	(260,269,411)
Balance as at 31st December 2014	10,264,267,978	10,259,444,909	10,264,267,978	10,259,444,909

25 UDSP Loan

Government of Sri Lanka (UDSP)				
Balance B/F GOSL Loan - Non current liabilities	169,901,516	185,882,079	169,901,516	185,882,079
Less:				
Short term liability - Current Portion	15,487,139	15,980,563	15,487,139	15,980,563
Balance C/F GOSL Loan - Non current liabilities	154,414,377	169,901,516	154,414,377	169,901,516

26 Deferred Lease Rent

Balance B/F	15,824,709,403	11,572,221,822	16,127,159,403	11,881,571,821
Add :				
Premia due in 2014	2,877,404,634	4,647,282,149	2,877,404,634	4,647,282,149
Less:				
Revenue written back to the P&L	(421,735,998)	(394,794,567)	(428,635,998)	(401,694,567)
Balance C/F	18,280,378,040	15,824,709,403	18,575,928,040	16,127,159,403

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	2014	2013	2014	2013
27 Defined Benefit Obligation - Gratuity				
Provision as at 01st January	206,031,981	131,122,394	185,673,704	115,921,061
Benefit paid/payable	(17,693,223)	(7,896,895)	(10,088,418)	(6,408,656)
Amount recognised as prior year adjustment	-	-	-	-
	<u>188,338,758</u>	<u>123,225,499</u>	<u>175,585,286</u>	<u>109,512,405</u>
Current Service Cost & interest Cost	31,745,091	31,244,365	27,504,032	24,599,181
Arrears of Gratuity payments	12,424,100	-	12,424,100	-
(Gain) / loss arising from changes in the assumptions	885,258	51,562,117	2,576,668	51,562,117
Balance as at 31st December	<u>233,393,207</u>	<u>206,031,981</u>	<u>218,090,086</u>	<u>185,673,704</u>
Actuarial Assumptions				
Discount Rate	10%	10%	10%	10%
Salary Increase	1.45%- 10%	1.45%- 10%	1.45%	1.45%
Retirement Age	55 - 60 Years	55 - 60 Years	60 Years	60 Years
	Rs	Rs	Rs	Rs
28 Payable to contractor (URP & C)				
28.1 Accses Engineering Pvt Ltd	-	1,419,550,909	-	1,419,550,909
28.2 IVRL Lanka Pvt Ltd	942,904,861	942,904,861	942,904,861	942,904,861
	<u>942,904,861</u>	<u>2,362,455,771</u>	<u>942,904,861</u>	<u>2,362,455,771</u>
M/s IVRCL Lanka Ltd was awarded a contract to construct 4100 low cost housing units at Maligawathe, Kolonnawa and Aluthmawatha under the Urban Regeneration Project in the City of Colombo and this contract entails assurance of bank guarantee from the UDA to the value of USD 89.175 million and this was facilitated through the Bank of Ceylon backed by the General Treasury guarantee and bank deposit made by UDA.				
Due to disputes that have arisen between the parties to the agreement, an enjoining order was obtained from High Court by the UDA, restraining the enforcement of the said bank guarantee and the said case is at present appeared before the Court.				
An addendum to the contract agreement was signed between the UDA and IVRCL on 17 th March 2015 giving the permission to IVRCL to recommence the construction of 1464 housing units at Maligawatte and Kolonnawa at the total contract value of USD 31.842 million. Therefore, a fresh bank guarantee to the value of USD 31.842 million to be issued in favour of the IVRCL for the tenor of the new contract period.				
29 creditors				
Expense creditors	250,512,895	130,232,224	250,293,271	130,049,164
Rent Deposits	12,659,159	12,805,193	-	-
Development Expenditure	5,370,935,964	1,760,193,753	5,354,010,548	1,498,446,077
Taxes Payable	507,197,417	496,270,709	505,436,999	483,278,082
UDSP	26,394,367	25,453,983	26,394,367	25,453,983
Other Creditors	407,922,234	182,835,039	92,768,014	33,807,065
	<u>6,575,622,036</u>	<u>2,607,790,902</u>	<u>6,228,903,200</u>	<u>2,171,034,372</u>
creditors schedules for the Authority				
29 Expense & Other Creditors				
29.1 Expense creditors				
29.1.1 Audit Fees			3,299,207	2,299,207
29.1.2 Electricity			31,465,657	19,355,010
29.1.3 Maintenance			45,149	26,169
29.1.4 Other Expenses			69,414,501	55,477,046
29.1.5 Supplies			6,216,740	4,583,875
29.1.6 Telephone			1,075,781	1,232,342
29.1.7 Accrued Bonus, Medical Etc			38,437,216	33,446,991
29.1.09 Rest House Service Charge payable			(1,319,670)	(1,410,401)
29.1.10 E.P.F. Payable			83,701,761	12,386,460
29.1.11 E.T.F. Payable			15,845,352	1,482,981
29.1.12 Transport Charges Payable			2,111,399	1,169,483
29.2 Other Creditors				
Development Expenditure				
29.2.1 Accrued Compensation on Lands with Interest			2,069,455,087	172,344,512
29.2.2 Bills Payable to Contractors			2,403,408,512	674,925,675
29.2.3 Retention Money			736,589,857	601,669,204
29.2.4 SEC Current Account			25,136,182	25,136,182
29.2.5 Hamabantota Priority Project Current A/C			119,420,910	24,370,504
UDSP				
29.2.7 Bills Payable-UDSP & Others			1,531,902	1,531,902
29.2.8 ULG's (UDSP) Loan Inst. & Int Payable - (Note 29.2.8.1)			24,862,465	23,922,081
Taxes Payable				
29.2.9 GST Control Account			15,409,424	15,409,424
29.2.10 VAT Control Account			385,772,862	260,030,743
29.2.11 With Holding Tax Payable			(32,272)	(41,272)
29.2.12 NSL payable			50,974,970	51,147,672
29.2.13 PAYEE Tax payable			534,006	162,527
29.2.15 VAT Payable in Advance			298,021	2,497,989
29.2.16 Construction Industry Guarantee Levy			1,233,226	1,144,010
29.2.17 Income Tax Payable			51,246,761	152,926,989
Other Creditors				
29.2.18 Stamp Duty on Deeds			7,771,600	1,171,160
29.2.19 Fee for water Services			2,274,075	2,253,725
29.2.20 Unpaid Cheque			895,587	307,557
29.2.21 Over accounted rent received in advance			3,973,372	3,973,372
29.2.22 Others			1,133,208	1,068,371
29.2.23 Rest House 80% Food & Beverages payable			31,630	31,630
29.2.25 Success Fee on Debenture Issue			25,000,000	25,000,000
29.2.26 Interest payable on bank loan			51,688,542	-
			<u>6,228,903,200</u>	<u>2,171,034,372</u>
29.2.8.1 ULG's (UDSP) Loan Installment & Interest Payable				
Int. Payable- ULG Loan- UDSP (Treasury)			348,542,196	337,155,518
Payable to GOSL			279,745,054	264,257,916
			628,287,251	601,413,434
ULG's (UDSP) Loan Installment Receivable			(243,259,018)	(229,556,088)
ULG's (UDSP) Loan Interest Receivable			(360,165,767)	(347,935,265)
			<u>24,862,465</u>	<u>23,922,081</u>

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30 Deferred Tax Liability				
Opening Balance	1,227,161,814	1,347,409,352	1,209,885,030	1,346,806,574
Charges/(Written back) for the Year	(372,365,951)	(120,247,538)	(429,653,735)	(136,921,544)
Closing Balance - Deferred Tax Assets	<u>854,795,863</u>	<u>1,227,161,814</u>	<u>780,231,295</u>	<u>1,209,885,030</u>
31 Deposits & Advances				
31.1 Tender Deposits	11,802,014	5,646,971	11,452,014	5,291,971
31.2 Security Deposits	34,108,985	48,575,875	34,078,985	35,916,115
31.3 Rest House Rent Refundable	16,926,502	18,774,581	16,926,502	18,774,581
31.4 Clients Deposits (Note31.4.1)	3,815,774,266	1,753,466,620	3,815,774,266	1,753,466,620
31.5 Sundry Deposits	5,988,606	5,907,606	5,988,606	5,907,606
31.6 Rent Deposits	29,804,841	64,051,996	29,674,841	63,821,996
31.7 Refundable Processing Fee	787,913	557,913	787,913	557,913
31.8 Deposits - Visumpaya	4,358,112	4,358,112	4,358,112	4,358,112
31.9 Deposits for Proposed Projects	379,492	379,492	379,492	379,492
31.10 EIA Deposits Received	5,831,685	4,553,045	5,831,685	4,553,045
31.11 Land Sale Proceeds Received in Advance	1,364,738,304	1,317,125,347	1,359,950,304	1,312,337,347
31.12 Maintenance Deposit	7,241,450	7,064,500	7,241,450	7,064,500
31.13 Deposit for Electricity	-	22,793,191	-	22,793,191
31.13 Service Charge Deposit	5,474,139	-	5,474,139	-
31.14 Deposit for Housing Scheme	171,821,952	-	171,821,952	-
31.15 Management Fund - Housing Scheme	12,988,577	-	12,988,577	-
	5,488,026,838	3,253,255,248	5,482,728,838	3,235,222,488
31.4.1 Clients Deposits				
Clients Deposits Received			4,458,767,920	2,942,249,435
Clients' project Expenditure incurred			642,993,655	1,104,645,125
Balance as at 31st December 2014			3,815,774,266	1,837,604,310
32 Bank Overdraft				
CURRENT ACCOUNT				
32.1 BOC- Corporate Branch	79,556,640	545,779,636	79,556,640	545,779,636
32.2 BOC- Hambantota Branch	971,986	971,986	971,986	971,986
32.3 BOC - Debenture Interest Account	1,147,739	1,197,201	1,147,739	1,197,201
32.4 Bank Account - UNIDEP	1,227,704	-	-	-
32.5 Waters Edge Bank Account	61,832,214	21,423,360	-	-
COLLECTION ACCOUNTS				
32.6 BOC - Matara Branch	7,852	7,852	7,852	7,852
	<u>144,744,136</u>	<u>569,380,036</u>	<u>81,684,219</u>	<u>547,956,676</u>

33. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

33.1 Slave Island Stage 1

Urban Development Authority has temporary vested 08 Acres of land block at Justice Akbar Mawatha , Colombo 02 from the owners of the land with the view of constructing 536 No. of Housing Units to provide better shelter for this underserved community . The total estimated cost of construction is Rs. 6, 981,000,000/- to be incurred by the developer .In lieu of this cost, UDA would be transferring 05 acres of the above land to the developer for a mixed development project and the balance 03 acres which has been utilised for the construction of housing units would be transferred to the ultimate occupants of the above houses.

33.2 Other Investment

UDA had leased out 02 blocks of Lands to the REEL Company in the year 2003, for the leased value of Rs. 26.5 Mn. The company had issued preferential Shares to UDA to settle the lease consideration and this was accounted as an investment in REEL . However, due to the subsequent decision to liquidate of the said company, above two lease agreements were cancelled and therefore the investment in REEL company has to be reduced to Rs. 2 Mn. in addition to the above as directed by the cabinet of Ministers a sum of Rs. 36,122,523.59 had to be paid by UDA to settle the liabilities of the said company & provided in 2014 Financial Statements.
No circumstances have arisen, since the balance sheet, which would require adjustment to, or disclosure, in the Financial Statements

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34. DIRECTORS' INTEREST

Key Management personnel emoluments for the year 2014 is Rs.4,340,376 which includes salaries and sitting allowance paid.

Following Board Members and Directors of the Authority are also Directors of the following companies

<u>Name of the Company</u>	<u>Name of the Board Members/Directors</u>	
(1). Peliyagoda Ware House Complex Co.(Pvt)Ltd	Mr. W.L.D.P.V. Jayawardena- DDG (Finance) UDA	Liquidator
(2). Urban Investment & Development Company (Pvt) Ltd	Mr.P.A.I.S. Perera-Chairman UDA	Chairman
	Mr. K.E.V.N.Frenando - Director General Actg. UDA	Director
	Brrigadiar J.M.S.S. Jayasundara- ADG UDA	Director
	Mr. W.L.D.P.V. Jayawardena- DDG (Finance) UDA	Director
(3). UDA Rest Houses Company Ltd	Mrs. M.B.Jayanthi de silva - Director (Legal) UDA (From 01/04/	Director
	Mr.P.A.I.S. Perera-Chairman UDA	Director
	Mr. K.E.V.N.Frenando - Director General Actg. UDA	Director
(4.) Waters Edge Limited	Mr. W.L.D.P.V. Jayawardena- DDG (Finance) UDA	Director
	Mr.P.A.I.S. Perera-Chairman UDA	Chairman

The Directors have no direct or Indirect interest in any other contract or proposed contract with Authority other than the details given in to note 34.

35. RELATED PARTY TRANSACTIONS

The Authority has entered in to contracts in the normal course of business with the following companies

<u>Name of the Company</u>	<u>Nature of Transaction</u>	<u>2014 Rs.</u>	<u>2013 Rs.</u>
(1). Urban Investment & Development Company (Pvt) Ltd	Settlement of Current Account Balance	(250,630,482)	312,551,514
(2). UDA Rest Houses Ltd	Recurrent expenditure Net	10,364,308	13,614,155
(3). Onally Holdings PLC	- Financial Management fee received	999,992	-
	- Dividend received	20,999,997	19,499,997

There were no related party transactions other than disclosed in Note 35 to these financial statements.