

# நகர அபிவிருத்தி அதிகாரசபை

Urban Development Authority

Urban Development Authority



## 2011

வார்க்க வர்வால்  
வருடாந்த அறிக்கை  
Annual Report



ஊர்க்கை ஓ நகர அபிவிருத்தி ஊவ்வாங்கு  
பாதுகாப்பு மற்றும் நகர அபிவிருத்தி அமைச்சு  
Ministry of Defence and Urban Development

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## VISION

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

## MISSION

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

The Government Policy Framework on Urban Development.

**“Colombo city and other key cities will be improved to be on par with environment friendly modern cities in middle income countries while also establishing such cities as commercial hubs in South Asia.”**

**Mahinda Chintana 2010, P 19**

## CORPORATE INFORMATION

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Legal Form : 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.

Registered Office & Head Office : Urban Development Authority  
6th & 7th Floors, Sethsiripaya,  
Battaramulla

Telephone : 11 2875916-20

Fax : 11 2873637

Website : [www.uda.lk](http://www.uda.lk)

E-mail : [dg@uda.lk](mailto:dg@uda.lk)

UDA Sub Offices : Refer page 121

Board of Management :

Mr. P.A.I.S. Perera	Mr. K.W. Ivan De Silva
Mr. Janaka Kurukulasuriya	Dr. T.R.C. Ruberu
Mr. Jayantha Wickramasinghe	Dr. Y.D.N. Jayathilake
Mr. Harshan De Silva	Mr. T. Ashoka Pieris
Dr. Priyath Bandu Wickrama	Mr. Dhammika Perera
Mr. Rohan Seneviratne	Mr. D.T.P. Collure
Dr. B M S Batagoda	Mr. J.M.L. Jayasekara
Dr. Nalaka Godahewa	Mr. H.M. Gunasekara
Mr. Jayantha Samaraweera	

Bankers to the UDA : Bank of Ceylon

Secretary to the Board : Director General –UDA

Auditors : The Auditor General of Sri Lanka

## **CHAIRMAN'S REVIEW**

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On behalf of the Board of Management of the Urban Development Authority (UDA) it is my great pleasure to present the Annual Report and Accounts for the year ended 31<sup>st</sup> December 2011. Firstly I express my sincere thanks to H.E. the President, Mahinda Rajapaksa and the Secretary to the Ministry of Defence and Urban Development, Mr. Gotabhaya Rajapaksa for entrusting me the responsibility of leading the UDA team which plays a vital role in developing the urban areas of the country. A summary of the Authority's performance and results for the year under review are enumerated below.

### **Financial Highlights**

We had encountered a successful year recording a net profit of Rs. 243 Million before taxation and profit after taxation of Rs 69 Million. This was made after consistent losses incurred over a decade. The revenue for the year was recorded at Rs 1,449 Million compared to Rs 1,073 Million in 2010 an increase of 35%.

### **Operations**

UDA has an exceptional identity in integrated planning and physical development in declared urban areas of the country. Therefore, several developments have been undertaken during the year to improve the socio economic condition of those areas, like construction of public amenities, commercial buildings, office complexes, playgrounds, city beautifications etc. During the year under review UDA has given its priority on the Colombo city development and beautification programme with a view of attracting foreign investment for many mega projects and also to develop the city as a tourist destination.

UDA has commenced the construction of 10,000 housing units as phase I of the programme of providing alternative houses to relocate an estimated number of 70,000 house holders presently living in underserved settlement in the city of Colombo, which would pave the way to harness the maximum potential of large number of unutilized lands currently been occupied by the dwellers.

### **Acknowledgement**

On behalf of the Board of Management, UDA, I wish to express my sincere appreciation and thanks to Director General, Deputy Director General, Directors and each and every member of the staff for the valuable corporation and contribution rendered during the year under review. Also I thanks to all Government Authorities, Auditor General's Department, Bankers and other stake holders for their cooperation extended to us during the period.

Nimal Perera  
Chairman  
Urban Development Authority

# BOARD OF MANAGEMENT

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**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 (From 21.12.2011)

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**Mr. Janaka Kumarajith Perera  
Kurukulasuriya (Chairman)**

BSc. Eng. (Hons)  
MA (Econ)  
P.G. Dip in Port & Costal  
Engineering (Norway)  
Chartered Engineer,  
F.I.E. (SL)

□ □Chairman of UDA (Up to 08.12.2011)

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**Mr. Jayantha Wickramasinghe  
(Board Member)**

Higher Education in the fields  
of Accountancy & Business Studies at the  
Twinckneham Collage of Technology,  
Middlesex, United Kingdom

□ □Chief Executive Officer of Lanka Logistics and Technologies Limited  
[LLTL] from its inception in October 2006.

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**Mr. L.A.P. Harshana De Silva.**

SLIA I, SLIA II, SLIA III, AIA  
(SL)  
Chartered Architect

□ □Chairman Sri Lanka Land Reclamation & Development Corporation

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**Mr. Rohan Seneviratne  
(Board Member)**

BSc Eng (Hons),  
MBA, PG Dip (Com.Tec),  
PG Dip (Elec. Dist.),  
C Eng. MIECSL, MIET, MIEEE

□ □Additional Secretary (Technical) Ministry of Defence & Urban  
Development

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**Dr. B.M.S. Batagoda  
(Board Member)**

PhD in Environmental Sciences (UEA,  
UK)  
MSc in Natural Resources  
Management (MSU, USA),  
Attorney-at-Law,  
BA (Hons) SL

□ □Director General of Department of Public Enterprises.

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**Dr. Priyath Bandu Wickrama**  
**(Board Member)**

BSc Eng (Hons)  
Mechanical Engineering University of  
Moratuwa,  
P.G. (Dip) Energy Technology  
University of Moratuwa,  
Chartered Engineer  
International University of  
America in United Kingdom,  
PhD (Operations Management)  
Institute of Engineers Sri Lanka .

□ □Chairman Sri Lanka Port Authority.

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**Dr. Nalaka Godahewa**  
**(Board Member)**

Ph.D, MBA,  
B.Sc. Eng. (Hons),  
FCIM,  
FCMA,  
CMA (Australia).

□ □Chairman of Sri Lanka Tourism Development Authority

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**Mr. Jayantha Samaraweera**  
**(Board Member)**

Diploma in Journalism  
University of Sri Jayawardanapura.

□ □Chairman National Housing Development Authority.

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**Mr. H.M. Gunasekara**  
**(Board Member)**

BA (Hons) Economics,  
PG Diploma in Population Study,  
Diploma in Statistic (USA),  
MSc in Economics

□ □Secretary Ministry of Education.

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**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

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**Dr. T.R.C. Ruberu**  
**(Board Member)**

MBBS University of Colombo,  
MS(ORL) University of Colombo,  
Royal College of Surgeons, England  
MBA in Health Care Services Sikkim  
Manipal University India.

□ □Secretary Ministry of Health.

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**Dr. Y.D.N. Jayathilake**  
**(Board Member)**

MBBS, MSc (Medical Admin)

□ □Secretary Ministry of Local Government & Provincial Councils.

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**Mr. T. Ashoka Pieris**  
**(Board Member)**  
BA (Hons) Economics

□ □Secretary Ministry of Land & Land Development.

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**Mr. Dhammika Perera**  
**(Board Member)**  
NDT (Electrical & Electronics) Under  
Graduate University of Moratuwa.

□ □Secretary Ministry of Transport.

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**Mr. D.T.P. Collure**  
**(Board Member)**  
BSc Master Degree in Public  
Administration

□ □Secretary Ministry of Industry & Commerce.

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**Mr. J.M.L. Jayasekara**  
**(Board Member)**  
BSc in Estate Management & Valuation  
University of Sri Jayewardenepura,  
MSc in Town and Country Planning  
University of Moratuwa,  
Post Graduate Certificate in Traffic &  
Transport Planning University College  
London.

□ □Director General National Physical Planning Development.

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**Mr. K. E. V. N. Fernando**  
**(Secretary of the BOM)**  
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 Corporate Member,  
RIBA Member.

□ □Acting Director General, Urban Development Authority

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# KEY PERSONNEL 2011

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<b>Chairman</b> <hr/>	<b>Mr. Janaka Kumarajith Perera</b> <b>Kurukulasuriya (Up to 08.12.2011)</b>
	<b>Mr. Nimal Perera (From 21.12.2011)</b> <hr/>
<b>Director General - Acting</b> <hr/>	<b>Mr. K.E.V.N. Fernando</b> <hr/>
<b>Additional Director General</b> <hr/>	<b>Brigadier J.M.S.S. Jayasundara</b> <hr/>
<b>Deputy Director General (Southern Province )</b> <b>(Up to 08.05.2011)</b>	
<b>Deputy Director General (Planning )</b> <b>(From 09.05.2011)</b> <hr/>	<b>Mrs. I.S. Weerasooriya</b> <hr/>
	<b>Ms. Wasantha Geeganage</b> <b>(Up to 01.09.2011)</b>
<b>Deputy Director General (Finance)</b> <hr/>	<b>Mr. W.L.D.P.V. Jayawardana</b> <b>(From 15.11.2011)</b> <hr/>
<b>Chief Internal Auditor</b> <hr/>	<b>Mrs. M.V.S.K. Manodara</b> <hr/>
<b>Director (Finance)</b> <hr/>	<b>Ms. K.A.T.M. Damayanthi</b> <b>(From 21.11.2011)</b> <hr/>
<b>Director (HRM) - Perf.</b>	<b>Mrs. K.S. Alwis (Up to 14.08.2011)</b>
<b>Director (HRM) - Acting</b> <hr/>	<b>Mr. L.T. Kiringoda (From</b> <b>15.08.2011)</b> <hr/>
<b>Director (Legal)</b> <hr/>	<b>Mrs. S. Karunanayake</b> <b>(Up to 02.12.2011)</b>
	<b>Mrs. M.W.A.K.S. Wijesuriya</b> <b>(From 05.12.2011)</b> <hr/>

<b>Director (Progress Control &amp; Public Relation)</b> <hr/>	<b>Mrs. N.S. Kusumaseeli</b> (Up to 15.06.2011)
<b>Director (Development Planning )</b> <hr/>	<b>Mr. P.D.K. Pathirana</b> (From 16.06.2011) <hr/>
<b>Director (GIS)</b> <hr/>	<b>Mr. L.T. Kiringoda</b> <hr/>
<b>Director (Land Development &amp; Management)</b> <hr/>	<b>Mr. L.H. Indrasiri (Up to 25.07.2011)</b> <b>Ms. P.G.P. Gamage (From 01.08.2011)</b> <hr/>
<b>Director (DPM&amp;C)</b> <hr/>	<b>Mr. G.W.G. Abeygunawardane</b> (Up to 15.06.2011) <b>Mr. A.M. Weerasena</b> (From 16.06.2011) <hr/>
<b>Director (Project Management)</b> <hr/>	<b>Mrs. Champika De Silva</b> <hr/>
<b>Director (Enforcement)</b> <hr/>	<b>Mrs. Renuka Wickramasinghe</b> <hr/>
<b>Director (Environment &amp; Landscape)</b> <hr/>	<b>Mr. W.A. Sirirwardena</b> (Up to 15.06.2011) <b>Mr. G.W.G. Abeygunawardane</b> (From 16.06.2011) <hr/>
<b>Director (PPM &amp; Recoveries)</b> <hr/>	<b>Mr. D. Hettiarachchi</b> <hr/>
<b>Director (Engineering Services)</b> <hr/>	<b>Mr. P.D.K. Pathirana</b> (Up to 15.06.2011) <b>Mrs. N.S. Kusumaseeli</b> (From 16.06.2011) <hr/>
	<b>Mr. L.A.D.J. Sisira Kumara</b> <hr/>

**Director (Rest House Management)**

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**Mr. A.S. Sri Chandran**

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**Director (Technical)**

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**Mr. A.N. Dissanayake**

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**Director (Western Province)**

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**Mrs. S.D. Ariyathilake**

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**Provincial Director (Northern)**

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**Mr. N. Rajanayagam**

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**Director (Eastern Province)**

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**Mr. K.A.D. Chandradasa**

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**Director (Sabaragamuwa Province)**

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**Mr. W. Gunarathne**

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**Director (Central Province)**

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**Mr. H.A. Dayananda**

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**Director (North Central Province)**

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**Mr. D. M.B. Ranathunga**

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**Director (North Western Province)**

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**Mr. W.J. Senavirathna**

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**Director (Matara District)**

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**Mr. M.D. Sumathipala**

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**Director (Galle District)**

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**Ms. C.K.S. Basnayake**

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**Director (Uva Province)**

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**Mr. M.P. Ranathunga**

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## Overview

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After ending of 30 years of war, Sri Lanka is on the path of rapid urbanization. As it rapidly urbanizes, a well-planned, economically productive and environmentally sustainable urban development is enormous. The Government in its Development Policy Framework “Mahinda Chinthana”– 10 year development plan, towards making Sri Lanka “The emerging wonder of Asia”, has been allocated a separate chapter for the “Urban Development” since systematic, equitable and sustainable urbanization would result to set the stage for desired transformation in the Country’s urban landscape and economic development to aggressively exploit opportunities to attract investment to Sri Lanka’s urban centers. As articulated in the Government development policy framework, Colombo city and other key cities will be improved to be on par with environment friendly modern cities in middle income countries while also establishing such cities as commercial hubs in South Asia.

Cities and towns are the engines of economic growth and magnets for population migration. Therefore, ensuring sustainable and rational urbanization is critical. The National Physical Policy Plan outlines the Government’s overarching strategy for managing Sri Lanka’s urbanization process. While Colombo and its vicinity will continue to be a major urban hub, several other metro regions and mega cities are also planned in Hambantota, Dambulla and Trincomalee.

Although the majority of country’s population is yet based in rural areas has been estimated to 65 percent approximately of total population while economy is primarily urban. For example in 2009, the manufacturing, construction and services sectors which are primarily urban based have been accounted for 83 percent of GDP. In 2010, 44 percent of labor force was in areas designated as the urban. Currently, 35 percent of total population live in areas designated as urban has been projected to reach 50% by 2015 and up to 70% by 2030 according to the National Physical Plan. Accordingly, Sri Lanka’s future will pivot on how well it manages urbanization.

The Urban Development Authority (UDA) is the apex agency in the urban sector which has overarching authority to formulate plans, regulate development activities, acquire and dispose of properties and carry out all types of development projects within designated urban development areas. As such, the role of the UDA will be significant in ensuring that Sri Lanka's urban development is systematic, equitable, sustainable and to set the stage for desired transformation in the country's economic and landscape to aggressively exploit opportunities to attract investment to Sri Lanka's urban centers.

The UDA, a statutorily created corporate entity under the Urban Development Authority Law No. 41 of 1978 with the mandate to "promote integrated planning and implementation of economic, social and physical development of designated urban development areas" provided with Rupees 20 Mn. of initial capital paid out from the consolidated fund. It has the legislative authority and ability to self-finance through fees for its services and revenues from its assets and investments. UDA is also empowered to raise debt by the issue of debentures. As per the consolidated balance sheet as at 31<sup>st</sup> December 2011, equity and liabilities other than current liabilities of the entity was Rs.20,557 Mn, including Rs.10,000 million of debentures (**issued in 2010 and to be redeemed in 2016**), Rs. 1044 Mn. of net government contribution and Rs. 2500Mn. raised from temporary loan whilst losses accumulated to Rs. 1221 Mn.

Fulfilling the mandate of UDA in accordance with the UDA law while realizing the vision of the Mahinda Chinthana, effectively planned and sustainably managed urban development is vital since required investments to mobilize the rapid urbanization are crucial. Nevertheless, the UDA has the credit for many important achievements such as Eschelon Square in Fort and the Sri Jayawardenepura development which dramatically transformed urban Colombo and the rapid beautification initiatives that are nearing completion in and around Colombo.

In this context, year 2011 was a challenging year to UDA that had to play a momentous role in stimulating more high-impact development in a similar and more ambitious nature.

## Overall Performance

### **Integrated planning and physical development in designated urban areas**

The Minister in charge of the subject of urban development was empowered by the UDA law No.41 of 1978 to declare the urban development areas from time to time in line with the national policy framework for urbanization. UDA started with a handful of urban development areas in 1978, the list has now grown up to 240 urban development areas including following areas which were declared in the year 2011.

District	Area
Polonnaruwa	Madirigiriya
Rathnapura	Balangoda

In the year 2011, in preparation of development plans for better physical and economic utilization, following are noteworthy.

District	Area Local Authority	Stage of Completion	
		Draft	Final
Kandy	Greater Dambulla, Naula - Nalanda, Galewela, Sigiriya - Habarana, Madatugama		✓
	Nawalapitiya	✓	
	Wattegama UC	✓	
Kegalle	Rambukkana PS		✓
	Yatiantota	✓	
Polonnaruwa	Polonnaruwa UC	✓	
Ratnapura	Eheliyagoda PS	✓	
	Kahawatta PS	✓	
	Balangoda UC	✓	
Colombo	Kolonnawa UC	✓	
	Morotuwa MC		✓
Galle	Ambalangoda UC	✓	
Matara	Weligama UC	✓	
	Hakmana	✓	
Puttlam	Chilaw UC	✓	
Kurunegala	Kuliyapitiya UC	✓	
Kalutara	Panadura	✓	
Gampaha	Attanagalla	✓	

## Physical Developments

### Shopping Precinct at former Dutch Hospital Building - Colombo 01

The project is placed at former Dutch Hospital Site in Colombo Fort and was redeveloped to restore its original architectural character, making available as a Commercial spaces under the Colombo Fort Area Development Programme. Total Estimated Cost of the project was Rs. 100 mn. The physical progress of the Project at the end of the year 2011 was 100%. From the Urban Development point of view, the achievements and benefits derived from the project are:

- Develop the Colombo Fort as a Tourist destination
- Preserve and enhance the colonial architecture within the Fort area
- Uplift the physical landscape quality of the city
- Generate an income to UDA



### Fort Re-development, External Work and Landscaping Colombo 01

This project was implemented as a landscaping and environmental upgrading under the Fort Area Development Programme. Total Estimated Cost of the project is Rs. 10 mn and the project is completed. From the Urban Development point of view, the achievements and benefits of the project are:

- Providing Public Parking Facilities
- Improve Town condition
- Improvement of a open areas



## Commercial & Environmental Developments

### Commercial cum Recreational Center at Former Marketing Building, Colombo 01

The project is located at No. 62, Chatham Street, Colombo Fort and it was implemented as a Commercial and Recreational Development under the Colombo Fort Development Programme. Total Estimated Cost of the project was Rs. 80 mn. The cost of the project is Rs. 15 mn. At the end of the year 2011 the physical progress of the Project was 40%. From the Urban Development point of view, the achievements and benefits of the project are:

- Preserve elegant piece of colonial architecture in Fort City in accordance with the Fort Redevelopment project and provide necessary facilities to enhance city tourism.

### Colombo Gold Centre for Central Supper Market Building at Colombo 11

The project is located at Pettah close to the Harbor and it is implemented as a Commercial Development under the Colombo City Redevelopment Programme. Total Estimated Cost of the project is Rs.300 mn. The clearance of the building is completed after shifting the Fish Market to Peliyagoda. From the Urban Development point of view, the achievements and benefits of the project would be to create a unique place for buying and selling of Jewelry and exchange of gold in creating a tourist attraction center.



### Construction of Grand Stand, Mini Stand & Rugby Ground, Reid Avenue Colombo 07

This project was implemented as a Commercial cum Recreational Development under the Independence Square and its surrounding Development Programme by the UDA. Total Estimated Cost of the project is Rs. 400mn. The project cost incurred at the yearend was Rs. 38mn and the physical progress of the Project on same date was 40%. From the Urban Development point of view, the achievements and benefits of the project are as follows:

- To preserve the Colonial Architecture of buildings

- To create a place for public gathering , celebrating, for public to perform various recreational activities
- To create a more integrated community



### **Construction of Sethsiripaya Stage II**

The scope of the project is to accommodate Government Institutions which are presently occupied in rented out premises in city of Colombo. Shifting of government offices in to a centralized location is the main purpose of this project and improve the vehicle movement, pedestrian movement and to improve the environment condition within the locality. Total estimated cost was Rs. 3,492mn.



### **Mixed Development Project Stage II at Karapitiya**

Purposes of this project are to provide better health related commercial facilities to strengthen the functional efficiency of the town and quality of the existing environment. Total estimated cost is Rs.513mn and the project will be implemented through project investors. To date preliminary design is completed and 11 nos. of houses to be relocated at Dadalla which were recommended by the Divisional Secretary Galle.

### **By-pass Road & Public toilet at Karapitiya**

To provide public facilities for the visitors, patient, hospital staff and general public were the main purposes of this project. Total estimated cost was Rs. 2.6mn and funded by the UDA. The project was completed and made available for the public use.

### **Sport Complex at Dadalla**

To provide sport facilities to the public were the main objectives of the project. Total estimated cost is Rs. 500mn and funded by General Treasury. Land Development work of stage 1 is completed to date.

### **Office and Shopping Complex at Orroppuwatta**

The construction of Office and Shopping Complex at Orroppuwatta Galle to be implemented by the Galle Municipal Council with the technical assistance of the UDA in a 1.5 acres extent of land. Total estimated cost for this project is Rs. 375mn and it would provide better commercial facilities to the public. The UDA has completed the Architectural design of the project.

### **Market building for relocation of Tsunami affected Traders at Orroppuwatta**

To provide better commercial facilities to the public were the main purposes of this project. Land was handed over to the CECB for development at present. Total Estimated cost was Rs. 167mn and funded by Ministry of Economic Development.

### **Halwathura Development Project**

As a development in Ambalangoda UC area, protecting natural environment, provide better infrastructure facilities, create job opportunities and to upgrade the living standard of the residents were the main objectives of this project. Total estimated cost was Rs. 400mn and funded by UDA, NGO and General Treasury.

## Design and Project Management Consultancy Services provided for other Government Agencies.

### Artificial Hockey turf at proposed Sport Complex Development - Reid Avenue Col. 07

The project is located at Reid Avenue, Colombo -07 and was developed under the Independence Square Development for recreational activities. Total estimated cost of the project is Rs. 180mn and the physical progress of the Project on same date was 95%. The client of the project is **Ministry of Sports**. From the Urban Development point of view, the achievement and benefit of the project is to develop an international standard Hockey Turf.



### Bus Stand – Homagama

This project was implemented as a Commercial and Infrastructure Development under the Homagama Town Development Programme. Total Estimated Cost of the project is Rs. 68 mn. The physical progress of the Project at the end of the year was 80%. The client of the project is **Western Province Road Passenger Transport Authority**. Bus Stand with facilities for the commuters is the achievement and benefit of the



### Library Building and Pavilion - Hakmana

The project is located at Hakmana Town Centre and was implemented as a Recreational and Social Development under the Hakmana Town Development Programme. Total Estimated Cost of the project was Rs. 40mn and funded by the Treasury under the Ministry of LC & PC. Also the Project was successfully completed.



### **District Secretariat Building - Trincomalee**

The client of the project is **District Secretary, Trincomalee** and was implemented as an administrative complex under the Greater Trincomalee Development Programme. Total Estimated Cost of the project was Rs. 398mn and 95% of the Project was completed at the year end.



### **Whole Sale Fish Market – Trincomalee**

The client of this project is **Ministry of Fisheries and Aquatic Resources** and this project was also implemented as a Commercial Development under the Trincomalee Town Development Programme. Total Estimated Cost of the project is Rs. 77mn and physical progress of the Project is 60% to date. From the Urban Development point of view, the achievements and benefits of the project are as follows.

- Improve environmental condition of the area
- Improve the socio economic condition of the people
- Achieve development activities identified in the development plan
- Achieving orderly and well planned town centre developments



### **Construction of Commercial Complex at Dehiowita**

This project was implemented as a Commercial Development under the Dehiowita Town Development Programme. Total Estimated Cost of the project is Rs. 262mn and the physical progress of the project at the yearend was 40%. The client of the project is **Dehiowita Pradesiya Sabha**. From the Urban Development point of view, the achievements and benefits of the project are as follows:



- Reorganize the Dehiowita town centre
- Mitigate flooding problem in the town
- Control the haphazard commercial development in the town
- Address the parking problem of the Town.

## Treasury Funded Projects

### Independence Square & surrounding area

#### Development

This project was implemented as a Recreational and Town Development under the Independence Square Development Programme. Total Estimated Cost of the project was Rs. 150mn and the physical progress of the Project was 100% to date. From the Urban Development point of view following achievements and benefits are expected.

- Create open green area with a proper Landscape
- Enhance and create attractive streetscape
- Give due respect to the independence square building
- Control disorganized/haphazard development within the area



### Badulla Shopping Complex

This project is to construct 5 storied commercial building with a car park in the basement and the vegetable market in the ground floor. Total estimated cost of two floors was Rs. 110mn and was funded by the treasury. The constructions of two floors are nearing completion. This project was implemented as a Commercial Development under the Badulla Town Development Programme and Total Estimated Cost of the project is Rs. 250mn. The physical progress of the Project was 40% and expected benefit of the project is providing better commercial space with parking facilities in the heart of the town.



### **Radampola Mini Town Centre**

This project was implemented to improve the Radampola town centre. Total Estimated Cost of the project is Rs. 50mn and the physical progress of the Project was 95% at the end of the year 2011. From the Urban Development point of view, following achievements and benefits are expected.

- Town Improvement
- Environmental Improvements
- Commercial Facility improvement

### **Matale Town Center Development – Library Building**

In the year 2010, the Library building – Phase 01 completed and additional facilities were done in the year 2011.

### **Greater Dambulla Development Programme – Administrative Complex**

This project was implemented as an administrative office Development under the Greater Dambulla Development Programme. Total Estimated Cost of the project is Rs. 89 mn and the physical progress of the Project was 100%. The achievements and benefits of the project are:

- Create better accessibility to all the administrative services under the one roof
- Provide an official and quick service from government sector to the public
- Decentralize the administrative structure to the regional level



### **Redevelopment of Bus Stand - Phase I at Kantale**

From the Urban Development point of view, providing following benefits to the society the redevelopment of bus stand at Kantale was started. Total Estimated Cost of the project is Rs. 62.2 mn and the physical progress of the Project was 60% to date. The development would derive following benefits.

- Improve the town in systematic manner
- Improve socio-economic condition of the people in the area



### **Retail Shops - Phase II at Kantale**

The construction of retail shops –phase 11 at Kantale Town was implemented as a Commercial Development under the town centre Development Programme. Total Estimated Cost of the project is Rs. 22mn and the project had incurred Rs. 20.80mn for the year 2011 and the physical progress of the Project on the same date was 94%. From the Urban Development point of view, the achievements and benefits of the project are as mentioned below.

- Improvement of the town in systematical manner
- Improve socio- economic condition of the people



### **Landscape of Moratuwa Modara Beach Park – Stage I & Stage II**

The project was implemented as a high quality public outdoor recreational space for the public. Project is located at Moratuwa Beach area and the client of this project is Moratuwa Municipal Council. Total estimated cost of the project is 5.5 mn. The physical progress of the project at the end of the year was 100%. From the urban development point of view the achievements and benefits for the project are:

- To create high quality public outdoor recreational space with free access for the public
- Provide recreational facility for the children
- Enhance the quality of life of the public
- Generate economic benefit for the UDA by Consultancy services

### **Landscape of Wellawatta Beach Park – Stage I & Stage II**

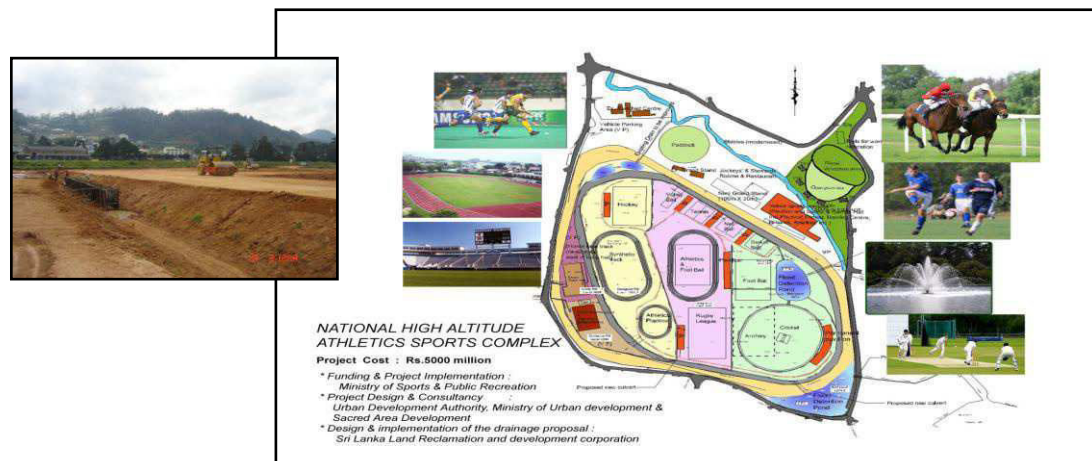
The project is located at Wellawatta Beach. It is implemented as a high quality public outdoor recreational space with free access for the public. Total estimate cost of the project was 4.6mn. At the end of Year 2011 physical progress of the project was 100%. From the urban development point of view the achievement and benefits of the project are:

- To create high quality public outdoor recreational space with free access for the public
- Establishment of a green belt
- Generate economic benefit for the UDA by consultancy services
- Enhance the quality of life of the public

## High Altitude Sports Complex at Race Course Nuwara Eliya

The project is placed at Race Course site in Nuwara Eliya and was implemented as High Altitude Sports facilities to the public and to improve the horse racing playground. Total estimated cost of the project is 500 mn. As at end of the 2011 the physical progress of the project was 40%. From the urban development of the project are:

- Provide high altitude sports facilities
- Removal of garbage on site
- Improvement of horse racing
- Improvement of Drainage on site



## Urban Development (Construction of parkland at Thummulla)

Project is located at Thummulla junction and it was implemented as an Environmental Landscape improvement and parking area development. The estimated cost of the project was 1.4 mn. From the urban development point of view and achievements and benefits of the project are as mentioned below.

- Create lively open green area
- Provide parking facilities
- Enhance the quality of life of the people

## Parliament Green Redevelopment

The project was initiated as a landscaping and environmental upgrading. The project is placed at former Parliament ground site. Total estimated cost of the project is 22mn. End of the 2011 the physical progress of the project was 70%. From the urban development point of view the achievements and benefits of the project are:

- To enhance quality of the public open space
- Provide recreational facilities to the public
- To create a Ceremonial Open Space for State Functions



## Housing program for underserved settlement

Over fifty percent of the Colombo city population lives in shanties, slums or dilapidated old housing schemes, which occupied opportunity 9% of the total land extent of the city. A survey which is being conducted at present by the Urban Development Authority has identified a total number of 68,812 families living in 1,499 community clusters (underserved settlements) which do not have a healthy environment for human habitation and access to basic infrastructure facilities such as clean water, electricity, sanitation etc.

Clearance the slums and shanties in the designated urban areas and to undertake the development of such areas is one of the major functions that has articulated in the UDA law. Incorporating this UDA major function into 10 year development policy framework, the government has introduced a programme for “Development of underserved settlements’ to provide housing facilities to families living in underserve settlements and liberalization of prime lands in the city, of which they are currently occupying and use those lands for commercial and mixed use development providing the short and long term rental housing at various price points including luxury and semi luxury apartments as well as dormitory type facilities. The purpose of this progamme is to change the settlement landscape of the country to attract investment to Sri Lanka’s urban centers and establishing such cities as commercial hubs in South Asia. By 2015, 40,000 apartment units for shanty dwellers

and 20,000 luxury and semi-luxury apartments will be constructed in formerly underserved areas. By 2020, city of Colombo has no more shanty dwellers under this programme.

This programme will release approximately 350 acres of prime lands for commercial and mixed development use. Public- private Partnership (PPP) will be one of the modes adopted considering the substantial investment needed to implement the programme. The UDA has identified as the major planner, regulator, and administer of this programme providing required and suitable lands, infrastructure facilities and a conducive regulatory environment for the private sector developers who arrange the required funds.

In this context, year 2011 was the year of turning point of the UDA since preparing a workable map to cater the underserved settlements with the participation of private developers who arrange required funding is enormous.

As a pilot project Dematagoda Housing project was started in 2010 consisting 500 numbers of housing units. Salamulla, Estate 54&66, Henamulla, Aluth Mawatha, Kolonnawa Government Factory Land and Malgawatta Housing development Projects were commenced in 2011.





Kolonnawa



Kolonnawa



Maligawatta



Maligawatta



Aluth Mw



Aluth Mw

## 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. And the authority may, with the approval of the Minister, alienate way of sale, lease, 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 of lands

Description of the land	Extent of the land	Purpose of acquisition	On behalf of
Acquisition of part of land for road widening to ITI at Thalahena	0A-1R-34.2P	For access road to the ITI	For ITI
Acquisition of land for Hambantota Development Project	2A-2R-14P	For Hambantota Beach Park Hotel Project	UDA

### Disposal of Lands

Description of the land	Location (District)	Way of dispose (lease/ free grant/ sale)	Disposal made to
Denzil Kobbekaduwa Mawatha	Battaramulla	Lease	Geological Survey & Mines Bureau
Peliyagoda Integrated Urban Development Project Stage I	Peliyagoda	Lease	Dynacom Engineering Co.
Mahenawatta	Pitipana, Homagama	Revert	Measurement Units & Standards Services Department
Mahenawatta	Pitipana, Homagama	Revert	Ministry of Science & Technology
Modarawila Industrial Estate	Panadura	Lease	Korean Spa Packaging Ltd.
Dharmapala Mawatha	Kollupitiya	Sale	Softlogic Ltd.
Dharmapala Mawatha	Kollupitiya	Lease	Ferrutti (pvt) Ltd.
Hospital Road	Ratnapura	Free Grant	Ministry of Higher Education

Galle Road, Kollupitiya	Kollupitiya	On Temporary Basis	National Lotteries Board
St.Michel's Road	Kollupitiya	On Temporary Basis	Union Assurance PLC
Thimbirigasyaya, Colombo 05	Narahenpita	Lease	Public Services United Nurses Union
Peliyagoda Integrated Urban Development Project Stage II	Peliyagoda	Lease	Dynacom Engineering Co.
Buddhayathana Mawatha, Parliament Road	Battaramulla	Outright Transfer	Mr.S.Silva
Former CCC Land at Sir James Peiris Mawatha, Colombo 02	Colombo 02	Lease (99 Years)	M/s Indocean Developers (pvt) Ltd. (A.A. Infraproperties – India)
Depanama, Pannipitiya	Maharagama	Revert	Ministry of Education, Western Province
Car Park	Olcotte Mawatha	Monthly Rent	Telecom
Car Park & Toilet	Ratnapura	Monthly Rent	Mr.M.A.D.H.Gunaratne
Toilet	Bodhiraja Mawatha	Monthly Rent	Mr.T.S.R.Alwis
Toilet	Karapitiya	Monthly Rent	Mr.M.R.N.Prabath
Dutugamunu Mawatha Housing Scheme- Peliyagoda	Gampaha	Sale	Relocattee
Wickramasinhepura & MDH pura Housing Scheme - Battaramulla	Colombo	Sale	- do -
St.James Street Mattakkuliya	Colombo	Sale	- do -
Deiyannewela Housing Scheme William Gopallawa Mw. HS. Dangolla Housing Scheme	Kandy	Sale	- do -
Wadullawatta Housing Scheme	Colombo	Sale	- do -
Mayura Place - Wellawatta	Colombo	Sale	- do -
New Gothatuwa Road , Salawatta	Colombo	Sale	- do -
Sella Kataragama Pilgrim Facility Centre Development Project	Monaragala	Provision	- do -
Beliatta Hospital Development Project	Hambantota	Provision	- do -
Pilgrim Facilities Center development Project – Sella Kataragama	Monaragala	Lease	- do -
Hambantota Beach Park Development Project	Hambantota	Rented Out	- do -
Colombo Commercial Land	Colombo	Rented Out	- do -

## Financial Performance

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### Profitability

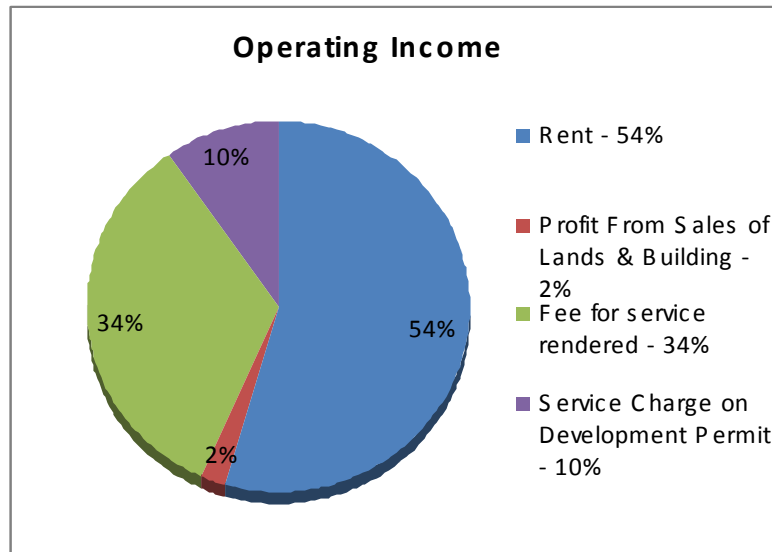
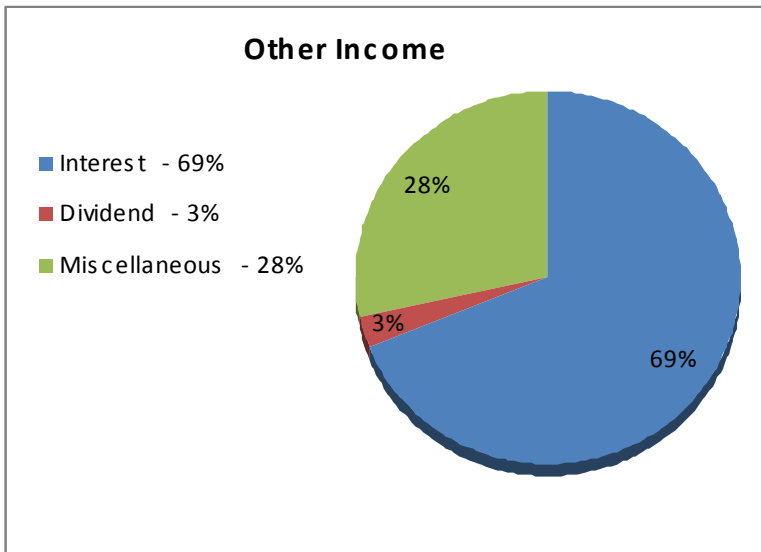
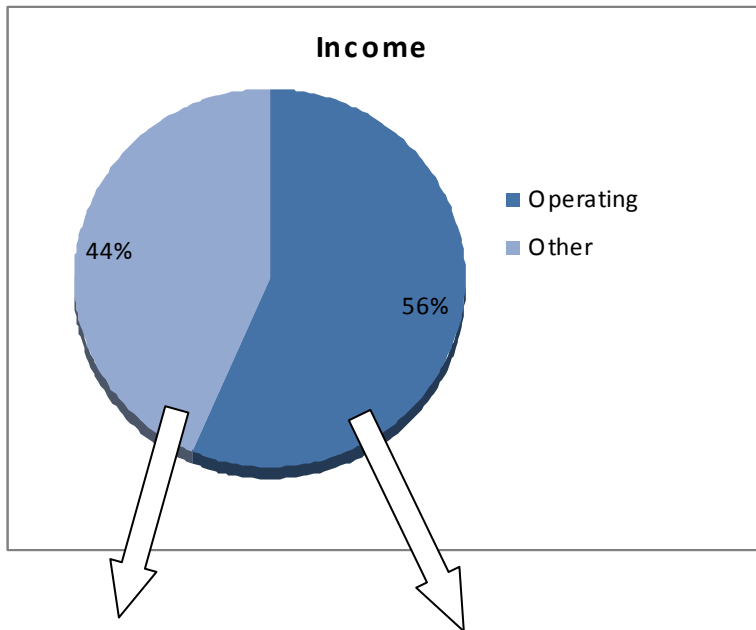
Urban Development Authority has recorded a remarkable growth in revenue, profits, and assets during the financial year 2011. The profit of the Authority for the year has recorded amounting to Rs.243 Million before taxation and profit after taxation of Rs.69 Million.



### Revenue

The total revenue of the Authority comprised from Rent, Land Sales, Fee for Services and Other Income. The other incomes include Interest income, Dividend and miscellaneous income.

Category of Income	Year 2011 Rs (Mn)
Operating Income	816
Other Income	633

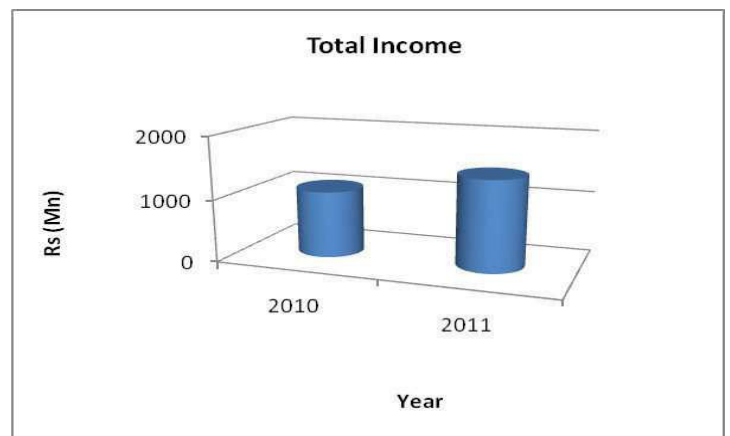


### Revenue Growth

As a result of implementation of system and control to increase revenue of the authority the amount was recorded as Rs.1,449 Million compared to Rs.1,073 Million in 2010 and it is increased by 35.04%.

### Summary of the Income

Year	Income Rs (Mn)
2010	1072
2011	1448

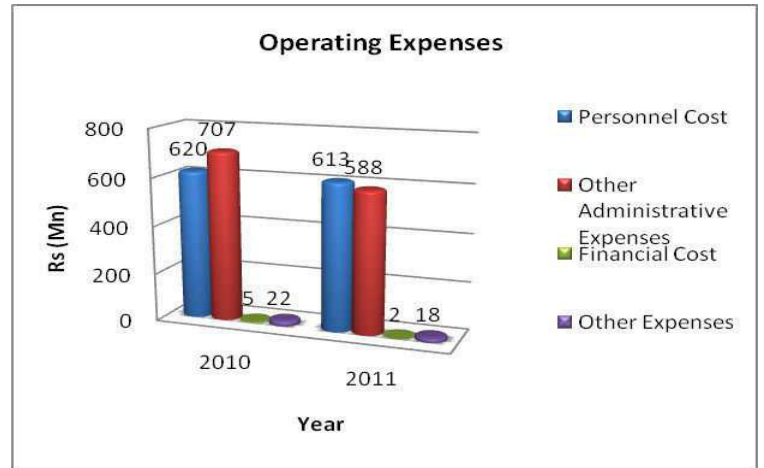


## Expenses

As well, the administrative expenses for the year were recorded at Rs.1,201 Million compared to Rs.1,327 Million in 2010 and it is decreased by 9.5%.

### Summary of the Expenses

Category	2010	2011
Personnel Cost	620	613
Other Administrative Expenses	707	588
Financial Cost	5	2
Other Expenses	22	18
Total	1354	1221



## Assets

The Non Current Assets and Current Assets for the year 2011 were recorded at Rs.9,438 Million and Rs.14,829 Million compared to Rs.7,699 Million and 12,348 Million in 2010 respectively. The total Assets grew by 21% compared to the year 2010.



## Liabilities

The Non Current Liabilities and Current Liabilities of this Authority for the year 2011 were recorded at Rs.20,846 Million and Rs.3,444 Million compared to Rs.17,220 Million and Rs.2,859 Million in 2010 respectively. The total liabilities grew by 21.9%. This include, the term loan obtained from NSB for Construction of Sethsiripaya Stage II Building. As well, the Authority has issued 5 Years redeemable Debentures to the value of Rs.10 billion for Colombo City Development Programme.



## Taxation

The income tax expenses on the profit of this Authority have increased at Rs.174 Million compared to Rs.6 Million in 2010.

## SUMMARISED BALANCE SHEET

As At 31st December

(Rupees in Millions)

	2007	2008	2009	2010	2011
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>ASSETS</b>					
Non Current Assets	5,222	5,204	5,373	7,699	9,438
Current Assets	3,290	3,561	2,749	12,348	14,829
<b>TOTAL ASSETS</b>	<b>8,512</b>	<b>8,765</b>	<b>8,123</b>	<b>20,047</b>	<b>24,267</b>
<b>EQUITY &amp; LIABILITIES</b>					
<b>Capital &amp; Reserves</b>					
Stated capital	100	100	100	100	100
Net government contribution	1,037	1,023	1,009	1,059	1,044
Externally provided equity	1,137	1,123	1,109	1,159	1,144
Reserves	(549)	(815)	(1,047)	(1,190)	(1,167)
	588	308	62	(32)	(23)
Non Current Liabilities	5,110	5,241	5,855	17,220	20,846
Current Liabilities	2,814	3,216	2,206	2,859	3,444
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>8,512</b>	<b>8,765</b>	<b>8,123</b>	<b>20,047</b>	<b>24,267</b>

## SUMMARISED INCOME & EXPENDITURE STATEMENT

For the Year Ended 31st December

(Rupees in Million)

	2007	2008	2009	2010	2011
	Rs.	Rs.	Rs.	Rs.	Rs.
Income	646	713	745	845	816
Other Operational Income	242	189	215	228	633
	888	902	959	1,073	1,449
Administration & General Expenditure	(878)	(863)	(914)	(1,327)	(1,201)
Other Operational Expenditure	(372)	(300)	(268)	(23)	(18)
	(1,250)	(1,163)	(1,182)	(1,350)	(1,219)
Operational Loss Before Financial Cost	(361)	(260)	(223)	(277)	230
Financial Cost	(27)	(22)	(11)	(5)	(2)
Operational Loss After Financial Cost	(388)	(282)	(234)	(282)	228
Non Operational Income	14	14	14	14	14
Levy paid to consolidated funds	-	-	-	(8)	-
Net Loss Before Tax	(374)	(268)	(219)	(276)	242
Income Tax Expenses	(20)	(12)	(13)	(6)	(173)
<b>Net Profit/( Loss) After Provision of Tax</b>	<b>(393)</b>	<b>(279)</b>	<b>(232)</b>	<b>(282)</b>	<b>69</b>

**SUMMARISED CASH FLOW STATEMENTS**  
As At 31st December

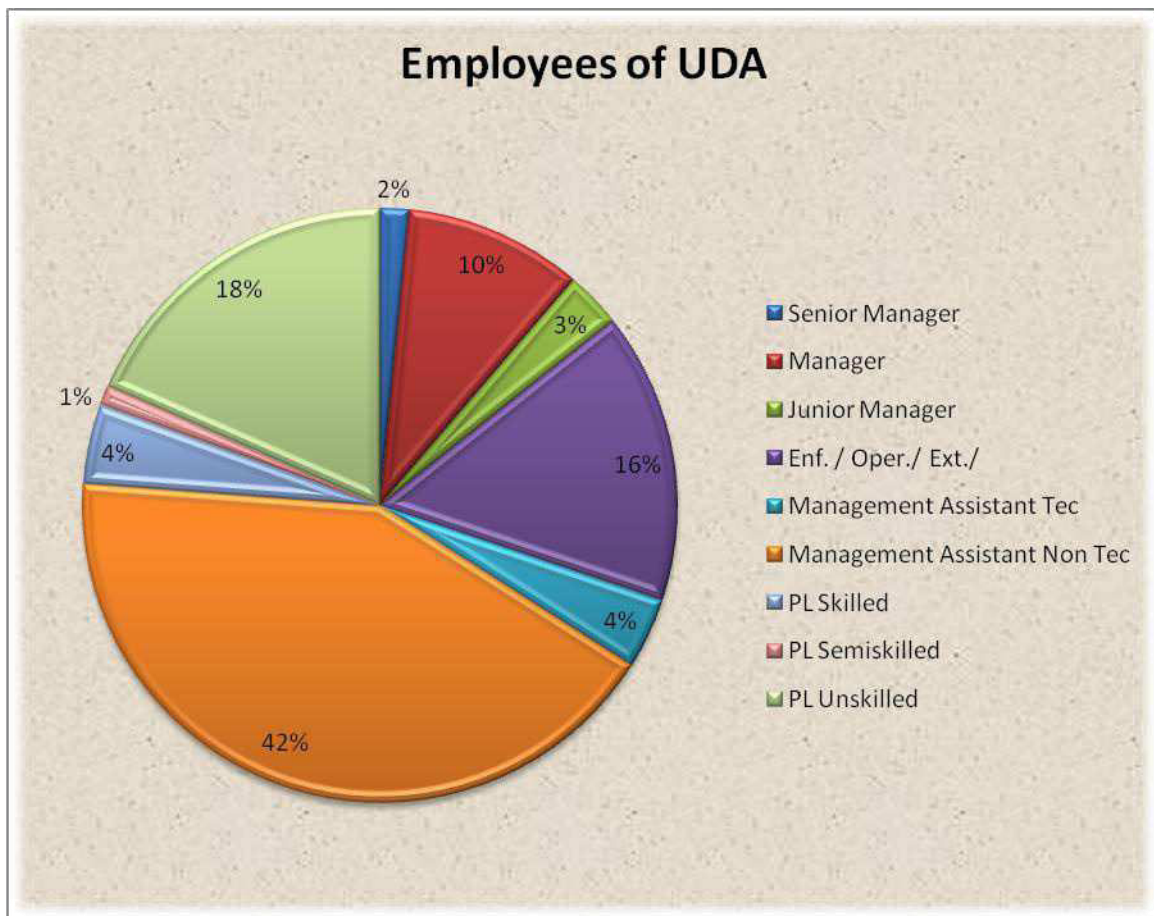
(Rupees in Million)

	2007	2008	2009	2010	2011
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
NET PROFIT / (LOSS) BEFORE INCOME TAX	(374)	(268)	(219)	(137)	243
ACCOUNTING ADJUSTMENT	(421)	(334)	(383)	(376)	(732)
OPERATING DEFICIT BEFORE WORKING	(795)	(602)	(602)	(513)	(489)
<b>CAPITAL CHANGES</b>					
WORKING CAPITAL CHANGES	(49)	23	(333)	444	(1,385)
CASH GENERATED FROM OPERATIONS	645	644	570	503	3,348
CASH FLOWS FROM INVESTING ACTIVITIES	113	143	371	8,286	(4,137)
CASH FLOWS FROM FINANCING ACTIVITIES	44	(139)	(92)	905	914
NET INCREASE IN CASH & CASH EQUIVALENTS	(42)	69	(86)	9,625	(1,749)
<b>CASH &amp; BANK BALANCE AT THE BEGINNING OF THE YEAR</b>	66	25	94	8.2	9634
<b>CASH &amp; BANK BALANCE AT THE END OF THE YEAR</b>	24	94	8	9,633	7,885

# HUMAN RESOURCES MANAGEMENT

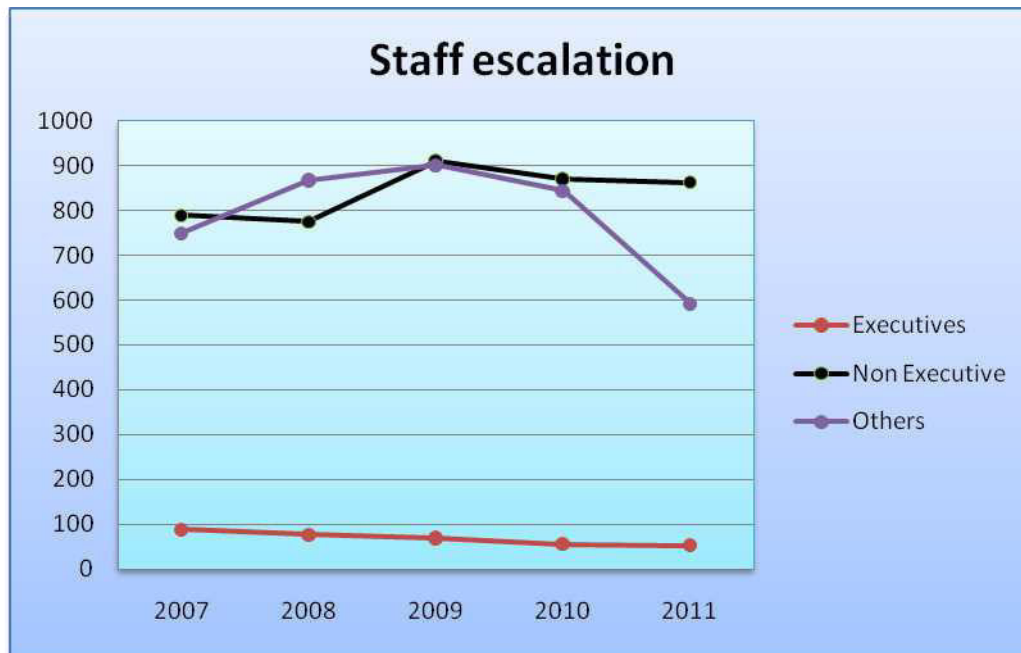
## Employees of Urban Development Authority as at end of the year 2011

Category of Staff	No. of Employee
Senior Managers	24
Managers	146
Junior Managers	46
Enf. / Oper. / Ext. / staff	239
Management Assistant Tec	58
Management Assistant Non Tec	636
PL Skilled	65
PL Semiskilled	16
PL Unskilled	278
<b>Total</b>	<b>1508</b>



**Summary of the Staff escalation of Urban Development Authority as at end of the year 2011**

Year	Category		
	Executives	Non Executive	Others
2007	88	789	749
2008	77	775	868
2009	69	911	901
2010	57	870	844
2011	53	863	592



# CORPORATE GOVERNANCE

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Board of Management and Corporate Management of Urban Development Authority (UDA) believe and are committed to good governance system and it also ensure that Authority is controlled and managed for purposes of transparency and accountability with a view to be responsive to people's needs.

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.

The main objective of following these guidelines is to make the regulatory framework a simplified working document, summarizing existing procedures and removing those that are obsolete and creating new or modified procedures, to meet the current developments and trends for an effective financial management system for good governance in the Authority.

This statement below describes some of the structures, process and procedures of governance at the UDA.

## **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 2011 twenty one 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 three times during the year 2011.

- |                                 |  |
|---------------------------------|--|
| 1. Dr. B. M. S. Batagoda        | - Chairman of the Committee & Board Member                     |
| 2. Mr. L.A.P. Harshana De Silva | - Board Member   |
| 3. Mr. Jayantha Wickramasinghe  | - Board Member   |
| 4. Mr. K.E.V.N. Fernando        | - Secretary of the Committee & Director<br>General (Actg.) UDA |

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.

### **Tasks of the Audit Committee:**

In full filling its responsibilities following activities were carried out by the Audit Committee during the year under review.

1. Review and evaluate internal control systems and regulatory compliance in par with external and internal audit report and make recommendation for remedial.
1. Review and make recommendations for revising the existing scheme of recruitment
2. Assist the Senior Management to revise the existing Organization Chart
3. Make recommendation and guide to revise the UDA Carder
4. Prepare Annual Training Plan for UDA under the each Category of Staff
5. Assist and guide to submit the Annual Report 2007-2010 to Parliament
6. Review the Long outstanding debtors and m suggestion to clear those from Balance Sheet

### **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 and 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. Training & Scholarship Committee comprise of Senior Management of the Authority. The Committee members are as follows:

- |                               |                                   |
|-------------------------------|-----------------------------------|
| 1. Mr. K.E.V.N. Fenando       | - Director General (Acting)       |
| 2. Mrs. I.S. Weerasoori       | - Dy. Director General (Planning) |
| 3. Mr. W.L.D.P.V. Jayawardana | - Dy. Director General (Finance)  |
| 4. Mr. L.T. Kiringoda         | - Actg Director (HRM)             |
| 5. Ms. T.K. Dayananda         | - Dy. Director (Training)         |

### **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 to be 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.



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கணக்காய்வாளர் தலைமை அறிபுதி திணைக்களம்  
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය  
எனது இல  
My No.

TH/B/UDA/FA/2011

ඔබේ අංකය  
உமது இல  
Your No.

දිනය  
திகதி  
Date

31 December 2012

Chairman,  
Urban Development Authority

**Report of the Auditor General on the Financial Statements of the Urban Development Authority and its Subsidiary Companies for the year ended 31 December 2011 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971.**

The audit of financial statements of the Urban Development Authority and its Subsidiary Companies for the year ended 31 December 2011 comprising the balance sheet as at 31 December 2011 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 10 of the Urban Development Authority Act, No. 41 of 1978. My comments and observations which I consider should be published with the Annual Report of the Urban Development Authority in terms of Section 14(2)(c) of the Finance Act, appear in this report. A detailed Report in terms of Section 13(7) (a) of the Finance Act will be issued to the Chairman of the Authority in due course.

**1:2 Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

අංක 306/72 පොල්දූව පාර,  
බත්තරමුල්ල, ශ්‍රී ලංකාව

දුරකථනය  
தொலைபேசி  
Telephone. } 2887028 - 34

இல. 306/72, பொல்துவ வீதி,  
பத்தரமுல்லை இலங்கை

ෆැක්ස් අංකය  
பக்ஸ் இல  
Fax No. } 2887223

No.306/72, Polduwa Road,  
Battaramulla, Sri Lanka

ඉලෙක්ට්‍රොනික් තැපෑල  
ஈ-மெயில்  
E-mail. } oaggov@slt.net.lk

### 1.3 **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Subsections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### 1.4 **Basis for the Qualified Opinion**

My opinion is qualified on the basis of the matters referred to the paragraph 2:2 of this report.

## 2. **Financial Statements**

### 2.1 **Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Urban Development Authority and its Subsidiary Companies as at 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with the Sri Lanka Accounting Standards.

### 2.1.1 **The Consolidated Financial Statements Presented**

The following observations are made.

#### **Audit Observation**

The Consolidated Financial Statements had been prepared based on the unaudited draft financial statements of the UDA Rest House Ltd. which is a subsidiary company of the Urban Development Authority and therefore, the correctness of the Consolidated Financial Statements is open to question.

#### **Chairman's Comment**

Audited Financial Statements of the UDA Rest House Ltd, have been submitted to the Auditor General.

### 2.1.2 **Profitability of the Authority and Net Assets of the Group of Companies**

#### **Audit Observation**

The Urban Development Authority continues to incur losses from the year 2006 up to the year 2010 and the accumulated loss of the Authority as at the end of the year under review amounted to Rs.1,230 million. Even though the Authority had received a profit before tax amounting to Rs 242 million in the year under review, receiving of a sum of Rs.532 million from the General Treasury had been the reason to come to such a profitable condition. The net assets of the Group of Companies show a negative value of Rs.12million as at 31 December 2011.

#### **Chairman's Comment**

Even though the Urban Development Authority continues to incur losses from the year 2006, it has been able to minimize the net loss in year 2010 relative to the year 2006 and to reduce the Administration and Operational cost in large amount and to generate a profit at the end of 2011 by improving the income through the implementation of proper Administration in the Authority within year 2011. Also, accumulated loss of the Authority at the end of year 2011, has been reduced by 11.6% relative to the year 2010. Accordingly, it is shown that the net assets of the Group of Companies have been reduced to a minus value of Rs.12 million at the end of the year 2011 which was a negative value of Rs.206 million in previous year and thereby an improvement of net assets .

## 2.2 **Comments on Financial Statements**

### 2.2.1 **Issuing of Debentures**

#### **Audit Observation**

The Urban Development Authority had issued debentures amounting to Rs.10 billion redeemable in 05 years time in October 2010 with a view to obtaining funds for the National Programme on the construction of 60,000 permanent houses for the shanty dwellers of the City of Colombo. The General Treasury had guaranteed their redemption and the payment of interest for a period of 03 years. A sum of Rs.1,097,197,364 should have been paid for the year 2011 as debenture interest and a sum of Rs.532,000,000 out of that amount had been reimbursed by the General Treasury to the Authority.

#### **Chairman's Comment**

At the time the Urban Development Authority issued debentures amounting to Rs.10 billion in October 2010, the General Treasury had guaranteed their redemption and the payment of interest for a period of 03 years. Accordingly, Rs.532 million had been received from the General Treasury for a part of the interest for the debentures of year 2011.

### 2.2.2 **Sri Lanka Accounting Standards**

The following non-compliances are observed.

#### **Audit Observation**

#### (a) **Sri Lanka Accounting Standards No.03**

Even though as per the Standard, expenditure could not be set off against the income, the Authority had shown only the value of Rs.281,391,640 as the net value by setting off to the value of Rs.1,097,197,364 for two values that the interest income amounting to Rs.846,589,004 which was obtained from investing in repurchasing and the amount of Rs.532,000,000 which was received as reimbursement of debenture interest expenditure from the General Treasury.

#### **Chairman's Comment**

According to the draft financial statements submitted to the audit for the year 2011, the interest income earned by investing the funds issuing debentures and the interest paid for them have been duly accounted as per the Sri Lanka Accounting Standards.

Sri Lanka Accounting Standards No. 20 - According to the cost of obtaining loans, the cost of obtaining loans incurred in the acquisition of suitable asset or in the construction of such

suitable asset can be capitalized as a cost of that asset. Also, if there is any income earned by investing those funds that should be shown deducting from the cost of obtaining loans.

Accordingly, from the interest of Rs.1, 097,197,364 which was paid for debentures, only the balance income of Rs.281, 391,639 has been shown under the interest income of repurchasing in other income deducting Rs.532, 000,000 which was received as reimbursement of debenture interest expenditure from the General Treasury and Rs.846, 589,004 which was earned as interest income by temporary investing the funds obtained from issuing debentures. Accounting policy of the Authority in accounting the cost of obtaining loans, accounting policies in Financial Statements and the impact on the Account statements have been revealed under accounting notes No.3.1.2.of the Financial Statements for the year 2011.

Accordingly, no action has been taken contradictory to any accounting standard when accounting the interest paid for debentures and the interest income earned by temporary investment.

#### **Audit Observation**

(b) Sri Lanka Accounting Standards No.18

Action had not been taken to revalue the lands and buildings belonging to the Authority shown as valued at Rs.3,766,371,898 shown in the accounts as per the Standard

#### **Chairman's Comment**

Income earned from the lands and buildings owned by the Authority or lands and buildings which are maintaining for generating income, should be accounted as per the Sri Lanka Accounting Standards No. 40 –Investment Assets Standard .As per the instructions of the Sri Lanka Accounts and Audit Standards Review Board and the standard No.40, action has been taken when preparing the final accounts in year 2011 to show the investment asset value as investment assets in the balance sheet and to show their fair value as an accounts note.

### 2.2.3 Accounting Deficiencies

The following observations are made

#### **Audit Observation**

(a) The value of long term fixed deposit amounted toRs.3,110,000,000 had been shown in financial statements treated as cash & cash equivalent.

### **Chairman's Comment**

Since year 2012, action has been taken when preparing financial statements to include the value of long term fixed deposits as a separate item not considering as cash and cash equivalent.

### **Audit Observation**

(b) Even though a sum of Rs.1, 566,529 had been accounted as rental in arrears receivable from the Urban Housing Development Authority to the Urban Development Authority for the year 2010. However, the value shown in the accounts of the Authority as rental in arrears observed as a forge asset due to the same value set off had been to the value payable to the Urban Housing Development Authority.

### **Chairman's Comment**

The amount shown in the books as rental due for the year 2010 is the rental in arrears receivable from the Urban Housing Development Authority to the Urban Development Authority from March 2010 to August 2010. Even though the said amount had been set off from the service charge account of 1% due to be paid to the Urban Housing Development Authority, that amount has been entered in books again as an amount to be received from the Urban Housing Development Authority.

However, the Urban Housing Development Authority has informed that there is no arrears to be settled to this Authority as those amounts had been set off from their accounts.

Therefore, action has been taken to make a request to the Urban Housing Development Authority to settle the arrears from the budgetary allocation for the year 2013.

### **Audit Observation**

(c) Net interest income amounted to Rs.281,391,639 which was obtained by the issues of debentures on behalf of the 60,000 housing project had been accounted as the income earned by the Authority without being accounted as only used for the activities of the same housing project.

### **Chairman's Comment**

The balance amount of Rs.281, 391,639 has been accounted as the interest income on repurchasing after deducting (as per the Sri Lanka Accounting standard No. 20) Rs.532 million which was received from the General Treasury for reimbursement of a part from the cost of paying interest for the debentures issued related to the project for the Rehabilitation of

Underdeveloped Settlements, Rs.846,589,004 which was the interest income earned by temporary investing the funds obtained from issuing those debentures and Rs.1,097,197,364 which was paid as the interest paid for the debentures at the time of preparing final accounts of the Authority.

#### **Audit Observation**

(d) It had not been revealed in financial statements the commitment of the Authority to be faced on payment of a sum of Rs.18.3 million to the bank as an outstanding debts and interest due to non settlement of a loan in respect of a land which had been leased to a company and obtaining a loan by mortgaging it to a bank by the lessee.

#### **Chairman's Comment**

Detailed report on this lease has been already given by the observations submitted for the audit query No.TH/UDA/2011/V 18.However, as mentioned in the audit query, the reason for the unsettled lease which was obtained from the Peoples Bank being a liability of the Authority is the relevant lessee, S.M.S.WORLDWIDE (PVT) LTD was bankrupted and liquidated. Legal action could have been taken to recover this lease from the lessee, if such incident was not happened.

As this land had been mortgaged to the bank and obtained a loan by the lessee, ownership of the Authority to the land was bonded preventing the Authority from transferring the land to another party. It is necessary to call tenders on the present value of the land and give it to a new developer as the lessee has died and the relevant company is bankrupted. As the loan amount obtained by the original lessee and the interest on the loan is a liability of that lessee, there is no necessity for an allocation in the accounts of the Authority.

#### **Audit Observation**

(e) A complain had been made to an arbitration board by a Company against the Authority demanding a compensation amounting to Rs.552 million in non handing over the property to a private company which agreed to hand over the said property and it had not been revealed in the Financial Statements.

#### **Chairman's Comment**

Three complaints have been made to the Arbitration Board against this Authority. They are,

1. P.L.P. Constructions - Now concluded and ordered to

pay Rs.8, 915,269.36

2. Sivus Engineering
  - Presently this complaint is being heard and Rs.26, 588,694.69 had been claimed.
3. Barkle Lanka Private Limited
  - Negotiations are being done to come to a settlement.

### **Audit Observation**

(f) Even though a sum of Rs.1,678,163 in three accounts presented as at 31 December 2011 as unidentified balances, of Rs.7,479,199 of four accounts as various balances and Rs.12,738,988 of seven accounts as negative balances had been shown for several years, action had not been taken to make necessary adjustments by identifying those balances specifically up to the end of the year under review.

### **Chairman's Comment**

An amount of Rs.2, 554,394 has been adjusted up to now from the negative balance as at 31.12.2011 and action has been taken to adjust the balance amount.

#### 2.2.4 **Unexplained Differences**

The following observations are made.

### **Audit Observation**

(a) A net difference of Rs.4, 698,126 was observed between the totals of balances of 07 Receivable and Payable ledger Accounts and the total of the relevant schedules and action had not been taken to settle it.

### **Chairman's Comment**

The differences of the above balances of receivable and payable ledger accounts were as follows,

Name of the account	Balance as per the schedules (Rs.)	Balance as per the final account statement (Rs.)	Difference (Rs.)
Monthly rent	197,725,250	200,405,399	2,680,148
Annual rent	47,338,046	49,258,606	1,947,560
Tender deposits			42,958
Security deposits			20,796
Customers deposits			2,845
Ground rent and installments			3,700
Fine for late rent and installments		117,769,384	119
Total			4,698,126

Reasons for the difference of Rs.4, 627,708 between the balance as per the schedules and the balance as per the final financial statements on the accounts of monthly rent and annual rent, are the inclusion of Nation Building Tax in the balances as per the final financial statements of monthly rent and annual rent and the Nation Building Tax has been shown separately as per the schedules of those accounts.

#### **Audit Observation**

(b) Even though a sum of Rs.254,707,435 had been shown in the financial statements as outstanding rental receivable from rest houses, according to the schedules furnished by the Management Division of the rest house, the balance recoverable amounted to Rs.253,734,078. However, it had revealed a difference of Rs.973,357.

#### **Chairman's Comment**

Correct schedules related up to 31.12.2012 on outstanding rental of rest houses, have been submitted to the Auditor General.

#### **Audit Observation**

(c) According to the final financial statements, the amount payable to the Urban Development Authority from the National Housing Development Authority had been stated as Rs.39,945,140 whereas according to the confirmation receive from the National Housing Development Authority the amount receivable from the Urban Development Authority had been Rs.51,843,285. Thus a difference of Rs.91,788,425 was observed. The Chairman

informed that action is being taken between the two parties to settle this situation and had agreed for transactions amounting to Rs.37 million.

#### **Chairman's Comment**

A difference had been observed between the amount of 1% (Rs.12,223,200) charged for the administration of Urban Housing Unit of the National Housing Development Authority by the Urban Development Authority and the net values of transactions at the time the Urban Housing Unit was functioned under the Urban Development Authority . Even though a note on that difference had been sent to the National Housing Development Authority, it was clear as per their balance certification that it has not been updated in their books.

Also, details on several transactions which were not entered in the account books of the Urban Development Authority, were requested from the National Housing Development Authority, and there is no response from them up to now. Accordingly, action will be taken to update the account registers by finding out the amounts to be corrected further.

#### **2.2.5 Accounts Receivable and Payable**

The following Observations are made.

##### **Audit Observation**

(a) The retention money amounting to Rs.54,405,412 stated under other debtors (Development Cost) and the amount of Rs.25,136,182 stated in the current account of the State Engineering Corporation had remained unsettled over 05 years.

##### **Chairman's Comment**

The retention money will be paid back to the customers on their request after completing the project and the maintenance period considering the financial situation of the project. Further, retention money related to the abandoned or discontinued projects are also included to this. Therefore, considerable period of time is spent to release this money.

An amount of Rs.25, 136,182 shown as to be paid to the State Engineering Corporation, is the money to be paid for the construction works of the Sugathadasa Indoor Stadium. Financial allocation need for this has to be received from the Ministry of Sports and this will be settled as soon as the funds are received.

(b) Accuracy and existence of the following items shown as deposits and advances were questionable.

**Audit Observation**

- i. Security Deposits totaling Rs.14,281,274 had remained unsettled for over 05 years.

**Chairman's Comment**

Value of the security deposits has been corrected on 31.12.2077 by journal No. J20233 and on 03.09.2012 by journal No. J21070.

**Audit Observation**

- ii. Client Deposits valued at Rs.256,589,864 had been remained unsettled for over 05 years.

**Chairman's Comment**

Above value indicates the money received five years ago for the projects implemented by the Authority on the requests made by the General Treasury, Local Government Institutions and the other customers. The costs incurred for these projects are reimbursed by the relevant customers and the above money so received as advances will be accounted in the financial statements under liabilities

The money incurred for the relevant projects and the project expenditure will be settled after the completion of such projects. The net value has been shown under creditors in account note 25.4.1, deducting the cost incurred for those projects from the advance money, when preparing financial statements for the year 2012 by the authority.

**Audit Observation**

- iii. Sundry Deposits Refunded payable to the Department of Highways amounting to Rs.7,000,000 remained unsettled for over 05 years.

**Chairman's Comment**

The above balance of Rs.07 million shown in the sundry deposits Refunded is an account note made in year 1985 and the receipts or details about that is not with the Authority. Therefore, action will be taken to refer this to the Audit and Management Board of the Authority to obtain recommendations on actions to be taken in this regards.

**Audit Observation**

- (c) The total of the sundry advances paid by the Authority and remaining without being settled over periods ranging from 02 to 05 years and 05 years as at 31 December 2011 amounted to Rs.8,545,625 and Rs.5,081,865.

**Chairman's Comment**

In order to settle the balances of these advance accounts, the relevant advance accounts are being analyzed and on a decision of the Board of Management, a value amounting to Rs.1, 115,929 has been written off from journal No.20533 in June, 2012 due to non-availability of documents. Accordingly, relevant corrections on other advance accounts are being done.

**Audit Observation**

(d) The outstanding rental income remaining over periods ranging from 01 year to 05 years recoverable from the other trading complexes including a sum of Rs.61,043,030 recoverable from the Colombo Central Super Market Complex as at 31 December 2011 amounted to Rs.423,140,677.

**Chairman's Comment**

Following actions have been taken to recover the outstanding rental income from the Colombo Central Super Market Complex.

Letters of demand have been sent for 31 business places which were sealed due to non-payment of outstanding rentals and necessary actions will be taken by the legal division to recover the outstanding rentals. (The amount of outstanding for which the letters of demand have been sent is Rs.43, 356,724.95)

Also, the ownerships of these business places have been divested to the Authority and these premises have been used to provide alternative facilities.

Outstanding rental of Rs.306, 748.85 due from 31 business places which were to be demolished for the new development project, will be recovered when providing alternative facilities. Necessary steps are being taken to recover the outstanding rental of Rs.6, 076,192.30 due from another 77 business premises.

Outstanding rental couldn't be recovered from the 31 business places for which the letters of demand had been sent. Legal actions are being done further to recover the same.

The said 31 business places divested to the Authority had been used for alternative facilities and steps are being taken to commence the recovery of rentals from March, 2013 from the business places for which the alternative facilities were provided.

Necessary Legal actions were taken to recover the outstanding rentals due from the rest 77 business places and an amount of Rs.661, 945 has been paid by 05 businessmen.

Accordingly, balance of the rental account which was frozen on 31.12.2011 is Rs.33, 233,826.24. However, above account balance had been reduced up to Rs.9, 850,982.23 as at 31.12.2012 due to the steps taken to recover them.

Action had been taken to remove the liquor shop which was a great inconvenience to the day to day business activities of the business complex.

#### **Audit Observation**

(e) Dormant loan balances totaling Rs.1, 695,492 were observed in the Staff Loans Account as at 31 December 2011. It was observed as an unfavorable condition further in the year under review hence it had amounted to Rs.1, 256,554 in the preceding year .

#### **Chairman's Comment**

An amount of Rs.304, 136.06 has already been recovered from the dormant loan balance as at 31.12.2011 and necessary actions will be taken to recover the balance amount also by finding out the possibility for that.

#### **Audit Observation**

(f) The tenants occupying the properties belonging to the Authority in the Dambulla New Town Planning Scheme should pay rent for such occupation and a 05 per cent monthly penalty for outstanding rents. Such outstanding amount due to the Authority as at 31 December 2011 had been Rs.77,156,885. It was observed as further increasing of the balance in preceding year by Rs.8,019,193. The Chairman had informed that many steps had been taken for the recovery of the said amount.

#### **Chairman's Comment**

The land depicted in preliminary plan No.842 (Maradamanyaya) was acquired along with the properties with 62 occupants for the implementation of Dambulla Town Development Project and the occupants who occupied said land were permitted to use the same until the development work is commenced. They were informed to pay a monthly processing fee from 01.07.1997.

A complaint was made to the Dambulla police under CIB (2) 217/172 on 10.11.2010 as a preliminary step to recover rent charges as the rent charges had not been paid properly by the tenants and they thoroughly rejected the payment of rent at the inquiry. A discussion in this regards was held on 16.11.2011 with the Mayor of the Dambulla Urban Council and there also the tenants had requested not to charge rent from the lands belong to them and to divest the land to them. Notices were sent to the all tenants informing them to pay ½ from the

outstanding processing fee due within 14 days as they continuously rejected to pay the same. However, they didn't pay the rent that time also and a discussion was held in this connection at 10 am on 10.02.2012 in the conference room of the Dambulla bus terminal with the patronage of the official of the Urban Development Authority and the Officer In charge of Dambulla Police station was also attended to this.

There, an amount of Rs.850, 000/= had been paid by 07 tenants as a response to the letter sent to them informing to pay the outstanding rental due within 14 days. Others were unable to do so and 25 tenants have been identified as defaulters. Those business stalls were sealed on 13.03.2012 and later the relevant tenants had forcefully entered into the stalls breaking the locks. Thereafter, this was referred to get the approval of the Hon. Minister in charge of the subject to commence the legal procedure and the Ministry of Defense and Urban Development has informed the Authority that approval of the Board of Management should be obtained for this purpose. A note had been submitted to the Board of Management at its meeting held on 24.07.2012 and the approval was obtained. Accordingly, necessary legal measures are being done to obtain the vacant possession

#### **Audit Observation**

(g) The outstanding rental, fines and taxes were included into the value of terminated tenants amounted to Rs.92,375,062 and it had not been recovered.

#### **Chairman's Comment**

Even though the balance as at 31.12.2011 was Rs.105, 945,737/= as per the terminated tenants ledger, the said balance has been reduced to Rs.92, 375,062/=as at 31.08.2012 and to Rs.81, 211,533/= as at 31.12.2012 due to the various steps taken by the Authority to recover the outstanding rent money.

#### **Audit Observation**

(h) The outstanding rental recoverable as at 31 December 2011 from the Police Department in respect of the Chalmer's Stores Complex amounted to Rs.7,594,067.

#### **Chairman's Comment**

On 23.11.2012, The Police Department has paid Rs.4, 562,532.32 which was the outstanding amount up to 31.12.2010 from Rs. 4,622,786 which was the outstanding due as at 31.012011. The invoices have been sent to the Police Department to recover the balance outstanding amount of Rs.3, 031,534.47.

### **Audit Observation**

(i) Even though the following balances amounting to Rs.300,018,808 had been shown in accounts as recoverable from more than five years, adequate steps had not been taken for recovery / settlement of those balances .

<u>Item Amount</u>	<u>Rs.</u>
Monthly rent	112,261,175
Fee for use	31,819,283
Annual rental	21,311,258
Leasing installments	4,644,686
Advanced paid for contractors	129,982,406
	-----
Total	300,018,808
	=====

### **Chairman's Comment**

The relevant value for the monthly rent, fee for use, annual rental and leasing installments is Rs.170,036,400/= from the value shown as Rs.300,018,808/= as at 31.12.2011.

Even though the balance of Rs.77, 433,537/= from that value is more than 5 years, that amount is in recoverable status. From that amount Rs.17, 147,087/= is annual rental and that is due from Colombo Commercial Company. This amount can be set off for the land which is to be given to that company from Kandy town.

Similarly, the amount of Rs.21, 695,122/= is the fee for use for the building given to the Sri Lanka Army in Maly Street and a note has already been submitted to the Board of Management to recover it.

Also, the amount of Rs.9, 951,620/= is tax money and from that amount Rs.4, 932,612/= is due from Bodhiraja Mawatha Business Complex . Steps will be taken to recover the outstanding due by taking actions such as sealing the stalls ext. The balance amount of Rs.5, 019,008/= is due from the industrialists of the Homagama Industrial Estate and that amount is also recoverable as necessary actions have been taken by the Authority.

From the amount shown as Rs.300, 018,808/- as at 31.12.2011, amount for the monthly rent, fee for use, annual rental and leasing installments is Rs.170,036,400/- . The above amount has been reduced up to Rs.151, 825,427/-as at 31.12.2012 due to the measures taken by the Authority to recover the outstanding rentals due.

Advances paid to for contractors are being analyzed and Rs.61, 186,516 had been corrected from this amount by journal No. J21037. Necessary steps are being taken to collect the bills for the advances paid from the contractors and to account the same.

### **Audit Observation**

(j) An effective course of action had not been taken for the recovery of the balances totaling Rs.163,989,789 receivable for more than 05 years from 08 Government Institutions. The Chairman informed that the Board of Audit and Management is considering the ability of recovery or writing off the same amount from accounts.

### **Chairman's Comment**

The above amount indicates the balances to be received from the following institutions.

Item	Value (Rs)
Ministry of Sports and Youth Affairs	84,683,449
National Housing Development Authority	34,908,502
Ministry of Urban Development and Public Utilities	25,007,130
General Treasury	4,380,387
Colombo Municipal Council	4,447,302
SRCC and Treasury Funds (Consultancy fee)	472,200
Ocean View Current Account	10,085,613
Department of Education	5,406
Total	163,989,789

#### Ministry of Sports and Youth Affairs - Rs.84, 683,449

The expenditure incurred by the Authority before year 1995 for modernizing the Sugathadasa Indoor Stadium, is shown above as a due amount. Rs.50 million due from this Ministry for the payment of compensation for the lands acquired for the stadium is also included to this amount. Accordingly, the above amount has been accounted under "debtors" as an amount of money to be received further from this ministry from the expenditure incurred for the modernization of the stadium and Rs.25, 136,182 has been accounted under "creditors" as an amount of money to be paid after receiving the money from the Ministry of Sports, for the payment of compensation and to the State Engineering Corporation for the construction works.

As these transactions are older than 15 years, it is difficult to submit a detailed report as requested by the Ministry of Sports due to the non-availability of relevant documents.

National Housing Development Authority – Rs.34, 908,502

The answer mentioned in 2.2.4 above is relevant for this.

Ministry of Urban Development and Public Utilities - Rs.25, 007,130

The expenditure incurred by the Urban Development Authority to modernize the office of the Ministry at the time the then Ministry of Urban Development and Public Utilities for which the subject “Urban Development “ was belonged, housed in the 2nd floor of the “Sethsiripaya”, is shown by this amount of money. As this expenditure was incurred for the Ministry, it has been accounted as a due amount from the Ministry of Urban Development.

However, as a monthly rental is charged by the Urban Development Authority from all the Ministries and other offices housed in the Sethsiripaya office complex for providing office spaces, modernization and maintenance works have to be done by the Authority. Accordingly, the cost incurred for the modernization of the Ministry offices by the Authority in year 2001 and 2002 is an expenditure of the Authority, it is expected to get the approval of the Board of Management to capitalize that amount of money and to depreciate or write off in future years.

Due from the Treasury – Rs.4, 380,387

Chandrika Wewa circuit bungalow project and the development and maintenance of Parliament Parade Ground were done by the State Engineering Corporation under the supervision of the Authority and Rs.4, 380,387 is due from the Treasury for those works.

An amount of Rs.1, 377,646 is due from the Chandrika Wewa circuit bungalow project as development and maintenance expenditure and Rs.3, 002,741 is due for the development of Parliament Parade Ground. This has been shown in account books as creditors and as this has to be settled to the State Engineering Corporation after receiving money from the Treasury, it has shown in account books as debtors. Action will be taken to obtain the relevant money from the Treasury and to pay it to the State Engineering Corporation.

Due from the Colombo Municipal Council - Rs.4, 447,302

An amount of Rs.4, 447,302 shown as due from Colombo Municipal Council is an expenditure made in year 1986 when constructing the Sathutu Uyana. At the beginning Sathutu Uyana was under the Urban Development Authority and later transferred it to the Colombo Municipal Council. This amount of money is an expenditure made when it was

under the Urban Development Authority, for purchasing relevant instruments from WHO HUP (Pvt) Ltd. Also, due to the transfer of Sathutu Uyana to Colombo Municipal Council, the expenditure made by the Authority had been accounted in year 1996 by transferring from Development Expenditure Account, as an outstanding due from the Colombo Municipal Council

Ocean View Current Account - Rs.10, 085,613

Construction and maintenance of the Tower Building at bambalapitiya was commenced as a joint venture between the Urban Development Authority and the Housing Development Authority. Relevant transactions on construction and maintenance of the building has been maintained in the account books of the Authority. After the establishment of Ocean View Company in year 1994, transactions made between the company and the Urban Development Authority were transferred to the company's accounts through Ocean View current account .Shares to the value of Rs.92 million have been issued in the name of Urban Development Authority for the investment made by the Authority to construct the building.

Transactions made between the company and the Authority were done through the current account of the company and the above Rs.10, 085,613 indicates as the

Accordingly, it is being considered by the Audit and Management Board of the Authority to get a recommendation on recovering this money or writing it off from the accounts

#### **Audit Observation**

(k) Even though it had passed nearly ten years, action had not been taken to settle the gratuity amounting to Rs.161,166 which was retained in the years 2001 and 2002 .

#### **Chairman's Comment**

The amount of Rs. 161,166.00 which was retained from the gratuity paid for the employees, have been settled in year 2012.

#### **Audit Observation**

(l) Necessary action had not been taken to settle the money amounting to Rs.50,344 which was not reconciled from the year 1979 under accrued salary whereas action had not been taken to remit the amount of Rs.107,841 deducted as payee tax to the Department of Inland Revenue from the year 2004.

### **Chairman's Comment**

All the relevant account reconciliations have been completed within the year 2012.

### **Audit Observation**

(m) Action had not been taken to pay the sum of Rs.406,483,000 to a Company on behalf of the "Waters Edge Hotel" which was vested in the Authority in the year 2008 according to a Court Decision. The Chairman said in October 2012, that the final decision had not been taken as to whether the same compensation should be paid by the Authority or the Government.

### **Chairman's Comment**

When the "Waters Edge Hotel" was vested in the Authority on a Court Decision in year 2008, it was mentioned in the Court Decision that the compensation of Rs.406 million to be paid to the relevant company for the value of the buildings should be paid by the Urban Development Authority or the Government. However, as the final decision is not yet been taken whether the compensation payment is made by the Government or the Authority, the compensation will be settled on that decision.

### **Audit Observation**

(n) Even though a sum of Rs.6,228,559 should be payable during the period from 1999 to 2010 by the Urban Development Authority for consultancy services provided by the National Building Research Organization to the Urban development Authority related to various projects, action had not been taken to pay that amount even by 27 September 2012.

### **Chairman's Comment**

A discussion was held with the National Building Research Organization on 05.10.2010. They were provided with the extra stationary for Kalpitiya and Kollupitiya projects and the approval for those payments is being discussed.

As the documents related to some transactions from the balance still remain unsettled to the National Building Research Organization are unable to trace in the Authority, and the responsible officers who served in that period are not in the Authority now, action will be taken in future to settle these balances after obtaining and checking the copies of required documents and bills which are to be obtained by holding a discussion with the National Building Research Organization. Financing the Nuwara Eliya Race Course Project is done by

the Department of Sports Development and settlement of bills for the funds received so far, has been done. Action has already been taken to obtain funds from the Sports Development Department for the sum to be paid to the National Building Research Organization for this project and the balances will be settled when received those funds.

#### 2.2.6 **Lack of Evidence for Audit**

The Following observations are made

##### **Audit Observation**

(a) Even though a sum of Rs.1,938,228,966 had been stated as Capital Work in – Progress in the final financial statements as at 31 December 2011, the accuracy of that value was questionable due to the following matters observed in this connection.

(i) Non presentation of the information to ascertain the accuracy of the Capital Work-in –Progress given above amounted to Rs.1,938,228,966.

##### **Chairman’s Comment**

The cost incurred for the projects being implemented by the Authority and for the projects temporary halted due to reasons such as non-availability of funds are indicated as Capital work-in-progress amounted to Rs.1,938,228,966. This also includes Rs.746, 694,707 incurred only within the year 2011.Details related to all these projects are being discussed with relevant Project Directors and necessary adjustments are being done.

##### **Audit Observation**

(ii) Unusual negative balances totalling Rs.158,182,283was stated within the Capital work-in-Progress .

##### **Chairman’s Comment**

Money received from Divisional Secretaries and Local Government Institutions for works such as land acquisition to commence projects, are accounted under these projects. However, negative balances are shown in some projects within this Work-in-progress as the relevant cost has not been incurred yet or cost incurred was lower than received.

**Audit Observation**

- (iii) An amount of Rs.13,856,162 as doubtful debts and Rs.14,070,425 as expenditure of Matara and Hambantota rest houses were under stated in Capital Work-in –Progress balance.

**Chairman’s Comment**

The sum of Rs.13, 856,162 which has deducted from the balance of the Capital Work-in-Progress, was an allocation made from the profit to cover up any lost to the Authority from those projects .This was an allocation made in year 1995 and no allocation has been made for that in current year.

The reason for deducting Rs.14, 070,425 as expenditure of Matara and Hambantota rest houses, is the cost incurred by the Authority to renovate those rest houses has been included as Work-in-Progress. That deducted value has been shown separately in balance sheet as an investment cost for rest houses.

**Audit Observation**

- (b) Even though the value of lands and buildings had been shown as Rs.3,766,371,898 as at 31 December 2011 in the financial statements, an explanation of the detailed schedules of those amounts could not be furnished to Audit. As such it was not possible to be satisfactorily vouched in audit with regard to the above values.

**Chairman’s Comment**

Details of all lands and buildings own by the Authority have been maintained in files and not contain in a data base. Also, large differences in past years has to be adjusted to this assets. These details are being included into a data base by the land division and the details included up to now has been submitted to the audit division. The rest will be submitted as soon as they prepared.

**Audit Observation**

- (c) Even though the balance of the Bank of Ceylon Mahiyangan Branch had been shown as Rs.325,560 and balance of the Hambantota Branch had been shown as Rs.88,951 in the final financial statements, Bank Statements and Bank Reconciliation Statements had not been furnished to Audit for confirmation of the accuracy of above values.

**Chairman's Comment**

Reconciliation works related to the balance of Rs.88, 951 in Hambantota branch shown in the financial statements are being done and action will be taken to submit it immediately when it finalized.

**Audit Observation**

- (d) Replies had not been given for the 3 audit queries issued in the year 2010 and 02 audit queries issued in the year 2011 .

**Chairman's Comment**

Answers are to be submitted only for one audit query in year 2010. That will be submitted within the coming week. Answers have been submitted for all audit queries issued in year 2010 and 2011.

**Audit Observation**

- (e) Even though an amount of Rs.84,615,679 had been shown as the amount receivable from the Ministry of Sports to the Authority in the financial statements.  
Necessary evidence had not been furnished to audit for confirmation of that value.

**Chairman's Comment**

The expenditure incurred by the Authority before year 1995 for modernizing the Sugathadasa Indoor Stadium, is shown above as a due amount. Rs.50 million due from this Ministry for the payment of compensation for the lands acquired for the stadium is also includes to this amount. Accordingly, the above amount has been accounted under "debtors" as an amount of money to be received further from this ministry from the expenditure incurred for the modernization of the stadium and Rs.25, 136,182 has been accounted under "creditors" as an amount of money to be paid after receiving the money from the Ministry of Sports, for the payment of compensation and to the State Engineering Corporation for the construction works.

## 2.2.7 Non compliances with Laws ,Rules ,Regulations and Management Decisions

### **Audit Observation**

Reference to Laws ,Rules ,Regulations etc

Non compliances

-----  
(a) The Urban Development Authority, Act,  
No. 41 of 1978  
(i) Section 18 (I) of

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Even though the Agoda Premier Village  
land at Peliyagoda while leasing out to a  
Private Company for a housing project  
had not been used for the relevant  
purpose since 18 years, action had not  
been taken to vesting the same land and  
lease out for another party.

### **Chairman's Comment**

When this land was vested in the Urban Development Authority in year 2004, 12 persons who had paid advance money to that company to buy houses were not in a position to get back their money or to obtain houses, Board of Management of the Authority had given the approval at its meeting held on 04.08.2004 in considering the appeals submitted by affected persons to sell those plot of lands to them by charging the value of the land with the interest as at the date on which they entered into agreements with S.M.S .Worldwide Company. Leasing out the land to a new developer had been delayed until the above proses was finalized. Later, government valuation report had been obtained for this land and that report had been obtained for the entire land of 27 acres including this land and the adjoining land acquired by the Authority. This entire land is to be given to the Sri Lanka Ports Authority for Rs.6000 million to develop as a container village.

### **Audit Observation**

(ii) Paragraph (e) of the Section 4 (1)

An officer of the Ministry not related to the relevant subject had been appointed to the Board of Management.

### **Chairman's Comment**

It is stipulated in the sub section 13-1 staff under section IV in the Urban Development Authority Act No. 41 of 1978 that there should be a General Manager for the Authority. This provision had been intended to be amended by inserting “ Director General” in lieu of “

General Manager” by the Urban Development Authority ( Special Provision) Act No.44 of 1984 and that was mentioned in section 4(1) (O) in Act of 1978. However, it had been printed as section “e” instead of section “O” when amending by Act of 1984. Also, the section “O” of the Act No.41 of 1978 had not been amended. It is further mentioned that action will be taken to correct the printing mistake at the proposed amendment to the Act.

#### **Audit Observation**

(iii) Paragraphs (m) and (n)

Contrary to the provisions, five members had been appointed by the Minister to the Board of Management instead of 4 Members. It had been stated that one person was an observer.

#### **Chairman’s Comment**

One person from the 5 members was an Observer.

#### **Audit Observation**

(b) Sections 8(a) ,28 and 28 (a) of the Urban Development Authority Act No.04 of 1982 (Amended)

There were instances where action had not been taken against the owners of the buildings due to non obtaining of Development Permits for unauthorized constructions and development activities carried out without legal approval.

#### **Chairman’s Comment**

A survey is already being carried out to identify the unauthorized constructions within the limits of Colombo Municipal Council to take legal actions against them. This will be commenced in October 2012 and a group of students of the University of Sri Jayawardenapura has been selected for this task.

Accordingly, the survey was conducted in Wellawatta Division firstly. Several unauthorized

buildings have already been identified.

Approval can be given by charging a penalty for the buildings which can be regularized and instructions have been given to take action legally if there are sections to be removed.

### **Audit Observation**

(c ) Section 23 (5) of the Urban Development Authority Act No.04 of 1982 (Amended)

Even though the Powers and Activities of the Urban Development Authority vested in the Local Authorities should be implemented under the order, supervision and control of the Authority, contrary to it, proper action had not been taken against the former Chairman of the Nuwaraeliya Pradeshiya Sabha for getting approval of a building plan without enquiring from the Planning Committee. It had been informed that action would be taken as per the instructions of the Attorney General.

### **Chairman's Comment**

Even though the Power of Delegation to the Local Authorities should be implemented under the order, supervision and control of the Authority, it had been informed that action would be taken as per the instructions of the Attorney General against the former Chairman of the Nuwara Eliya Pradeshiya Sabha for getting approval for a building plan without consulting the Planning Committee.

Instructions were sought by this Authority from the Attorney General's Department on misuse of the Powers and instructions on this had been given by Mr. Sumathi Dharmawardana, senior state counsel on 31.01.2012. (A copy is attached herewith) According to the paragraph 5 of that letter, only if the Authority is satisfied when considering the section 26 (1) of the Urban Development Act that an officer of a Local Authority had been acted without bona fide, legal action can be taken against that officer as per the section 28(1). The Urban Development Authority should have evidences revealed from an inquiry to the effect that the officer in question has not acted bona fide. He further informed that if it is not the case, there is no provision to file a court case under section 28(1).

The person who approved the plan in improper manner was the ex-chairman of the Nuwara Eliya

Pradeshiya Sbha. An inquiry should be conducted by the higher management of the Urban Development Authority regarding a person like this who was also in the political Authority.

The chairman who approved the plan in improper manner is no longer hold that post and another chairman is holding that post. Instructions on this matter have been sought on 13.01.2013 from the Attorney General by this division. (Copy attached herewith)

Further, in relation to the improper approval of plans, a court case had been filed under case No. 29001 in Nuwara Eliya Magistrate Court by this Authority against a construction made in Dewon State in Nuwara Eliya Road, Thalawakele by Mr. S.K. Wejerathna of No.57, Nuwara Eliya Road, Thalawakele and an order has been obtained on 31.01.2013 to remove that. It has been informed the Sub Office in Nuwara Eliya District to plan the necessary actions having obtained the approval from the Deputy Director General (Finance) to take action as per the court order. (Copy of that letter is annexed herewith)

#### **Audit Observation**

(d) Section 3 of the Government Lands Act No.07 of 1971 (Recovery and Possession) amended by the Act No.58 of 1981

Action had not been taken to remove the unauthorized residents in lands in Divisional Secretariat Maharagama which belongs to the natural protected zone of wet lands acquired for the water reserve of the Parliamentary Complex .

#### **Chairman's Comment**

Necessary action has been taken to file court cases under State Lands (Re vesting the Possession) Act to remove the unauthorized residents in the reserved lands demarcated for water reserve around Parliament Complex and within Maharagama Divisional Secretariat Division. Approval has been received from His Excellency the President as the Minister of Defense and Urban Development, for that purpose and relevant documents have been referred to the legal division of the Authority for necessary actions. Encroachments have been occurred in rather higher lands situated in the reservation boundaries. Landscaping project is being implemented within the area reserved as a Water Reserve by the Authority around the Parliament and a programme of digging canals is now being carried out. Few unauthorized houses have already constructed this also and another encroachments on boundaries are being removed.

**Audit Observation**

(e) Gratuity Act No.12 of 1983

According to the definitions of the Act, payment of gratuity should be based on the salary including relevant cost of living allowance . However ,the gratuity had not been computed as such.

**Chairman's Comment**

Instructions of the Commissioner of Labour have been obtained regarding the application of Cost of Living Allowance as per the definitions of the Gratuity Act and it has been instructed on 10.12.2007 not to apply the Gratuity payment.

However, it was instructed to apply the cost of living allowance when inquired again on this from the Commissioner of Labour on 09.02.2012.

Now it has been decided to obtain further recommendations on this matter as the instructions received so far are contradictory and to pay the Gratuity after receiving the recommendation from the Commissioner of Labour.

**Audit Observation**

(f) Section 09 of the Employees Provident Fund Act No.01 of 1985 (Amended) and Employees Trust Fund Act No.46 of 1980

The salary included in the cost of living allowance and other allowances should be based on for the payments of the contribution to the Employees' Provident Fund and Employees' Trust Fund . Nevertheless, it had not been so done.

**Chairman's Comment**

Relevant payments have made from August, 1980 based on the consolidated salary of the employees as per the section 09 of the Employees Provident Fund (Amendment) Act No.01 of 1980 and Employees Trust Fund Act No.46 of 1980.

**Audit Observation**

(g) Financial Regulations of the Democratic Socialist Republic of Sri Lanka FR 135

Action had not been taken to update delegation of powers of authority and

approval in respect of the financial control of the Authority after 1999.

### **Chairman's Comment**

Delegation of powers of authority and approval in respect of the financial control of the Authority had been done in year 1999 on the approval of the Board of Management. A committee has been appointed to formulate an internal mechanism to update delegation of powers of authority and for more formal delegation of financial authority. Action will be taken in future to update formal delegation of power of authority on the recommendations of that committee.

### **Audit Observation**

(h) Extraordinary Gazette Notification No.1627/28 dated 13 November 2009 of the Democratic Socialist Republic of Sri Lanka.

Proper action had not been taken on the unauthorized building constructed with an extent of 15,000 square feet at No.60, Denzil Kobbekaduwa Road, Koswatta area contrary to the Zonal Regulations of the Development Plan of the Urban Council Kaduwela.

### **Chairman's Comment**

As per the gazette No.1627/28 dated 13 November 2009, No.60, Denzil Kobbekaduwa Road, Koswatta is belongs to the institutional zone. Approved usages of that zone is as follows.

1. Administrative, institutional and office buildings.
2. Utility services- Minimum area of the land is 1000 square metres.
3. Banks, Insurance and Financial institutions – Minimum area of the land is 500 square metres.
4. Residential buildings, Embassies
5. Hostels, Gest Houses –Minimum area of the land is 500 square metres.
6. Medical Centers - Minimum area of the land is 300 square metres.
7. Social and Cultural Centers - Minimum area of the land is 300 square metres.
8. Montessori and Day Care Centers - Minimum area of the land is 1000 square metres.
9. Primary Education Institutions - Minimum area of the land is 2000 square metres.
10. Secondary Education Centers - Minimum area of the land is 3000 square metres.
11. Religious Places - Minimum area of the land is 1000 square metres.

12. Fuel Filling Stations and Service Centers.

13. Vehicle Parks.

14. Parks and Playgrounds.

A super market and a Fish stall is maintained in that place now.

**Audit Observation**

(i) Section 6(II) of the Schedule V of the Extraordinary Gazette Notification No.1597/8 dated 17 April 2009.

Even though action should be taken to use an unauthorized building which was built entirely for the commercial purposes with an extent of 1420 square meters only for the usages permitted within the Administration Regions by charging Rs.2,840,000 to the Authority for Rs.2000 per each square meter, action had not been taken in connection with the unauthorized building mentioned above.

**Chairman's Comment**

A clearance certificate has been requested by the developer on 10.11.2011 for the above development. As per the field inspection report of the Western Province Division, it has been observed that there are 15,000 square feet and action is being taken to charge necessary fees.

**Audit Observation**

(j) 7 (I) of the Schedule V of the Extraordinary Gazette Notification No.1597/8 dated 17 April 2009 and 9 (I) of the Schedule I(a) of City of Colombo Development Plan of 2008 .

Permission had been given to maintain a bank in a building at No.41,Maitland Crescent, Colombo 07 contrary to the approved usages.

**Chairman's Comment**

This building has not been approved as a residential building but as a commercial building. A Certificate of Conformity No.ME/PBW/COC/09/08 dated 16.07.2008 by the Colombo Municipal

Council for this five story building for commercial usage including an Indoor Stadium, Recreational Economic Activities, A Stadium, A Swimming Pool and A Cafeteria.

However, an application for changing the usage had been submitted in year 2010 to temporary maintain this building as a bank office. Even though this usage was not conformed to the Amended Plan proposed for the area of Colombo Municipal Council, permission had been given by the Urban Development Authority to temporary change the usage for 01 year with effect from 01, February 2010.

As per the planning circular No.04 of the Urban Development Authority, the Authority is empowered to charge fees only for the usage of residential building for non-residential purposes. Accordingly no service fee was charged.

Nevertheless, as per the Planning Circular No.26 issued on 30, September 2012, fees can be charged for changing the usage for any other purpose other than the purpose for which the permit had been issued.

Accordingly, fees can be charged for the above premises from 30, September 2012. However, granting permission for changing the usage within the special, primary and residential zones has been temporary suspended by this Authority. Therefore, approval of the Higher Management Board should be taken to further extend the period.

#### **Audit Observation**

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

A system of promotion based on the performances had not been introduced to the Authority and Certificate of Conformity had not been obtained from the National Salary and Cadre Commission for implementing it after placement of the posts in new salary structure. However, action had been taken to give promotions under prior approval by using a proposed cadre.

#### **Chairman's Comment**

Even though the promotions should have been given based on the vacancies in the carder approved by the Department of Management Services, promotions had been given based on the

draft corporate plan under the prior approval of the Management Board.

#### **Audit Observation**

(l) Paragraph 1 of the Management Services Circular No.39 dated 26 May 2009

Contrary to the Provisions of the Circular, on the decision of the Director Board ,a special allowance of 1/3 of the basic salary had been paid for the Chairman, Director General, Additional Director General , and the staff of the Authority.

#### **Chairman's Comment**

As the Chairman, Director General, Additional Director General and the Staff are performing duties more than they are required to do due to special duties in those offices, an additional allowance had been paid under the approval of the Board of Management. However, it was decided at the Audit and Management Committee meeting held on 11.09.2012 to pay another allowance for them for extra duties done.

#### **Audit Observation**

(m) Paragraph 9.4 of the Circular No.PED/12 of the Department of Public Enterprises dated 02 June 2003

Without an approval of the Cabinet, officers had been released for outside institutions . The salaries for the released period had been paid for the officers by the Authority.

#### **Chairman's Comment**

Action will be taken in future to obtain the approval of the Cabinet of Ministers when releasing officers and employees to the outside institutions and reimbursement of salaries are being done.

#### **Audit Observation**

(n) Special Gazette No. 1597/8 dated 17 April 2009, Planning Circular No. 8 of the Authority dated 30 September 1987 and Planning Circular No. 15 dated 18 November 1993.

Although the accounts for the Urban Development Authority should be opened and maintained by Local Authorities, a Local Authority in the District Office in Ratnapura had not opened bank accounts for depositing service charges etc. of the Authority.

### **Chairman's Comment**

Opening of Bank Accounts in Local Government Institutions.

(1) Niwithigala Pradeshiya Sabha :-

The matter has been solved as bank accounts have been opened by the Niwithigala Pradeshiya Sabha. Current deposit is Rs.159, 875/-

(2) Kahawatta Pradeshiya Sabha :-

The matter has been solved as bank accounts have been opened.

(3) Godakawela Pradeshiya Sabha:-

The matter has been solved as bank accounts have already been opened and the Planning Committee is functioning. Current deposit is Rs.82, 635.20.

(4) Embilipitiya Pradeshiya Sabha:-

Accounts have been opened and sum of Rs.1.2 million has been deposited.

(5) Kuruwita Pradeshiya Sabha:-

Relevant approvals have been obtained to open the account.

(6) Eheliyagoda Pradeshiya Sabha:-

Accounts have already been opened.

### **2:2:8 Transactions of Contentious Nature**

Following observations are made.

#### **Audit Observation**

(a) As the following weaknesses were observed when temporary shelters were provided for the dwellers who lived in houses with less facilities before granting new houses under Colombo Urban Development Project, the clarity and the transparency of the Project are questionable.

(i) Several temporary houses had been granted for a house that was removed.

(ii) Consideration of information of a survey conducted in 1998 – 1999.

(iii) Allocation of houses for those who were not identified in the surveys based on the lists presented by the Representative of the people.

The Chairman has stated that legal procedures were being instituted against those who submitted false and inaccurate information.

### **Chairman's Comment**

As this should have been implemented as an advance step of the project done by REEL Company, data and information of surveys conducted in year 1998- 1999 had been based for

this. If the surveys are conducted in time to time in these settlements where there is extremely complex social, economic and cultural diversity, there will be a trend of occurring uncontrollable changes due to that reason. If these removals had been done by making prior awareness and giving time, there will be an opportunity for extensive families to join. As creating public unrests are inevitable when removing these kind of settlements, participation of the people's representatives is necessary and it has been observed that very few extensive families had to be considered as separate units on decisions taken as the case may be. That is ignorable number from the total number of families. If false or incorrect information had been given, necessary legal steps were taken to correct them on the approval of the Board of Management.

Considerable level of increase in family units had not been occurred when implementing the above project. As legal actions are being taken against few persons for giving false and incorrect information, it can be assumed that the project had been implemented with as much control possible.

#### **Audit Observation**

- (c) Charges of Rs.1,658,960 to be recovered due to improper construction of a hotel on the dam of the Parakrama Reservoir in Polonnaruwa without an agreement of the relevant parties, had not been recovered.

#### **Chairman's Comment**

- (1) As per the notice referred by the Polonnaruwa District Office of the Urban Development Authority on 03rd December 2007, approval had been given on the Memorandum of Understanding without compensation signed with the Authority and court case No.65425 filed in District Court, Polonnaruwa in this connection had not been continued.
- (2) It had been reported that a plan was submitted to the Pradeshiya sabha for this place and that had not been approved and meanwhile a construction had been done. Accordingly, the permit had been issued on 21.07.2009 as per the observations of the officers of the head office of the Authority and the decision of the planning committee subjected to an agreement of non-payment of compensation.
- (3) Action had been taken as per the above agreement of non-payment of compensation considering the observations of the Regional Director of Irrigation.

(4) As the developer had submitted the building application to the Thamankaduwa Pradeshiya Sabha and as this was an application prior to 17, April 2009, fees had been charged as per the gazette of 1986. Accordingly, Rs.51300 had been charged for 1710 square metres as Rs.30.00 per square metre. A fee of Rs.458, 438/- for unauthorized construction and Rs. 385438.10 as the charge of 1%, had been paid.

(5) The validity period of the development permit given as per the above sections was 01 year according to the regulations of the Urban Development Authority .There are provisions in the act to extend it for another 02 years. However this development permit has not been extended.

(a) As this should have been implemented as an advance step of the project done by REEL Company, data and information of surveys conducted in year 1998- 1999 had been based for this. If the surveys are conducted in time to time in these settlements where there is extremely complex social, economic and cultural diversity,there will be a trend of occurring uncontrollable changes due to that reason. If these removals had been done by making prior awareness and giving time, there will be an opportunity for extensive families to join. As creating public unrests are inevitable when removing these kind of settlements, participation of the people's representatives is necessary and it has been observed that very few extensive families had to be considered as separate units on decisions taken as the case may be. That is ignorable number from the total number of families. If false or incorrect information had been given, necessary legal steps were taken to correct them on the approval of the Board of Management.

Considerable level of increase in family units had not been occurred when implementing the above project. As legal actions are being taken against few persons for giving false and incorrect information, it can be assumed that the project had been implemented with as much control possible.

### **2:2:9 Transactions without Adequate Authority**

Following observations are made.

#### **Audit Observation**

(a) It was observed that an amount of Rs.207,331,767 that had been recovered by the Authority with respect to the duration, prior to the Cabinet decision to suspend charging for development licences, had been retained in the Urban Development Authority without transferring to Urban Settlement Development Authority in

accordance with, Section 16(1)(e) in part II of Urban Settlement Development Authority Act, No. 36 of 2008.

### **Chairman's Comment**

The purpose of this amount of money which had been remitted to the Urban Settlement Development Authority, was to give a financial assistance to build houses for low income families. However, this task is now being carried out by the Urban Development Authority. A national programme to build 60,000 houses for shanty dwellers has been inaugurated by the Authority and the required funds for that has to be supplied by the Authority itself. The money charged from the developers by the Authority has been channeled to low income housing programme.

### **Audit Observation**

- (b) Even though the Authority had been informed by the Attorney General in writing that the Urban Development Authority was not authorized to establish a company for managing rest houses as per the Urban Development Authority Act No. 41 of 1978 and the amended annexure No. 4 of 1984, the Urban Development Authority had established a company named UDA Rest House under the certificate of registration No. N(PBS)1394 dated 2 February 2007 by exceeding the legal powers of the Authority. This Company had been renamed as Lanka Rest House Company with effect from 15 November 2010.

### **Chairman's Comment**

In pursuance to the Urban Development Authority Act No.41 of 1978, the act is sited as `` Law to provide for the establishment of an Urban Development Authority to promote integrated planning and implementation of economic, social and physical development of certain areas as may be declared by the Minister to be urban development areas and for matters connected therewith or incidental thereto ``.

According to the act, the Authority is functioning with the aim of the development of the country and the wellbeing of the people by implementing the powers and functions vested in the Authority and establishing companies such as Lanka Rest House Company to achieve targets envisaged by the enactment of the act. Several companies in this nature are presently maintained by the Authority. They are

1. Colombo Land and Development Company
2. Real Estate Exchange Company
3. Onali Holdings Company
4. Ocean View Development Company
5. Peliagoda Warehouse Company
6. Panchikawatta Trangal Redevelopment Company
7. Urban Investment and Development Company

In addition to these, Waters Edge Private Limited is a company maintained by the Authority on a court order made by the Supreme Court considering the feasibility of the Authority to maintain the same. A court decision has also been given by the Supreme Court to establish such a company. Steps have already been taken to make necessary adjustments to the Urban Development Authority Act.

### **3. Financial Review**

#### **3:1 Financial Result**

##### **Audit Observation**

The Pre tax loss of the Authority amounting to Rs.137,283,647 in the previous year had grown to a pre tax profit of Rs.242,576,469 by an amount of Rs.379,860,116 during the year under review. The grant amounting to Rs.532 million given by the Treasury for paying the debenture interests, had mainly contributed to this growth.

##### **Chairman's Comment**

The Urban Development Authority has been able to reduce the Administration and Operational cost in large amount and to generate a profit at the end of 2011 by improving the income through the implementation of proper Administration in the Authority within year 2011.

#### **3:2 Analytical Financial Review**

Following observations are made.

##### **Audit Observation**

(a) As per the financial statements presented to the audit, the financial cost for the year amounted to Rs.1,514,859 and a decrease of 71% in relation to the previous year. But in respect of debenture interest of Rs.1,097,197,364 to be paid for the current year, the financial

cost for the current year should be Rs.1,098,712,223, which is a twenty times increase in relation to that of the previous year.

Furthermore, as the surplus had been accounted as another operational income, by setting off the debenture interest expenditure against the income from the debenture interest, the financial result of the Authority had shown an unrealistic growth of 265% in relation to the previous year.

#### **Chairman's Comment**

The reasons for the decrease of 71% in financial cost are, settlement of a loan in June 2010 which had obtained from the National Savings Bank by the Authority and thereby stoppage of the expenditure on the interest of the loan and the removal of debt tax charged on bank transactions and the minimization of bank charges.

As mentioned in 2.2.2(a) above, the interest paid for the money gained by issuing debentures has been properly accounted as per the Sri Lanka Accounting Standards No 20 – Standard on cost of obtaining loans. As per that standard, cost of obtaining loan incurred when constructing an eligible asset has been capitalized as a cost of that asset. Therefore, it should not be considered as a financial cost when calculating profit/ loss of the year.

As the interest income earned by investing money obtained by issuing debentures and the interest paid for that debentures had been properly accounted as per the above accounting standard, operational income and the expenditure in the current year had not shown unrealistic manner.

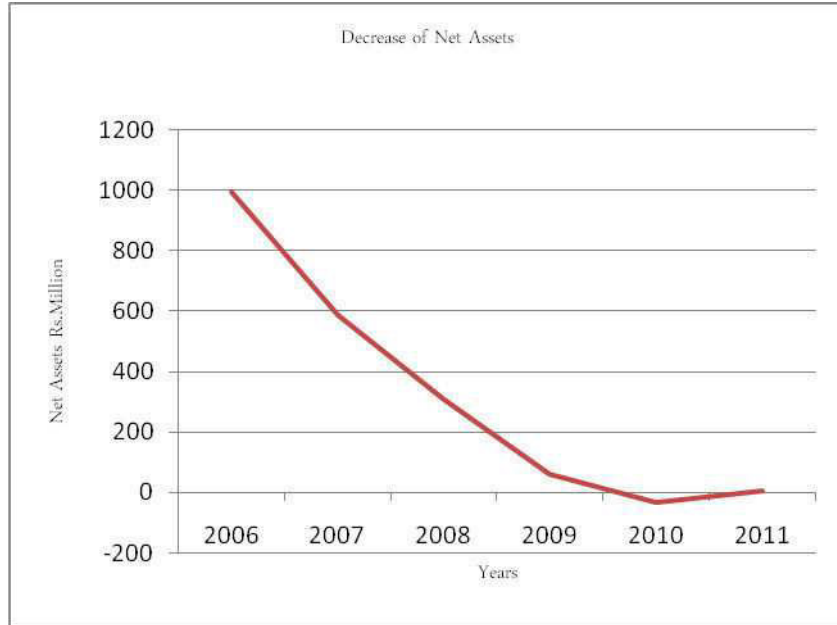
(c) Analytical financial result for the year under review and previous 4 years is as follows.

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<u>Rs.Mn.</u>	<u>Rs.Mn.</u>	<u>Rs.Mn.</u>	<u>Rs.Mn.</u>	<u>Rs.Mn.</u>
Income	816	845	745	713	646
Other Operational Income	633	228	215	189	242
	----	----	----	---	---
<b>Total Income</b>	<b>1449</b>	<b>1073</b>	<b>960</b>	<b>902</b>	<b>888</b>
	=====	=====	=====	=====	=====
Administrative and General Expenses	(1201)	(1189)	(913)	(862)	(878)
Other Operational Expenses	(18)	(23)	(268)	(300)	(372)
	-----	-----	-----	-----	-----
<b>Total Expenditure</b>	<b>(1219)</b>	<b>(1212)</b>	<b>(1181)</b>	<b>(1162)</b>	<b>(1250)</b>
	=====	=====	=====	=====	=====
<b>Operational Profit/(Loss) before Financial Cost</b>	<b>230</b>	<b>(139)</b>	<b>(221)</b>	<b>(260)</b>	<b>(362)</b>
Financial Cost	(2)	(5)	(11)	(22)	(26)
	----	-----	-----	-----	-----
<b>Operational Profit/(Loss) after Financial Cost</b>	<b>228</b>	<b>(144)</b>	<b>(232)</b>	<b>(282)</b>	<b>(388)</b>
Non-operational Income (Government Grants)	14	14	14	14	14
Payments to the Consolidated Fund	-	(8)	-	-	-
	----	-----	-----	-----	-----
<b>Net Profit/(Loss) before Taxes</b>	<b>242</b>	<b>(138)</b>	<b>(218)</b>	<b>(268)</b>	<b>(374)</b>
Taxes	(174)	(6)	(13)	(12)	(20)
	-----	-----	-----	-----	-----
<b>Net Profit /(Loss) after Taxes</b>	<b>68</b>	<b>(144)</b>	<b>(231)</b>	<b>(280)</b>	<b>(394)</b>
	=====	=====	=====	=====	=====

### 3:3 Increase in Expenses and Diminution of Capital

#### **Audit Observation**

It was observed that the net assets had been on the decrease quantitatively as the Authority continuously incurred losses from 2006 to 2010 and thus scenario had made a direct impact on the going concern of the Authority. The following graph illustrates the gradual deterioration in the net Assets of the Authority.



#### **Chairman's Comment**

Even though the Urban Development Authority had incurred losses since year 2006, it has been able to reduce the Administration and Operational cost in large amount and to generate a profit at the end of 2011 by improving the income through the implementation of proper Administration in the Authority within year 2011. Accordingly, the Authority has become to a profit making institution. Therefore, gradual deterioration in the net assets of the Authority cannot be seen and that situation has been increased up to Rs.264 million by the year 2012.

#### 4. Operations Review

##### 4:1 Performance

Following observations are made.

##### **Audit Observation**

- (a) As per the prospectus of debenture, the money obtained by issuing of debenture should be utilized within 36 months by including resettlement activities and lands with an average of 150 acres with shanty dwellers should be aquired under phase I. About 75 acres of such land should be given to other investors on long term lease. The lease income amount should be Rs.25 billion including the interest for the last two years of the debentures and the amount for releasing debentures. However, it was observed that the Authority had not paid enough attention to accomplish the aforesaid objective even after a lapse of 23 months since the issue of debentures.

##### **Chairman's Comment**

Information on Low Cost Housing Construction Programme – Urban Development Authority.

	Location	Contractor	No. of Blocks	Total No. of Units	Expected date of completion
1	Dematagoda	Sathuta	2	495	August,2013
2	Salamulla	SLRDC	3	1008	October, 2014
3	Kolonnawa	IVRCL	5	696	October,2014
4	Maligawatta Stage I	IVRCL	4	768	October,2014
5	Maligawatta Stage II	IVRCL	8	1408	October,2014
6	Aluth Mawatha	IVRCL	6	1248	February,2014
7	Henamulla	Access Engineering	5	1137	September,2014
8	Ferguson Road Stage I	CML-MTD	4	872	August,2014
9	Cyril C Perera Mawatha	ICC	3	366	July,2014
10	Sirimawo Bandaranayake Mawatha	Tudawe Brothers	4	546	September,2014
11	54 Watta	B.G.Shirke	2	720	February,2014
12	66 Watta	B.G.Shirke	1	432	February,2014
13	Mayura Place	SLLRDC	1	120	December,2012
Total	No. of Housing	Units		9816	

No of units for which approval have been received to make contract awards :721  
No of units for which Cabinet approval being sought after PC/ CANC PROCESS : 7043  
Grand Total : 17680 units  
Last Update : 11.10.2012

Under this programme 13 housing projects have already been commenced and it is expected to release 173 hectares of land after providing these houses to low income families. Income to be received from Leasing out those lands to the Developers after releasing those lands will be used to build rest of the houses.

(b) Long- standing Projects without being Completed

Following observations are made.

**Audit Observation**

i. Projects in the Ratnapura district that were commenced from 7 to 20 years without being completed are as follows.

<u>Project</u>	<u>Year of Commencement</u>
Galkaduwwawatta Housing Scheme	2003
Bus Station Project	1999
Housing Scheme facing the Provincial Council	1997
Hotel Project	1994
Children's Park Project	1990

**Chairman's Comment**

Galkaduwwawatta Housing Scheme – 2003

Decision of the court for the case against Janak Housing Privet Limited who is willing to invest to this project, had been received in favor to the Authority and the developer had left. Now this land is in vacant status.

2. Bus Station Project – 1999

Financial allocation has not been made to implement this project.

3. Housing project in front of the Provincial Council

Future action are being done by approving survey plans in order to call tenders.

4. Hotel Project

Initial steps are being commenced to transfer this land to BGS Health & Education Institute as per the recommendation of Director (Sbaragamuwa Province) and their concurrence has not received to deposit the value of the and to the Authority.

5. Children's Park Project

Rs.20 million has been allocated from the provisions of the Authority instead of giving it to a private investor and planning works is in progress.

**Audit Observation**

- ii. It was observed that the objective of the Urban Development Plans had not been accomplished as all the Projects had come to a halt.

**Chairman's Comment**

Given under clarification (b) 1

**Audit Observation**

- iii. Miscellaneous Projects, such as Houses, Hotels, Parks and Transport Services, introduced to the district, had not been implemented. Though it had taken 20 years since the identification of certain Projects, even a investor had not been found for some Projects.

**Chairman's Comment**

Given under clarification (b) 1

**4:2 Management Inefficiencies**

Following observations are made.

**Audit Observation**

- (a) An amount of Rs. 44 million had been earned by granting the property that was obtained by a private company from the Authority on lease, to another party on sub lease without prior approval from the Authority and the Authority had failed to observe this position in time. It was observed that this inefficiency had occurred due to poor management on the lease.

**Chairman's Comment**

Detailed report on this lease has been already given by the observations submitted for the audit query No.TH/UDA/2011/V 18.However, as mentioned in the audit query, the reason for the unsettled lease which was obtained from the Peoples Bank being a liability of the Authority is the relevant lessee, S.M.S.WORLDWIDE (PVT) LTD was bankrupted and liquidated. Legal action could have been taken to recover this lease from the lessee, if such incident was not happened.

As this land had been mortgaged to the bank and obtained a loan by the lessee, ownership of the Authority to the land was bonded preventing the Authority from transferring the land to another party. It is necessary to call tenders on the present value of the land and give it to a new developer as the lessee has died and the relevant company is bankrupted. The new developer have to settle lease at that time.

Approval of the Board of Management of the Authority has been given to lease out this land to Sri Lanka Ports Authority and they were informed to pay the lease money. However, money has not been paid yet.

**Audit Observation**

- (b) Due to non-protection of the valuable trees on the lands owned by the Authority by a proper registering process, instances of improper disposals had been observed in audit.

**Chairman's Comment**

When acquiring lands for the Authority, a situation report is prepared by the Government Valuator regarding the buildings, valuable trees and other things with physical value situated thereon when obtaining the possession. Those properties will be included to the property estimate to determine the amount of compensation.

When those lands dispose for development works after vesting with the Authority, buildings/ trees which are on the land are considered in the valuation on current situation. However, before disposing lands in that manner, trees are removed considering the nature and necessity of the development. There is no clear legal provision on such removal or disposal. As per the resent circular No.04/2010 dated 24.12.2010 issued by the Ministry of Environment, if there are valuable trees to be dispose at the acquiring or vesting , they should be given to the State Timber Corporation.

If there are trees with valuable timber in lands vested in the Authority, action has already been taken to document them as the Authority has the responsibility of protecting them. Accordingly, action will be taken in future not to dispose valuable trees in improper manner.

#### **Audit Observation**

- (c) It had been decided to take over a land of 4.6 acres to be used as an alternative land for 16 families who dwelled in the proposed sacred area development zone in Egoda Kelaniya and the Authority had spent an amount of Rs.14,120,833 for the development of the land. Before the conclusion of the land acquisition process, the Authority had developed the land without accepting the ownership of the land by the Urban Development Authority. The Project had come to a halt by the end of 2011.

#### **Chairman's Comment**

It was decided to acquire a land of 4.6 acres as an alternative land for 16 families who residing in proposed Egoda Kelaniya sacred Area Development Zone and the Authority had spent Rs.14, 120,833 to develop that land. Before conclusion of the land acquisition process, the Authority had develop the land without accepting the ownership of the land by Urban Development Authority. The project had come to a halt by the end of year 2011.

Approval had been given to acquire lands for the above development by the Board of Managements paper No.259/2007 which was submitted by the Western Province Division on 29.07.2007.

Acquisition of land was assigned to the Land Division and planning, construction and development works were assigned to the Project Managements Division.

It was targeted to commence the development works before 26 April 2008 and as the land division had stated that land acquisition process was in progress, the task of land development was accelerated.

The project had come to a halt as required funds to complete the development works had not been given by the National Physical Planning Department

#### **Audit Observation**

- (d) Having agreed to lease out the lands owned by the Authority at the assessed value to the encroachers, the legal proceedings against those parties had been withdrawn. But, it was observed that those parties had been continuously encroaching the relevant property near the Parliament round about since 2007 without paying the amounts as agreed. It was also observed that external parties had been using the

properties of the Authority without making any payment in spite of the agreement to obtain the properties at the assessed value.

#### **Chairman's Comment**

Action is being taken to take back the possession to the Authority by taking legal action against an outside party who encroached a portion of land of the Authority which situated at Parliament round about. Accordingly, certificate necessary to obtain the approval of the Minister in charge of the subject, had been sent on 11.05.2012. This approval has not received yet. If the situation is such, physical possession of the land has been obtained by the Authority by now and that land has been hand over to the Sri Lanka Electricity Board on a requirement of the Government to relocate the electricity substation which is removed from Waters Edge premises under its renovation programme.

#### **Audit Observation**

- (e) Field investigation on the families illegally occupying the lands owned by the UDA in the Divisional Development in Maharagama, had revealed that persons who had been identified as non-dwellers had been registered as dwellers

#### **Chairman's Comment**

Even though a survey had been done on illegal occupants and their details have been documented, some occupants were moving away by handing over their places to the relatives or to other persons. Accordingly that can be an update of documents.

#### **Audit Observation**

- (f) A land of 20.99 perches on the Chittampalam A Gardiner Mawatha Colombo owned by the Urban Development Authority had been granted to a lessee without a written agreement in order to maintain a Private Lecture Hall. The Authority had not taken action in a time to recover the rental since 1997 and the interest amounting to Rs.12,402,670.

#### **Chairman's Comment**

Board of management of the Authority has given approval to grant above land on 50 year lease basis and to charge the total lease amount of Rs.36, 402,670/- with an annual interest of 12% as Rs.2, 000,000/- per monthly. Accordingly, Rs.20, 000,000/= has been paid by the lessee up to September 2012. The balance is to be charged Rs.2 million per month up to

October 2013 and the lessee has given his consent for that. A lease Agreement will be signed for the above lease after making all payments.

Rs.28, 000,000/= has been paid from the outstanding money by the lessee up to January 2013.

#### **Audit Observation**

- (g) It was observed that a land of 306 perches in New Town, Ratnapura owned by the UDA, had been occupied by encroaching and constructing houses and proper actions had not been taken with this regard.

#### **Chairman's Comment**

Necessary actions are being taken by the Land Division for the encroachment and construction of houses in a land of 306 perches which is owned by the Urban Development Authority in Rathnapura New Town.

#### **Audit Observation**

- (h) Proper actions had not been taken against the Local Authorities on the non execution of the powers of the Authority vested by the UDA.

#### **Chairman's Comment**

- Non execution of the planning powers vested by the Authority on Local Authorities, in proper manner is an issue which existing from the beginning of the Authority.
- An audit programme is to be implemented from July 2012 as a solution for this situation to ascertain the issuance of Development Permits by the Local Authorities is being done in proper manner.
- The complaints received on the establishment of the Planning Committee in Udugama sub office division of Ja- ela Pradeshiya Sabha which was declared as an Urban Development Area in year 1994, were examined and the establishment of that committee was held on 07.09.2012 under my supervision.

- As it was reported that Maharagama Urban Council has held Planning Committee Meetings on 26.04.2012, 14, 15, 16, 23, 24, .05.2012, 16.06.2012 and 05.07.2012 without the representation of Planning Officers of the Authority has issued Development Permits, a report was obtained about the Development Permits so issued and arrangements are ready to inquire regarding that.

Meanwhile, it was reported to the Authority that the Wttala Pradeshiya Sabha also issuing Development Permits by holding Planning Committee Meetings without the participation of the representatives of the Authority. Inquiry on this matter is also commenced.

The planning powers of the Urban Development Authority is decentralized to the Heads of the Local Government Institutions and the Provincial offices established in all 09 provinces are directly involved with the implementation of that. Provincial Directors have been attached for this purpose and Planning Officers are appointed to coordinate with the Local Government Institutions under the supervision of those Provincial Directors.

Therefore, it is a special responsibility of the Provincial Directors to ensure the proper implementation of this.

If there are instances where this is not properly implemented, that should be directly informed to the Director General.

#### **Audit Observation**

- (i) Though the Authority had granted lands to the Government institutes, development activities had not been commenced on some of the lands as stipulated. However, action had not been taken to take over such lands and utilize

#### **Chairman's Comment**

Actions were taken to divest the lands which were transferred to the Government Institutions by the Authority and development works were not commenced yet as agreed by those institutions and action is being taken to transfer those lands to the following institutions to utilize them in an optimal manner.

- Examples: -
1. Central Environmental Authority.
  2. University of Sabaragamuwa.

3. Rathnapura Divisional Secretariate.

4. Army Camp – Kuruwita.

The progress of that is as follows,

1. The documents related to the land to be given to the Central Environmental Authority has been recommended and submitted to the Head Office.
2. The survey plans have been prepared to grant the land.
3. Ground development works of the Divisional Secretariat has been commenced.
4. Arrangements have been made to commence the survey activities

#### **Audit Observation**

- (i) After construction of the access road to the IT Park in Malambe, an illegal access road had been constructed leading to a private land by reclaiming an area extent with 200m long and 7m width reserve that remained. The Authority had not taken steps to remove the illegal construction. Despite this situation, clearance certificates had been issued for a development activity on the land to which access was through the illegal road. It had been informed that it would be developed as a road for general public on the approval of the Board of Management.

#### **Chairman's Comment**

Necessary preliminary actions had been taken immediately when it was reported that an unauthorized access road was being constructed in the IT Park in Malambe. It has been revealed at the field inspections carried out by the Planners that the access road of the IT Park is not sufficient. Specially, as there are private lands also in the area declared as the IT Park, the necessity for developing the access roads and the infrastructure in order to encourage the Information Technology Projects.

Accordingly, considering the planning requirements to regularizes this unauthorized access road which was constructed by illegal reclamation, in such a way that it would facilitate the development of other lands also, this road is to be developed as a public road on the approval given by the Board of Management on 12.03.2012. Further, the approval of the Main Planning Committee also given for this on 12.01.2012.

#### **Audit Observation**

- (k) Lanka Rest House Ltd., a subsidiary company of the UDA, had not made any quantitative contribution to the Authority due to losses incurred continuously. Particulars are as follows.

	2011	2010	2009	2008	2007
	-----	-----	-----	-----	-----
	Rs.	Rs.	Rs.	Rs.	Rs.
Losses	(14,225,977)	(7,409,551)	(18,756,474)	(15,257,707)	(13,205,285)

The ownership of the 22 restaurants maintained by the Lanka Rest House Ltd., belongs to the Municipal Councils of the districts in which the restaurants are located. Those restaurants should pay the UDA 30% of the monthly rental as a maintenance fee. Maintenance of the restaurant in Bandarawela had been out sourced to an external party from 01 April 1998 for a monthly maintenance fee of Rs.165,000 though, the outstanding amount to be recovered by the Authority as at 2012 October 31 was Rs.6,468,169 due to non payment of the maintenance fee. As at the same date, the outstanding amount to be paid by the Authority to the Municipal Council in Bandarawela was Rs.9,218,932.

#### **Chairman's Comment**

As per the accepted conditions of the court case on the outstanding rent money to be received from Bandarawela Rest House which heard in the Commercial High Court at Colombo, 50% of the due amount should be paid on or before the date on which the Management Agreement between the Lanka Rest House Limited and the Rest House Keeper is made and the other 25% should be paid after 03 months from the date the agreement was made and the balance 25% should be paid in installments with an interest of 1.5 % .

50% from the above due amount has already paid by the Rest House Keeper and action will be taken to pay 70% from that amount to the Bandarawela Municipal Council.

#### **Audit Observation**

(1) Illegal constructions, reclamations and mining take place at a major scale within the area of 8 local authorities outside the city limit in Ratnapura district though, the UDA has temporarily suspended declaring such areas as development areas in terms of a decision by the Board of Management. Hence, taking actions against these illegal activities had failed.

### **Chairman's Comment**

The reason for the inability of the Authority to take actions against the illegal constructions, reclamations and mining take place in the area of 08 local authorities outside the city limits in Rathnapura district, is that those areas have not further declared as development areas on the Chairman's Commentss made by the Board of Manegement.

### **Audit Observation**

(m) Rs.55,000,000 worth of contingent fund reserve established under the revenue reserve with the profit in the year 2006 for paying compensation for the legal actions taken against the Authority by different parties had not been utilized for the said purpose.

### **Chairman's Comment**

Rs.55 million shown in the balance sheet as contingent fund, has been reserved to settle any contingency payment which may be occurred in future.

This is a reservation made for the payments such as compensation to be made in legal actions taken against the Authority by various parties. Compensation to be paid for the Water's Edge Hotel which has been vested in the Authority on a court decision or any other payment similar to that can be shown as examples of the instances where this reservation can be utilizes.

### **4:3 Uneconomical Transactions**

Following observations are made.

### **Audit Observation**

(a) Though an amount of Rs.4,915,600 had been paid to the Department of Valuation for assessing the rentals for renting the premises of Sethsiripaya to Government institutes, Authority had at its discretion amended the rentals in spite of the Chief Assessor

### **Chairman's Comment**

The rental to be charged when renting out spaces in the Sethsiripaya premises for the Government institutions is assessed by the Government Valuation Department. Accordingly, the relevant assessment was called and assessment charge for that was Rs.4, 915,600/=. The rentals were decided by the Internal Assessment Committee based on the values of the Department of Valuation.

### **Audit Observation**

(b) Though the bus stand and 10 trade stalls in Horana constructed at the expense of Rs.75 million had been taken over by the UDA on 12 May 2009 , action had not been taken to rent out those trade stalls by the end of the year under review.

### **Chairman's Comment**

Subjected to the legal activities of transferring the possession of this land to the Authority from the Divisional Secretary, Horana, all trade stalls were given on rent and all the rentals were recovered

### **Audit Observation**

(c) The shopping complex comprising of 106 lab stalls constructed in the Saunders Place at the expense of Rs. 16 million in the year 2002 had not been granted for use up to the date of this report.

### **Chairman's Comment**

1. What comprising in this shopping complex were small boutiques (kadabakki) and not trade stalls and no businesses were taken place there. Those ‘‘Kada bakkis’’ were not given to the traders. This building was abandoned and various kinds of abuses were taken place.
2. Meanwhile, it was decided to evacuate the street vendors who were doing businesses on the pavement along Olcot Mawatha and Saunders road around the Colombo Central Bus Stand and they were evacuated on 03.05.2009.
3. The Authority then decided to prepare a new plan to construct more suitable trade stalls by removing the kada bakkis in the above building to be given to the evacuated vendors, to do the construction such as the alternation of the roof and other places of the building, construction of 04 lavatories etc. by Authority's funds and to build the relevant trade stalls by the vendor's expenses as per the new plan.
4. The traders formed a society to facilitate the construction of stalls by themselves and 110 stalls were constructed under the supervision of this Authority by collecting the relevant construction costs from their members.
5. The legal division had taken steps to sign monthly rent agreements and they were signed on 24.10.2011 after the construction of stalls.
6. The traders had requested from the Electricity Board to have separate connections for each stall and the estimate for that was very high. So they had informed to the Electricity Board

that small traders cannot bare that amount of money. Electricity connection has not yet been obtained.

7. Collecting the monthly rentals has been commenced from July 2012. It is somewhat difficult to collect rentals from the traders as they have not started their businesses. A discussion was held in this connection with the trader's society and they have agreed to collect the rentals by the society and pay to the Authority from March 2013.

#### **Audit Observation**

(d) Although an amount of Rs.92,000,000 invested by the Authority in Ocean View Development company Pvt. Ltd., no profit had been made from 2005 up to end of year under review and action had not been taken to retrieve the investment by converting the company into a Public Company in accordance with the Cabinet decision.

#### **Chairman's Comment**

In order to gain profit on the investments of this company, an officer who is capable of making a better supervision on its financial administration, has been appointed to the Board of Directors as a representative of the Authority. Accordingly, its directors have proposed to pay a dividend of Rs.0.11 per share for the year 2011.

#### **Audit Observation**

(e) On behalf of the lands granted to the Reel Company, 18% of reference shares of the company amounting to Rs.28,950,000 had been obtained in 2005, though, no any benefit had been obtained for the investment.

#### **Chairman's Comment**

The following lands were given on 99 years lease basis to the Reel company by the Urban Development Authority.

FFile No.	Name of the land	tent of the land / hectare	Lease agreement No. & Date	Cancelled lease agreement's No. & Date	lease value Rs.
10/8/1934	St.Sebastian Mawatha	0.1048	794 02.03.2001	1546 26.10.2010	21,500,000/-
10/8/1936	Sri Wagirajgana Mawatha	0.1236	1053 24.11.2004	1544 26.10.2010	5,450,000/-
10/8/2203	Mudalige Mawatha Union Place	0.2858	1066 15.12.2004	1547 26.10.2010	75,000,000/-
10/8/1202	Aluth Mawatha	1.836	1051 24.11.2004	1551 02.12.2010	133,997,570/-

Even though the above mentioned lands were given to the Reel Company on 99 years lease, their anticipated Housing Project could not be continued as company's financial situation was unsatisfactory. As the company was unable to commence the housing projects in above mentioned lands, all the lease agreements were cancelled in year 2010 as shown in the above chart.

The preferential share certificates to the value of Rs.26, 950,000 were issued by the Reel Company for these lands and that cannot be converted to the cash value due to the non-implementation of the projects. The Urban Development Authority is now making arrangements to liquidate the Reel company even though it has been functioned as a shareholder since its inception.

However, all the above mentioned lands were retransferred to the Authority, and they can be used for projects which generate very high financial value. As such, there will be no financial loss to the Authority.

#### **Audit Observation**

(f) Although an amount of Rs.299,999,930 had been invested by the Authority in Peliyagoda Warehouse Company, no any benefit had been received and a 100% provision had been granted on the depreciation of market value due to the Company incurring long term losses.

### **Chairman's Comment**

The Authority had incurred this cost for the investments made when the inception of the company. However, in order to cover up the risk on the investment made, an allocation had been made for the total value of the investment as per the Sri Lanka Accounting Standards

### **4:4 Resources of the Authority granted to Other Government Institutes**

#### **Audit Observation**

Authority had released 16 officers to various Government Institutes over several years in violation of paragraph 9.4 of Treasury Circular No. PED/12 dated 02 June 2003. The salary of 11 such officers amounting to Rs.15,166,399 had not been reimbursed by the respective institutes.

### **Chairman's Comment**

Officers of the Authority have been released to the other Government institutions to supply ancillary services. Further, an officer has been released to the Land Reclamation and Development corporation and an officer of that corporation has been attached to this Authority. Only the exchange of two officers is happened here.

### **4:5 Staff Administration**

Following observations are made.

#### **Audit Observation**

- (a) Failure to introduce an accurate and proper procedure for recruitments and promotions despite 33 years of the establishment of the UDA, is observed to be highly unsatisfactory.
- (b) The corporate plan of the Authority is being drafted at present and a proper recruitment and promotion procedure is to be introduce in year 2013.
- (c) Observations made included recruitment of officers to non-existent positions in the recruitment procedure and promoting officers to such positions, predating the designations without equity and changing the designations.

### **Chairman's Comment**

In order to get the required manpower which need for the efficient and effective management by filling the vacancies existing in the Urban Development Authority, recruitments and promotions were done as per the corporate plan within 05 years from 2007 to 2012.

### **Audit Observation**

- (d) Even though a full time officer should be appointed to the Permanent Post in terms of paragraph 13.3 in Chapter 11 of Establishments Code, the Director General Post of the Authority remains in acting capacity for more than 2 years whereas, many other posts including the Post of Director remain in acting capacity for about 4 years.

### **Chairman's Comment**

As the Urban Development Authority is an institution functioned under His Excellency the President, appointment to the post of Director General is to be done by the Minister and the responsibility of making the post permanent or appointing a permanent officer to that post is with the Ministry.

## **5. Accountability and Good Governance**

### **5:1 Corporate Plan**

#### **Audit Observation**

Although a Corporate Plan had been prepared to cover the period of 2008/2012 by the Authority it had not been updated annually.

#### **Chairman's Comment**

5.1 The project of 65000 housing units was not included in the corporate plan 2008 – 2012 and the reason for that is the relevant project was not proposed to be commenced at the time of preparing that corporate plan in year 2007.

### **5:2 Action Plan**

#### **Audit Observation**

Action Plan had not been prepared in order to accomplish the targets stated in the Budget Estimate.

#### **Chairman's Comment**

The action plan for the year 2011 was prepared in year 2010 and the relevant project was not commenced at that time too.

However, necessary action will be taken to update the corporate plan and the action plan.

### **5:3 Internal Audit**

#### **Audit Observation**

An internal audit division is in operation. It was observed that the staff in the internal audit division was not sufficient with regard to the expansion of the workload of the Authority.

#### **Chairman's Comment**

The staff of the internal audit division has been increased as per the requirement considering the proposed new manpower assessment.

### **5:4 Audit and Management Committees**

#### **Audit Observation**

Although audit and Management Committee meetings had been held in a timely manner, it was observed that the decisions and orders were not implemented.

#### **Chairman's Comment**

The chairman of the Audit and Management Committee and the Chief Internal Auditor are making arrangements to take necessary actions.

### **5:5 Procurement Plan**

#### **Audit Observation**

A Procurement Plan for the year 2011 had not been prepared by the Authority.

#### **Chairman's Comment**

A procurement plan has been prepared for the year 2012.

### **5:6 Tabling of Annual Reports**

#### **Audit Observation**

Annual reports had not been tabled after the year 2009.

#### **Chairman's Comment**

The annual report for the year 2010 has been submitted to the Parliament on 18.03.2013 by the Ministry.

**6. Systems and Control**

Weaknesses on the systems and controls observed in the audit were brought to the notice of the Chairman from time to time. Special attention should be paid on the following areas of control.

- (a) Personnel Management
- (b) Issue of Permits for Development
- (c) Accounting of Income
- (d) Recovery from the Debtors
- (e) Obtaining advances from the Customers

H.A.S.Samaraweera  
Auditor General

*FINANCIAL STATEMENTS - 2011*

**URBAN DEVELOPMENT AUTHORITY**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2011**

	Note	Group		Authority	
		31st December 2011 Rs.	31st December 2010 Rs. Restated	31st December 2011 Rs.	31st December 2010 Rs. Restated
Revenue	2	1,201,086,434	1,154,274,062	816,018,659	845,425,793
Other Income	3	686,857,142	279,385,149	632,939,833	227,927,954
		1,887,943,576	1,433,659,211	1,448,958,492	1,073,353,747
Sales & Marketing Expenses		(16,290,646)	(19,373,351)		
Administration Expenditure	4	(1,565,284,091)	(1,621,588,509)	(1,200,874,954)	(1,327,421,571)
Financial Cost	5	(5,074,150)	(11,253,869)	(1,514,859)	(5,308,373)
Other Expenses	6	(19,322,790)	(24,994,858)	(18,414,210)	(22,572,270)
Profit/ (Loss) From Operations		281,971,898	(243,551,376)	228,154,468	(281,948,466)
Government Grants		14,422,001	14,422,001	14,422,001	14,422,001
Levy paid to Consolidated Fund		-	(8,360,512)	-	(8,360,512)
Share of Results of Associates	10	5,717,250	4,935,905	-	-
<b>Profit / (Loss) Before Taxation</b>		302,111,149	(232,553,982)	242,576,469	(275,886,977)
Income Tax Expenses	7	(186,758,309)	(23,558,002)	(173,998,337)	(6,376,074)
<b>Profit/ (Loss) for the Year</b>		115,352,840	(256,111,984)	68,578,132	(282,263,051)

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 104 to 120 form an integral part of these financial statements.

**URBAN DEVELOPMENT AUTHORITY**  
**CONSOLIDATED BALANCE SHEET**  
**As at 31st December 2011**

ASSETS	Note	Group		Authority	
		2011 Rs	2010 Rs Restated	2011 Rs	2010 Rs Restated
<b>NON CURRENT ASSETS</b>					
Net value of property, plant and equipment	8	400,944,250	404,445,726	260,887,661	270,052,760
Investment Property	9	2,755,039,790	2,799,069,325	2,755,039,790	2,799,069,325
Investments in Associates	10	169,004,944	163,287,694	92,000,000	92,000,000
Other Investments	11	114,762,341	114,762,341	459,759,911	459,759,911
Receivable from Subsidiaries	12	-	-	2,780,637,660	1,685,798,258
Loan given to local authorities		115,642,689	131,213,739	115,642,689	131,213,739
Capital work in progress		4,502,391,492	2,501,402,370	1,938,228,967	1,192,422,659
Stock in trade		1,021,619,110	1,054,269,199	1,021,619,110	1,054,269,199
Investment in Rest Houses	13	14,070,425	14,070,425	14,070,425	14,070,425
		<b>9,093,475,040</b>	<b>7,182,520,818</b>	<b>9,437,886,212</b>	<b>7,698,656,275</b>
<b>CURRENT ASSETS</b>					
Inventories		28,551,276	22,766,388	9,570,654	8,081,737
Debtors	14	1,835,140,094	1,356,047,359	1,740,405,432	1,243,996,130
Deposits, prepayments & advances	15	2,042,102,530	821,770,296	1,999,852,181	709,117,278
Cash & cash equivalents	16	11,371,015,018	10,458,389,043	11,079,667,389	10,248,598,688
		<b>15,276,808,918</b>	<b>12,658,973,086</b>	<b>14,829,495,657</b>	<b>12,209,793,833</b>
<b>TOTAL ASSETS</b>		<b>24,370,283,958</b>	<b>19,841,493,904</b>	<b>24,267,381,869</b>	<b>19,908,450,108</b>
<b>EQUITY &amp; LIABILITIES</b>					
<b>CAPITAL &amp; RESERVES</b>					
Stated Capital	17	100,000,000	100,000,000	100,000,000	100,000,000
Net government contribution	18	1,044,500,897	1,058,922,898	1,044,500,897	1,058,922,898
Externally provided equity		1,144,500,897	1,158,922,898	1,144,500,897	1,158,922,898
Capital reserves	19	8,462,785	8,462,785	8,462,785	8,462,785
Revenue reserves	20	55,000,000	55,000,000	55,000,000	55,000,000
Accumulated surplus / (deficit)	21	(1,220,534,292)	(1,429,369,410)	(1,230,416,161)	(1,392,476,570)
		<b>(12,570,610)</b>	<b>(206,983,727)</b>	<b>(22,452,480)</b>	<b>(170,090,888)</b>
<b>NON CURRENT LIABILITIES</b>					
NSB Loan	22	2,302,606,973	1,388,699,092	2,302,606,973	1,388,699,092
Debenture	23	10,000,000,000	10,000,000,000	10,000,000,000	10,000,000,000
UDSP Loan	24	201,453,129	217,024,178	201,453,128	217,024,178
Deferred Lease Rent	25	6,729,887,780	3,864,422,923	7,046,137,779	4,187,572,923
Accrued compensation on lands		751,314,769	781,848,606	751,314,769	781,848,606
Key Money Received On Project Developments		24,618,991	24,618,991	24,618,991	24,618,991
Defined Benefit Obligation - Gratuity	26	127,450,921	216,183,834	113,211,312	213,479,945
Payable to Asia Pasific Golf Course Ltd		419,163,210	419,163,210	406,483,000	406,483,000
		<b>20,556,495,772</b>	<b>16,911,960,835</b>	<b>20,845,825,952</b>	<b>17,219,726,735</b>
<b>CURRENT LIABILITIES</b>					
Expense & other creditors	27	1,436,682,543	1,433,551,956	1,122,902,561	1,169,809,794
Deposits & advances	28	2,257,043,449	1,643,513,421	2,252,255,449	1,638,725,421
Bank overdraft	29	132,632,804	59,451,418	68,850,388	50,279,045
		<b>3,826,358,795</b>	<b>3,136,516,796</b>	<b>3,444,008,397</b>	<b>2,858,814,261</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>24,370,283,958</b>	<b>19,841,493,904</b>	<b>24,267,381,869</b>	<b>19,908,450,108</b>

Significant Accounting Policies and Notes to the Financial Statements Disclosed on Pages 104 to 120 are integral part of these Financial Statements.

Signed

Mr.W.L.D.P.V.Jayawardena

**Dy. Director General(Finance)**

**Date** 22/11/2012

Signed

Mr.Nimal Perera

**Chairman**

**Date** 22/11/2012

**URBAN DEVELOPMENT AUTHORITY**  
**STATEMENT OF CHANGES IN EQUITY**  
**As at 31st December 2011**

**Statement Of Changes In Equity for the Authority**

	<b>Stated Capital Rs.</b>	<b>Net Govt Contribution Rs.</b>	<b>Capital Reserve Rs.</b>	<b>Revenue Reserve Rs.</b>	<b>Retained Surplus Rs.</b>	<b>Total Rs.</b>
Balance as at 1st January 2009	100,000,000	1,008,594,899	8,462,785	55,000,000	(1,110,213,520)	61,844,164
Grants written Back to Income	-	(14,422,001)	-	-	-	(14,422,001)
Accounting Adjustments	-	-	-	-	-	-
Expenditure Over Income For The year	-	-	-	-	(282,263,051)	(282,263,051)
<b>Balance as at 31st December 2010</b>	<b>100,000,000</b>	<b>1,058,922,898</b>	<b>8,462,785</b>	<b>55,000,000</b>	<b>(1,392,476,571)</b>	<b>(170,090,888)</b>

Balance as at 1st January 2011	100,000,000	1,058,922,898	8,462,785	55,000,000	(1,392,476,571)	(170,090,889)
Change in Accounting policy for Gratuity	-	-	-	-	93,482,278	93,482,277
Grants written Back to Income	-	(14,422,001)	-	-	-	(14,422,001)
Expenditure Over Income For The year	-	-	-	-	68,578,132	68,578,132
<b>Balance as at 31st December 2011</b>	<b>100,000,000</b>	<b>1,044,500,897</b>	<b>8,462,785</b>	<b>55,000,000</b>	<b>(1,230,416,161)</b>	<b>(22,452,481)</b>

**Statement Of Changes In Equity for the Group**

	<b>Stated Capital Rs.</b>	<b>Net Govt Contribution Rs.</b>	<b>Capital Reserve Rs.</b>	<b>Revenue Reserve Rs.</b>	<b>Retained Surplus Rs.</b>	<b>Total Rs.</b>
Balance as at 1st January 2010	100,000,000	1,008,594,899	8,462,785	55,000,000	(1,262,886,880)	(90,829,196)
Adjustment to Waters Edge Profit	-	-	-	-	23,277,667	23,277,667
Share of Results of Associates related to previous years (Note 10)	-	-	-	-	64,750,000	64,750,000
Grants written Back to Income	-	(14,422,001)	-	-	-	(14,422,001)
Share of Investment of Associates	-	-	-	-	66,351,787	66,351,787
Expenditure Over Income For The year	-	-	-	-	(256,111,984)	(256,111,984)
<b>Balance as at 31st December 2010</b>	<b>100,000,000</b>	<b>1,058,922,898</b>	<b>8,462,785</b>	<b>55,000,000</b>	<b>(1,364,619,410)</b>	<b>(206,983,727)</b>

Balance as at 1st January 2011	100,000,000	1,058,922,898	8,462,785	55,000,000	(1,364,619,410)	(206,983,727)
Change in Accounting policy for Gratuity (Note 26)	-	-	-	-	93,482,278	93,482,278
Grants written Back to Income	-	(14,422,001)	-	-	-	(14,422,001)
Expenditure Over Income For The year	-	-	-	-	115,352,840	115,352,840
<b>Balance as at 31st December 2011</b>	<b>100,000,000</b>	<b>1,044,500,897</b>	<b>8,462,785</b>	<b>55,000,000</b>	<b>(1,155,784,292)</b>	<b>(12,570,610)</b>

**URBAN DEVELOPMENT AUTHORITY  
NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2011  
STATEMENT OF CASH FLOW**

	<b>2011</b> Rs.	<b>2010</b> Rs. Restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit/(loss) before Income Tax	242,576,469	(275,886,977)
<b>Add:</b> Provision for bad debts	90,027,002	206,753,970
Depreciation	83,881,988	83,353,185
Provision for gratuity	6,655,934	19,444,575
Reduction of risk of Recovery of PWCC loan	16,573,907	13,522,611
	<u>439,715,300</u>	<u>323,074,341</u>
<b>Less :</b> Rent	444,666,203	477,590,793
Profit on sale of Land & Buildings	17,620,296	5,355,764
Written Back portion of Govt Grants	14,422,001	14,422,001
Dividend	17,064,947	18,226,947
Interest	435,525,708	44,666,887
	<u>929,299,156</u>	<u>560,262,393</u>
<b>OPERATING SURPLUS/(DEFICIT) BEFOR WORKING CAPITAL CHANGES</b>	(489,583,856)	(513,075,030)
<b>WORKING CAPITAL CHANGES</b>		
Increase / (decrease) in trade & other creditors	(39,273,774)	450,771,614
(Increase) / decrease in debtors	(89,302,397)	(212,050,905)
(Increase) / decrease in inventories, deposits	(1,305,127,476)	4,946,945
Increase / (decrease) in Advances & Deposits	48,332,663	199,989,706
	<u>(1,385,370,984)</u>	<u>443,657,360</u>
<b>CASH GENERATED/(USED) FROM/TO OPERATIONS</b>		
Rent Received in Cash	366,174,044	426,334,243
Income Tax paid	(165,068)	(106,563)
Premia on Land leased out	2,996,419,056	174,249,030
Gratuity paid	(13,442,289)	(14,182,998)
Key money received	-	(83,099,545)
	<u>3,348,985,743</u>	<u>503,194,167</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend Received	17,375,031	18,226,947
Debenture Issues	-	10,000,000,000
Interest Received	282,987,427	19,515,450
Purchase of Fixed Assets	(14,708,397)	(9,324,364)
Increase / Decrease Lands & Buildings	(756,286,935)	(250,878,625)
Compensation paid on land Acquisition	(12,765,631)	(29,157,559)
Investment in subsidiary Company	(1,111,413,309)	(975,399,624)
Short term Investments	(2,561,775,033)	(495,166,437)
Sale proceeds from sale of Land & Buildings	19,370,388	8,594,851
	<u>(4,137,216,459)</u>	<u>8,286,410,640</u>
<b>NET CASH PROVIDED / (used) by investing activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
NSB loan Received	913,907,881	944,296,770
Debenture redeemed	-	(25,000,202)
Service charge for Development permit fund	-	(13,837,430)
	<u>913,907,881</u>	<u>905,459,138</u>
<b>NET CASH PROVIDED/(used) by financing activities</b>		
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	(1,749,277,674)	9,625,646,275
<b>CASH &amp; BANK BALANCE AT BEGINNING OF THE YEAR</b>	<b>B</b> 9,633,883,029	8,236,754
<b>CASH &amp; BANK BALANCE AT END OF THE YEAR</b>	<b>A</b> <u>7,884,605,355</u>	<u>9,633,883,029</u>
<b>CASH &amp; BANK BALANCE AT END OF THE YEAR</b>		
Bank Over Draft	(68,850,388)	(50,279,045)
Bank balance (Favorable)	65,091,131	66,747,588
Petty cash & Cash in Hand	364,660	497,925
Investment In REPO	7,887,999,951	9,616,916,561
	<u>7,884,605,355</u>	<u>9,633,883,029</u>

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE ACCOUNTS**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**For the Year ended 31st December 2011**

	<b>2011</b> Rs.	<b>2010</b> Rs. Restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss before Income Tax	302,111,149	(232,553,982)
<b>Add:</b> Provision for bad debts	96,837,283	207,689,919
Depreciation	112,745,266	107,906,323
Disposal loss	-	150,759
Provision for gratuity	7,222,023	20,081,098
Amortization of Leased Assets	288,333	288,333
	217,092,905	336,116,432
<b>Less :</b> Rent	498,929,396	528,750,822
Profit on sale of Land & Buildings	17,620,296	5,355,764
Share of Investment in Associates	5,717,250	4,935,905
Written Back portion of Govt Grants	14,422,001	14,422,001
Dividend	17,064,947	18,226,947
Interest	426,944,345	36,239,870
	980,698,236	607,931,310
<b>Operating surplus/(deficit) before working capital Changes</b>	(461,494,181)	(504,368,860)
<b>working capital changes</b>		
Increase / (decrees) in trade & other creditors	20,057,205	694,190,257
Increase / (decrees) in payable to APGCL	-	12,680,210
(Increase) / decrees in debtors	(70,527,898)	(383,103,482)
(Increase) / decrees in inventories, deposits	(1,239,020,778)	111,679,739
Increase / (decrees) in Advances & Deposits	48,332,663	199,989,705
	(1,241,158,807)	635,436,429
<b>Cash generated/(used) from/to operations</b>		
Rent Received in Cash	426,942,166	483,788,731
Income Tax paid	(17,239,873)	(7,351,988)
Premia on Land leased out	2,996,419,056	174,249,030
Gratuity paid	(13,531,389)	(14,682,663)
Key money received	-	(83,099,545)
	3,392,589,960	552,903,565
<b>Net cash provided by operating activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend Received	17,375,031	18,226,947
Debenture Issues	-	10,000,000,000
Interest Received	272,341,329	15,668,577
Purchase of Fixed Assets	(45,080,163)	(24,461,123)
Increase / Decrease Lands & Buildings	(2,015,641,218)	(1,375,782,161)
Compensation paid on land Acquisition	(12,765,631)	(29,157,559)
Short term Investments	(2,570,988,860)	(576,862,751)
Sale proceeds from sale of Land & Buildings	19,370,388	8,594,851
Net cash provided /(used) by investing activities	(4,335,389,124)	8,036,226,782
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
NSB loan Received	913,907,881	944,296,770
Debenture redeemed	-	(25,000,202)
Service charge for Development permit fund	-	(13,837,430)
Net cash provided/(used) by financing activities	913,907,881	905,459,138
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	(1,731,544,271)	9,625,657,054
<b>CASH &amp; BANK BALANCE AT BEGINNING OF THE YEAR</b>	<b>B</b> 9,752,804,697	<b>B</b> 127,147,643
<b>CASH &amp; BANK BALANCE AT END OF THE YEAR</b>	<b>A</b> 8,021,260,426	<b>A</b> 9,752,804,697
<b>CASH &amp; BANK BALANCE AT END OF THE YEAR</b>		
Bank Over Draft	(132,632,804)	(59,451,418)
Bank balance (Favorable)	91,643,756	82,143,398
Petty cash & Cash in Hand	4,240,729	8,651,978
Investment In REPO	8,058,008,746	9,721,460,739
	8,021,260,426	9,752,804,697

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year ended 31st December, 2011**

**1. CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1.1 CORPORATE INFORMATION**

**1.1.1 General**

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 06<sup>th</sup> Floor, Sethsiripaya, Battaramulla.

**1.1.2 PRINCIPALE 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.

**1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1.2.1 Statement of Compliance**

The financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLAS) adopted by the Institute of Chartered Accountants of Sri Lanka.

**1.2.2 General Accounting Policies**

**1.2.2.1 Accounting Conventions**

The Financial Statements of the Authority comprising the Balance Sheet, Income and Expenditure Statement, Cash Flow Statement, Statement of Changes in Equity, Accounting Policies and Notes to the Accounts are prepared on the basis of the historical cost convention, and in conformity with generally accepted accounting principles and Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka. These principles and standards have been applied consistently with that of the previous year.

No adjustments are made for inflationary factors affecting these Financial Statements.

**1.2.2.2 Comparative Information**

The Accounting Policies have been consistently applied and are consistent with those used in the previous year. Previous Year's figures and phrases have been rearranged wherever necessary to conform to the current presentation.

**1.2.2.3 Consolidation**

**A. Basis of Consolidation**

The consolidated Financial Statements comprise those of the Urban Development Authority and its wholly owned subsidiaries of, Peliyagoda Warehouse Complex Co. Ltd., Urban Investment & Development Company (pvt) Ltd., Waters Edge Ltd and UDA Rest Houses Company Ltd and include the operational results, assets and liabilities of the Urban Development Authority and its fully owned subsidiaries.

**B. Financial Year**

The Authority and its subsidiaries have a common financial year, which ended 31<sup>st</sup> December except for Waters Edge Ltd in which the financial year ended 31<sup>st</sup> March.

**C. Intra Group Transactions**

All Intra - group balances, transactions and unrealized profits are eliminated on consolidation.

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2011

#### 1.2.2.4 (a) Investments in Subsidiaries

Investments in subsidiaries are shown at cost in parent authority's financial statements. Subsidiaries are fully consolidated from the date on which control is transferred to the Group

#### 1.2.2.5 (b) Investments in Associates

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

#### 1.2.2.6 Borrowing Costs

As per the allowed alternative accounting treatment, under Sri Lanka Accounting standard No. 20 the borrowing costs that are directly attributable to the acquisition or construction of an asset are included in the cost of that asset. Such borrowing costs are capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits to the enterprise and the costs can be measured reliably. Other borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.2.3 ASSETS AND BASES OF THEIR VALUATION

#### 1.2.3.1 Property, Plant and Equipment

##### Cost

The cost of Property, Plant and Equipment is the cost of purchases or constructions/installations together with any incidental expenses thereon. These are accounted for at cost less accumulated depreciation, which is provided for on the bases specified below:

##### Depreciation

The provision for depreciation is calculated on the cost of Property, Plant and Equipment so as to write off such costs over the estimated useful lives of the assets by equal installments as follows:

➤ Buildings New	Over a period of 50 years
➤ Buildings Old	Over a period of 20 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

#### 1.2.3.2 Investment Properties

Property that is held for long term rental earnings or for capital appreciation or both and that is not occupied by the group is classified as Investment Property. Investment property comprised buildings, car parks and lands and is measured and accounted at cost. The fair value has been determined based on active market price, adjusted if necessary, for any differences in the nature, location or condition of the specific asset. The depreciation policy for the buildings under investment property is in line with rates described above. Under Sri Lanka Accounting Standard, SLAS 40 (Revised 2005) - Investment Property, the fair value has been disclosed in the note no 9 to the financial statements.

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2011

#### 1.2.3 ASSETS AND BASES OF THEIR VALUATION (contd.)

##### 1.2.3.3 Capital Work-In-Progress

A complete examination of all projects appearing as Work-In-Progress as at 31.12.2011 was carried out, and projects, which no longer could be categorized as Work-In-Progress, were transferred to the relevant accounts. However abandoned projects which have to be adjusted in account also have been shown under working progress.

##### 1.2.3.4 Other Assets

- Inventories have been valued at cost
- Debtors are shown at the net amount after making provisions for bad & doubtful debts amounting to Rs 898 Mn as follows.

Debtors whom dues over two years	100%
Penalty on Rent, Fee for Use and Premia	50%

##### 1.2.3.4 Cash & Cash Equivalents

Cash & cash equivalents includes cash in hand, petty cash imprests, deposits held at call with banks & other short term highly liquid investments like REPO.

For the purpose of the cash flow statement cash and cash equivalents consists of cash in hand and deposits in banks, net of outstanding of bank overdrafts. Investments with short maturities (REPO) are also treated as cash equivalents. Cash flow statement is reported based on indirect method.

#### 1.2.4 LIABILITIES

##### (a) Net Government Capital Contribution

Up to the year 1993, U.D.A. has received Rs. Mn.166 from General Treasury for the construction and maintenance of the Sethsiripaya complex and Rs. Mn.367 for the construction of Colombo Central Super Market. Complying with the Deferred Income Method of Sri Lanka Accounting Standard No 24, an action has been taken to write back the Grants to the Profit and Loss Account from the year 1993. The amount of Rs 14.42Mn shown in the Income and Expenditure statement is the written back portion of such grants for the year 2011.

##### (b) Contingency Fund

A contingency fund of Rs. 55 million has been created in the year 1997 to provide funds for unforeseen liabilities on lands acquired by UDA. No further provision has been credited to this account nor has any payments been made from this account.

##### (c) Compensation Payable

Compensation payable on acquired lands has been calculated on the basis of estimated cost of land together with accrued interest. Since it is not possible to ascertain the year of payment (due date) accurately, 20% of the total estimated liability is shown under the Current Liabilities whilst the balance 80% is provided under Long Term Liabilities as at 31.12.2011.

##### (d) Defined Benefit Obligation - Provision for Gratuity

The defined benefit obligation for the year is determined using actuarial valuation. The actuarial valuations involve making assumptions about discount rates, future salary increases and mortality rates etc. The liability

recognized in the balance sheet in respect of defined benefit plans is the present value of defined benefit obligation at the balance sheet date

## **URBAN DEVELOPMENT AUTHORITY**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year ended 31st December, 2011**

#### **1.2.4 LIABILITIES (contd.)**

##### **(e) Defined contribution plans - Employees Provident Fund and Employee's Trust Fund**

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective status and regulation. The Authority contributes 15% and 3% of gross salaries of employees to Employees' Provident Fund and Employees' Trust Fund respectively which are externally funded.

##### **(f) Contingent Liabilities**

No provision has been made in these accounts in respect of contingent liabilities arising in the normal course of business of the authority, in respect of legal action or other claims being made against the Authority.

##### **(g) Contingent Liabilities**

No provision has been made in these accounts in respect of contingent liabilities arising in the normal course of business of the authority, in respect of legal action or other claims being made against the Authority.

##### **(h) Key Money received on Development Projects**

Key Money Received on Development of Client's and Treasury funded projects have been shown under Non Current Liabilities since this key money has to be setoff against the project development cost.

##### **(i) Deferred Lease Rent**

Rentals received in advance in respect of future lease periods are accounted under deferred lease Rent and shown under long term creditors.

#### **1.2.5 Income & Expenditure Statement**

##### **1.2.5.1 Rent**

All monthly and annual rentals are accounted on an accrual basis while lease premia is accounted for the proportion that is applicable for the accounting year.

##### **1.2.5.2 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.

##### **1.2.5.3 Interest**

Interest income other than interest on staff loans is recognized as revenue on accrual basis.

##### **1.2.5.4 Dividends**

All dividends except the dividend receivable from State Institutions Temporary surplus Trust Fund are accounted on cash basis. No dividend has been received from investment made in Peliyagoda Warehouse Complex Company Ltd, Urban Investment & Development Company (pvt) Ltd, UDA Rest House Ltd, Ocean View Development Company (pvt) Ltd, Housing Development & Financial Corporation and Real Estate Exchange (Pvt) Ltd during the year.

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year ended 31st December, 2011**

**1.2.5.5 Service Charge Fund**

If a developer wants to construct buildings in excess of the Approved Floor Area ratio for that area, the developer is required to pay the UDA, a service charge to enable the UDA to enhance the infrastructure facilities in the area. Monies collected on account of this are credited to a Service Charge Fund.

**1.2.5.6 Income tax**

Income tax amount shown in the Income & Expenditure Statement is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustment to the tax payable in respect of previous year.

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2011**

	Sub Note	Group		Authority	
		31st December 2011 Rs.	31st December 2010 Rs.	31st December 2011 Rs.	31st December 2010 Rs.
<b>2. REVENUE</b>					
Rent	2.1	498,929,396	528,750,822	444,666,203	477,590,793
Profit from sale of land & buildings	2.2	17,620,296	5,355,764	17,620,296	5,355,764
Fee for services rendered	2.3	274,967,231	223,353,431	274,967,231	223,353,431
Service Charge on high-rise building		7,683,985	2,874,980	7,683,985	2,874,980
Service Charge on Development Permit		71,080,943	136,250,824	71,080,943	136,250,824
Waters Edge Gross Profit	2.4	317,918,905	248,333,509	-	-
Lanka Rest House Gross Profit	2.5	12,885,677	9,354,731	-	-
		<u>1,201,086,434</u>	<u>1,154,274,062</u>	<u>816,018,659</u>	<u>845,425,793</u>
<b>3. OTHER INCOME</b>					
Interest Income	3.1	426,944,345	36,239,870	435,525,708	44,666,887
Dividend Received	3.2	17,064,947	18,226,947	17,064,947	18,226,947
Miscellaneous Income	3.3	242,847,850	224,918,332	180,349,177	165,034,120
		<u>686,857,142</u>	<u>279,385,149</u>	<u>632,939,833</u>	<u>227,927,954</u>
<b>4. ADMINISTRATION EXPENDITURE</b>					
Salaries & Wages		728,357,680	733,451,053	613,096,196	620,742,794
Contribution to EPF/ETF , Gratuity etc		102,909,190	101,648,647	72,936,335	88,079,727
Bonus		31,778,917	18,449,532	10,851,938	10,960,563
Unutilized leave		21,700,015	19,617,651	21,096,448	19,605,721
Welfare payment		25,127,860	21,332,744	5,353,627	7,121,423
Traveling		15,282,154	13,978,228	10,410,148	13,558,278
Office Supplies Requisites		70,759,207	49,935,059	51,410,679	41,775,816
Repairs and Maintenance		79,715,773	69,136,872	48,531,483	47,285,097
Electricity Charges		127,973,496	112,302,728	90,816,769	81,031,798
Telephone Charges		13,656,992	10,792,837	9,237,382	7,487,904
Charges for Water		18,429,873	12,110,382	13,459,254	7,030,555
Health & Sanitation Services		19,082,554	24,952,350	16,560,860	18,951,859
Rental & Hire Charges		20,733,211	22,063,683	16,411,112	21,213,183
Transport , Advertising , Security & Others		40,823,361	46,634,994	25,495,318	34,176,692
Depreciation		112,745,266	108,194,658	83,881,988	83,353,185
Audit Fees		1,898,644	1,076,564	500,000	206,360
Rates & Taxes		2,634,045	2,180,514	1,212,634	1,048,540
Insurance Premium		5,148,406	5,128,150	1,543,951	2,243,611
Subscription & Membership Fees		420,212	536,820	280,386	284,295
Losses & Write Off		96,837,283	207,689,919	106,600,909	220,276,581
Others		14,390,562	26,563,449	1,187,538	987,591
Directors Emoluments		515,500	785,000	-	-
Laundry Charges		14,363,890	13,026,675	-	-
		<u>1,565,284,091</u>	<u>1,621,588,509</u>	<u>1,200,874,954</u>	<u>1,327,421,571</u>
<b>5. FINANCIAL COST</b>					
Interest Cost on Borrowings - Debenture Loan		-	1,125,000	-	1,125,000
Interest on Bank over Draft		7,233	247,693	4,726	245,837
Bank Charges		961,786	4,007,515	770,617	1,663,456
Debit Tax		1,078,938	3,809,884	739,515	2,274,079
Credit Card Discount & Other		3,026,193	2,063,777	-	-
		<u>5,074,150</u>	<u>11,253,869</u>	<u>1,514,859</u>	<u>5,308,373</u>
<b>6. OTHER EXPENSE</b>					
Grants, Contributions/Others		1,877,903	1,759,134	1,169,116	1,266,537
Nation Building Tax		17,444,887	23,235,724	17,245,094	21,305,733
		<u>19,322,790</u>	<u>24,994,858</u>	<u>18,414,210</u>	<u>22,572,270</u>
<b>7. TAXATION</b>					
Taxation on Profit for the year		186,758,309	23,558,002	173,998,337	6,376,074
		<u>186,758,309</u>	<u>23,558,002</u>	<u>173,998,337</u>	<u>6,376,074</u>

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2011**

	<b>Group</b>		<b>Authority</b>	
	<b>31st December 2011</b>	<b>31st December 2010</b>	<b>31st December 2011</b>	<b>31st December 2010</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>2.1 Rent</b>				
2.1.1 Monthly Rent	382,601,857	388,235,475	321,438,664	330,175,446
2.1.2 Lease Rents	106,233,607	129,706,764	113,133,607	136,606,764
2.1.3 Ground Rent	1,236,349	653,730	1,236,349	653,730
2.1.4 Fee for Use & Occupation of Premises	6,796,029	8,682,817	6,796,029	8,682,817
2.1.5 Key money Received	2,061,554	1,472,036	2,061,554	1,472,036
	<b>498,929,396</b>	<b>528,750,822</b>	<b>444,666,203</b>	<b>477,590,793</b>
<b>2.2 2.2.1 Profit from sale of land &amp; buildings</b>				
Sale proceeds on Lands	16,650,393	3,644,851	16,650,393	3,644,851
Sale proceeds on building	2,720,000	4,950,000	2,720,000	4,950,000
<b>Total</b>	<b>19,370,393</b>	<b>8,594,851</b>	<b>19,370,393</b>	<b>8,594,851</b>
Less : Cost of Lands sold	1,548,427	2,871,342	1,548,427	2,871,342
Cost of building Sold	448,149	1,050,701	448,149	1,050,701
<b>Total</b>	<b>17,373,817</b>	<b>4,672,808</b>	<b>17,373,817</b>	<b>4,672,808</b>
Add : Accumulated Depreciation on Buildings sold	246,485	682,956	246,485	682,956
Profit on sale of Lands & building	<b>17,620,296</b>	<b>5,355,764</b>	<b>17,620,296</b>	<b>5,355,764</b>
<b>2.3 Fee for services rendered</b>				
2.3.1 Planning Approval	38,795,516	17,766,175	38,795,516	17,766,175
2.3.2 Legal Services	7,088,790	3,130,099	7,088,790	3,130,099
2.3.3 Rest House Management Fees	6,297,141	10,422,412	6,297,141	10,422,412
2.3.4 Maintenance Services	234,278	76,147	234,278	76,147
2.3.5 Financial Management Services	734,689	741,600	734,689	741,600
2.3.6 Mgt Fees on client's projects	35,712,700	22,795,323	35,712,700	22,795,323
2.3.7 Change of Use of Buildings	33,492,202	29,872,248	33,492,202	29,872,248
2.3.8 Fee for Electricity	140,013,555	126,082,878	140,013,555	126,082,878
2.3.9 Service Charge on leases	3,741,920	4,159,050	3,741,920	4,159,050
2.3.10 Fee for Architectural Services	8,718,720	8,238,384	8,718,720	8,238,384
2.3.11 Consultancy Charges	66,390	500	66,390	500
2.3.12 Fee for computer services	71,329	68,614	71,329	68,614
	<b>274,967,231</b>	<b>223,353,431</b>	<b>274,967,231</b>	<b>223,353,431</b>
<b>2.4 Waters Edge Ltd Gross Profit</b>				
Food & Beverages Revenue	498,527,114	394,208,380	-	-
Cost of Sale	(180,608,209)	(145,874,871)	-	-
Gross Profit	<b>317,918,905</b>	<b>248,333,509</b>	-	-
<b>2.5 Lanka Rest House Ltd Gross Profit</b>				
Food & Beverages Revenue	22,285,489	15,540,415	-	-
Cost of Sale	(9,399,812)	(6,185,684)	-	-
Gross Profit	<b>12,885,677</b>	<b>9,354,731</b>	-	-

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2011**

	Group		Authority	
	31st December 2011 Rs.	31st December 2010 Rs.	31st December 2011 Rs.	31st December 2010 Rs.
<b>3.1 Interest Income</b>				
3.1.1 on Term Deposits	98,110,512	7,442,641	94,775,548	4,052,884
3.1.2 on Re-Purchase Order	288,771,466	5,308,770	285,749,732	2,202,594
3.1.3 on Savings Accounts	642,935	422,159	642,935	422,159
3.1.4 on Staff Loans	6,692,211	6,434,372	6,610,657	6,337,707
3.1.5 on Lease Rent	29,512,568	13,067,169	29,512,568	13,067,169
3.1.6 on PWHC Loan	-	-	15,019,615	15,019,615
3.1.7 on UDSP Loan	3,214,654	3,564,759	3,214,654	3,564,759
	<u>426,944,345</u>	<u>36,239,870</u>	<u>435,525,708</u>	<u>44,666,887</u>
<b>3.1.2.: REPO Interest/ Borrowing Cost Capitalized</b>				
Interest Expenses on Debenture			1,097,197,364	
Less: Investment Income from REPO s			846,589,004	
Reimbursement of Interest Expenses			532,000,000	
Net Interest Income /( Interest Capitalized ) for the year			281,391,639	
Add : interest On other source			4,358,092	
<b>Total Interest on REPO s</b>			<u>285,749,731</u>	
<b>3.2 Dividend Received</b>				
3.2.1 Onally Holdings Ltd.	15,599,998	14,699,999	15,599,998	14,699,999
3.2.1 State Institution Temporary Surplus Trust Fund	1,464,949	3,526,949	1,464,949	3,526,949
	<u>17,064,947</u>	<u>18,226,947</u>	<u>17,064,947</u>	<u>18,226,947</u>
<b>3.3 Miscellaneous Income</b>				
3.3.1 Non-Refundable Tender Deposits	1,817,197	2,261,599	1,817,197	2,261,599
3.3.2 Processing Fees for Issuing C.O. C	6,599,551	10,551,704	6,599,551	10,551,704
3.3.3 Penalty-Delayed Payments	62,452,102	81,379,557	62,452,102	81,379,557
3.3.4 Unauthorised Construction Fees	-	6,300,000	-	6,300,000
3.3.5 Demolition Fee	26,103,765	31,074,290	26,103,765	31,074,290
3.3.6 Sundries	5,511,536	6,426,666	5,511,536	6,321,516
3.3.7 Unclaimed Deposits	8,966,411	6,104,695	8,966,411	6,104,695
3.3.7 Temporary Rentals	14,876,228	14,529,902	14,876,228	14,529,902
3.3.8 Registration of Suppliers	-	3,000	-	3,000
3.3.9 Car Parking Fees	19,520,702	2,390,326	19,520,702	2,390,326
3.3.10 Other Misl revenue	850,505	3,682,557	850,325	1,248,297
3.3.11 Sale of Publication	2,262,464	1,960,322	2,262,464	1,960,322
3.3.13 Transfer Fee For Legal Matters	30,870,010	162,472	30,870,010	162,472
3.3.14 Sundry Income from staff	518,887	746,440	518,887	746,440
3.3.15 Membership Fee Income	39,673,032	41,760,071	-	-
3.3.16 Hall hire Charges & Other Charges	22,825,461	15,584,731	-	-
	<u>242,847,850</u>	<u>224,918,332</u>	<u>180,349,177</u>	<u>165,034,120</u>

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at 31st December 2011**

**8 a Property, Plant & Equipment for the Authority**

<b>Cost</b>					
	Balance as at 1/1/2011	Additions During the year	Disposals During the year	Adjustments During the year	<b>Balance as at 31/12/2011</b>
Land	29,934,541	-	-	-	<b>29,934,541</b>
Building	263,945,798	-	-	-	<b>263,945,798</b>
Plant & machinery	144,698,135	3,280,628	-	-	<b>147,978,763</b>
Furniture & fittings	65,335,009	4,489,044	-	-	<b>69,824,053</b>
Motor vehicles	101,196,080	327,000	-	-	<b>101,523,080</b>
Office equipments	219,513,868	6,591,061	-	-	<b>226,104,929</b>
Library books	1,528,964	20,664	-	-	<b>1,549,627</b>
<b>Total</b>	<b>826,152,395</b>	<b>14,708,397</b>	<b>-</b>	<b>-</b>	<b>840,860,791</b>

<b>Depreciation</b>					
	Balance as at 01/01/2011	Charges for the year	Written back on Disposals	Adjustments During the year	<b>Balance as at 31/12/2011</b>
Land	-	-	-	-	-
Building	80,314,869	5,245,477	246,485	-	<b>85,313,861</b>
Plant & machinery	142,091,028	1,543,092	-	-	<b>143,634,120</b>
Furniture & fittings	48,125,176	2,468,316	-	-	<b>50,593,492</b>
Motor vehicles	91,988,300	6,229,220	-	-	<b>98,217,520</b>
Office equipments	192,076,491	8,619,183	-	-	<b>200,695,674</b>
Library books	1,503,771	14,692	-	-	<b>1,518,463</b>
<b>Total</b>	<b>556,099,635</b>	<b>24,119,980</b>	<b>246,485</b>	<b>-</b>	<b>579,973,130</b>
<b>Net value of Assets</b>	<b>270,052,760</b>				<b>260,887,661</b>

**8 b Property, Plant & Equipment for the Group**

<b>Cost</b>					
	Balance as at 1/1/2011	Additions During the year	Disposals During the year	Adjustments During the year	<b>Balance as at 31/12/2011</b>
Land	37,068,875	-	288,333	-	36,780,542
Building	667,133,783	4,171,469	-	-	671,305,252
Plant & machinery	147,048,923	4,944,833	-	-	151,993,756
Furniture & fittings	77,066,942	18,491,483	-	-	95,558,425
Motor vehicles	120,637,894	327,000	-	-	120,964,894
Office equipments	230,855,219	21,296,183	-	-	252,151,402
Library books	1,528,964	20,664	-	-	1,549,628
<b>Total</b>	<b>1,281,340,599</b>	<b>49,251,632</b>	<b>288,333</b>	<b>-</b>	<b>1,330,303,898</b>

<b>Depreciation</b>					
	Balance as at 1/1/2011	Charges for the year	Written back on Disposals	Adjustments During the year	<b>Balance as at 31/12/2011</b>
Land	-	-	-	-	-
Building	380,421,820	25,348,815	246,485	-	<b>405,524,150</b>
Plant & machinery	142,522,168	1,866,338	-	-	<b>144,388,506</b>
Furniture & fittings	50,379,115	4,406,846	-	-	<b>54,785,961</b>
Motor vehicles	106,649,638	8,232,404	-	-	<b>114,882,042</b>
Office equipments	195,418,361	12,842,167	-	-	<b>208,260,527</b>
Library books	1,503,771	14,692	-	-	<b>1,518,463</b>
<b>Total</b>	<b>876,894,872</b>	<b>52,711,262</b>	<b>246,485</b>	<b>-</b>	<b>929,359,648</b>
<b>Net value of Assets</b>	<b>404,445,726</b>				<b>400,944,250</b>

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at 31st December 2011**

**9 INVESTMENT PROPERTY - AUTHORITY**

As per Sri Lanka Accounting Standards No 40 (Revised 2005), Investment property, the UDA have adopted the cost model for accounting for Investment Property as at the Balance sheet date. Investment Properties of the Authority includes mainly "Sethsisripaya" Building at Battaramulla, Colombo Central Supermarket, other commercial buildings, Car park and lands in the Island wide.

The fair value of investment property as at the balance sheet date was Rs. 46,362mn Which was based on the valuation performed by the valuation team attached to the Land Division of the UDA

<b>Cost</b>					
	Balance as at 1/1/2011	Additions/Upgrading During the year	Adjustments During the year	<b>Balance as at 31/12/2011</b>	
Land	1,080,468,236	7,560,674	(202,422)	<b>1,087,826,488</b>	
Building	2,376,290,848	9,013,986	(639,764)	<b>2,384,665,070</b>	
<b>Total</b>	<b>3,456,759,085</b>	<b>16,574,660</b>	<b>(842,186)</b>	<b>3,472,491,559</b>	
<b>Depreciation</b>					
	Balance as at 01/01/2011	Charges for the year	Written back on Disposals	Adjustments During the year	<b>Balance as at 31/12/2011</b>
Land	-				-
Building	657,689,760	59,762,009			<b>490,725,545</b>
<b>Total</b>	<b>657,689,760</b>	<b>59,762,009</b>	-	-	<b>717,451,769</b>
<b>Net value of Assets</b>	<b>2,799,069,325</b>				<b>2,755,039,790</b>

**INVESTMENT PROPERTY - GROUP**

<b>Cost</b>					
	Balance as at 1/1/2011	Additions/Upgrading During the year	Adjustments During the year	<b>Balance as at 31/12/2011</b>	
Land	1,080,468,236	7,560,674	(202,422)	<b>1,087,826,488</b>	
Building	2,376,290,848	9,013,986	(639,764)	<b>2,384,665,070</b>	
<b>Total</b>	<b>3,456,759,085</b>	<b>16,574,660</b>	<b>(842,186)</b>	<b>3,472,491,559</b>	
<b>Depreciation</b>					
	Balance as at 01/01/2011	Charges for the year	Written back on Disposals	Adjustments During the year	<b>Balance as at 31/12/2011</b>
Land	-				-
Building	657,689,760	59,762,009			<b>717,451,769</b>
<b>Total</b>	<b>657,689,760</b>	<b>59,762,009</b>	-	-	<b>717,451,769</b>
<b>Net value of Assets</b>	<b>2,799,069,325</b>				<b>2,755,039,790</b>

**URBAN DEVELOPMENT AUTHORITY**  
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	Group		Authority	
	2011	2010	2011	2010
	RS	RS	RS	RS
<b>10 INVESTMENT IN ASSOCIATES COMPANIES</b>				
<b>Ocean View Development Co.(Pvt) Ltd</b>				
Balance as at 01/01/2011	163,287,694	158,351,789	92,000,000	92,000,000
Share of Results after Tax	5,717,250	4,935,905	-	-
Balance as at 01/01/2011	<b>169,004,944</b>	<b>163,287,694</b>	<b>92,000,000</b>	<b>92,000,000</b>

Financial year of the Ocean View Company (Pvt) Ltd was ended on 31st March 2011. Therefore, the unaudited financial statements prepared for the year ended 31st December 2011 has been used for the consolidation of accounts

**11 INVESTMENT**

	Group		Authority	
	2011	2010	2011	2010
	RS	RS	RS	RS
<b>LONG TERM INVESTMENT</b>				
11.1 Lanka Electricity Company (pvt) Ltd	9,000,000	9,000,000	9,000,000	9,000,000
11.2 Housing Development Finance Corp.	500,000	500,000	500,000	500,000
11.3 Urban Investment & Development Co.(Pvt) Ltd	-	-	345,000,000	345,000,000
11.4 UDA Rest House Company Ltd	-	-	70	70
Investment in Quoted Company	2,500	2,500	-	-
11.6 Peliyagoda Ware House Complex Co. Ltd.	-	-	299,999,930	299,999,930
(-) Provision for Falling of value of Investment			(299,999,930)	(299,999,930)
11.7 R.E.E.L. Company	28,950,000	28,950,000	28,950,000	28,950,000
11.8 Onally Holdings Plc.	40,000,000	40,000,000	40,000,000	40,000,000
11.11 Colombo Lands & Development Co. Ltd.	36,309,841	36,309,841	36,309,841	36,309,841
Total Investment	<b>114,762,341</b>	<b>114,762,341</b>	<b>459,759,911</b>	<b>459,759,911</b>

**Note :** The liquidation process for REEL Company has been started and therefore, out of above investment of Rs. 28.95mn would be revised

**12 RECEIVABLES FROM SUBSIDIARIES**

12.1 Peliyagoda Warehouse Complex Company Ltd (Note 12.1.1)	-	-	89,874,666	106,448,573
12.2 Urban Investment & Development Company (Pvt) Ltd	-	-	2,690,762,994	1,579,349,685
	<b>-</b>	<b>-</b>	<b>2,780,637,660</b>	<b>1,685,798,258</b>

**12.1.1 PELIYAGODA WAREHOUSE COMPLEX COMPANY LTD**

	Amounts	Amounts	Amounts	Amounts
	Rs	Rs	Rs	Rs
Loan term Loan (NDB Loan Capital)			322,399,979	322,399,979
Warehouse Land			85,860,000	85,860,000
EFIC Loan	-	-	937,297,247	937,297,247
	-	-	1,345,557,226	1,345,557,226
<b>Less</b> Amount repaid by the company	-	-	(495,230,372)	(495,230,372)
	-	-	850,326,854	850,326,854
<b>Less</b> Amount transferred to share capital A/C			(599,999,940)	(599,999,940)
Reduction for the risk of recovery of loan			(160,452,248)	(143,878,341)
Balance as at 31/12/2011	-	-	<b>89,874,666</b>	<b>106,448,573</b>

**13 INVESTMENT IN REST HOUSES**

	Amounts (Rs)	Amounts (Rs)	Amounts (Rs)	Amounts (Rs)
Matara Rest House	<b>6,993,278</b>	<b>6,993,278</b>	6,993,278	6,993,278
Hambantota Rest House	<b>7,077,147</b>	<b>7,077,147</b>	7,077,147	7,077,147
	<b>14,070,425</b>	<b>14,070,425</b>	<b>14,070,425</b>	<b>14,070,425</b>

**URBAN DEVELOPMENT AUTHORITY**  
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	<b>2011</b>	<b>Group</b>	<b>2011</b>	<b>Authority</b>
	<b>Rs.</b>	<b>2010</b>	<b>Rs.</b>	<b>2010</b>
		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>14 Debtors</b>				
Rent Debtors	778,292,284	753,425,650	771,753,077	747,812,968
Lease Debtors	219,168,579	356,661,958	219,168,579	356,661,958
Rest House Debtors	282,741,710	256,199,908	282,741,710	256,199,908
Development Expenditure	168,498,871	168,627,741	168,498,871	168,627,741
Interest Receivable	793,712,143	88,915,564	839,651,284	137,759,707
Consultancy Fees	38,339,470	28,569,199	38,339,470	28,569,199
VAT Receivable	124,108,474	109,703,948	-	-
Other Debtors	149,741,091	300,899,618	139,375,670	253,398,433
Staff Debtors	179,022,587	166,211,894	179,022,587	166,211,894
	<b>2,733,625,211</b>	<b>2,229,215,481</b>	<b>2,638,551,250</b>	<b>2,116,899,643</b>
Less: Provision for bad debt	898,485,117	873,168,122	898,145,817	872,903,512
<b>Total Debtors</b>	<b>1,835,140,094</b>	<b>1,356,047,359</b>	<b>1,740,405,432</b>	<b>1,243,996,130</b>
<b>14 DEBTORS</b>				
<b>14.1 Debtors</b>				
<b>RENT DEBTORS</b>				
14.1.1 Monthly Rental			200,405,399	188,525,931
- 14.1.2 V.A.T. Receivable From Monthly Rentals			26,439,050	24,942,563
14.1.3 V.A.T. Receivable From Key Money			754,392	1,219,161
14.1.4 20% Of Frozen Arrears			50,870,007	38,596,747
14.1.5 Rent Arrears Frozen			31,445,793	59,041,570
14.1.6 Fee For Electricity			23,022,706	17,239,627
14.1.7 Fee For Use & Occupation			51,896,718	52,307,618
14.1.8 Penalty On Delayed Monthly Rent & Fee For Use			362,135,474	337,425,608
14.1.9 Key Money receivable			3,842,792	7,189,817
14.1.10 Penalty On Key Money			272,557	301,311
- 14.1.11 Arrears Of Government Tax (Rent)			20,668,189	21,023,015
<b>LEASE DEBTORS</b>				
- 14.1.12 V.A.T. Receivable From Premia And Lease Rent			8,922,969	45,634,714
14.1.13 Annual lease rent			49,285,606	63,123,325
- 14.1.14 Ground Rent			705,921	247,636
14.1.15 Interest on Lease Premia			117,248	(368,714)
14.1.16 Penalty on Delayed Lease Rent & Premia			117,769,503	151,478,034
14.1.17 Premia on Land Leased out			19,159,042	73,390,445
- 14.1.18 Arrears of Govt. Tax -Lease Rent			20,448,479	20,443,291
14.1.19 Service charges on lease properties			2,759,810	2,713,226
<b>REST HOUSE DEBTORS</b>				
14.1.20 Rest House Penalty			198,777,908	173,390,219
14.1.21 VAT Receivable from Rest Houses			11,374,081	11,077,213
- 14.1.22 VAT Receivable from Circuit Bungalows			162,264	162,264
14.1.23 Rest House Rent Receivable			55,929,527	55,072,282
- 14.1.24 Room Charges from Circuit Bungalows			375,670	375,670
- 14.1.25 Frozen Rest House Penalty			14,061,255	14,061,255
14.1.26 Rest House Other Debtors			1,653,280	1,653,280
- 14.1.27 Food & Bev. Receivable from Circuit Bungalows			129,349	129,349
- 14.1.28 Hire of Furniture			125,000	125,000
- 14.1.29 Room Charges from Rest Houses			153,376	153,376
<b>DEVELOPMENT EXPENDITURE</b>				
14.2.1 My. of Sports & Youth Affairs			84,615,679	84,683,449
- 14.2.2 Bills Receivable NHDA			39,945,140	39,944,640
14.2.3 My. Of Urban Development Cons. & Pub Utilities			25,007,130	25,007,130
- 14.2.4 Receivables from Treasury			4,393,732	4,393,732
- 14.2.5 Colombo Municipal Council			4,447,302	4,447,302
- 14.2.6 Other MISCL Debtors			10,089,888	10,151,488
<b>INTEREST RECEIVABLE</b>				
- 14.2.8 Current A/C PWCC			45,994,964	48,975,349
- 14.2.9 Interest Receivable on FD			160,231,514	13,229,259
- 14.2.10 Interest on Treasury Bills			633,036,996	75,360,180
- 14.2.11 Interest Receivable from other Sources			387,810	194,919
<b>CONSULTANCY FEES</b>				
- 14.2.12 Consultancy Fees SRCC & Treasury Fund			472,000	472,000
- 14.2.13 Management Fee Receivable On Client's Project			37,867,470	28,097,199
<b>OTHER DEBTORS</b>				
- 14.2.14 Current A/C Ocean View			10,085,613	10,085,613
14.2.15 Rest House Company LTD A/C			75,106,969	60,456,294
14.2.16 Waters Edge Limited Current A/C			4,610,014	4,780,595
14.2.17 Hamabantota Priority Project Current A/C			47,928,600	166,778,600
- 14.2.18 Ministry of Education			5,406	5,406
- 14.2.19 UDSP Receivables Personnel Emoluments			16,479	16,479
- 14.2.20 Cheque Rtn/Dishrd Control A/C			1,192,596	1,421,329
- 14.2.21 Cheques Return Charges Receivable			256,969	269,678
- 14.2.22 Income Tax Receivable			-	12,416,164
- 14.2.23 vat retained on UDA income			135,901	133,808
- 14.2.24 Stamp Duty from Employees			37,124	40,054
<b>STAFF DEBTORS</b>				
- 14.2.25 Staff Loans			178,989,249	166,085,593
- 14.2.26 Staff Receivable			33,339	126,301
			<b>2,638,551,250</b>	<b>2,116,899,643</b>
14.2.27 <b>Provision for Bad Debts</b>			<b>(898,145,817)</b>	<b>(872,903,512)</b>
			<b>1,740,405,432</b>	<b>1,243,996,130</b>

**URBAN DEVELOPMENT AUTHORITY**  
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The provision required for doubtful debt as at 31st December 2010 were incorrectly understated. Therefore, the Financial Statements of 2010 have been restated to correct this error. The basis for the calculation of provision for doubtful debtors were disclosed in the Accounting policies; Note No. 1.2.3.4 and the effect of the restatement on those financial statements is summarised below.

Increase in provision for Losses and Write-offs	(138,603,330)
(Increase) in Profit / (Loss) for the year 2010	(138,603,330)
(Decrease) in Debtors & Equity	(138,603,330)

	Group		Authority	
	2011 RS	2010 RS	2011 RS	2010 RS
<b>15 DEPOSITS, PRE-PAYMENTS &amp; ADVANCES</b>				
15.1 Advances to Contractors	1,934,541,984	730,402,884	1,908,928,617	619,219,323
15.2 Deposits with Suppliers	20,242,085	8,280,855	8,280,855	8,280,855
15.3 Deposits for Services	2,062,227	1,742,127	1,572,227	1,742,127
15.4 Sundry Advances	24,385,012	23,304,459	24,385,012	23,288,959
15.5 Deposit for Electricity	9,674,818	6,608,444	5,924,818	6,608,444
15.6 Security Deposits - Electricity	383,548	115,548	383,548	115,548
15.7 Receivable from Contractors(UDSP)	3,485,138	3,485,138	3,485,138	3,485,138
15.8 Pre Payments	2,490,827	2,957,413	2,490,827	2,385,208
15.9 Compensation Deposits	37,372,617	40,350,891	37,372,617	40,350,891
15.10 Advance Given to Staff	7,028,524	3,640,787	7,028,524	3,640,787
15.11 Other Deposits	435,750	881,750	-	-
	<u>2,042,102,530</u>	<u>821,770,296</u>	<u>1,999,852,181</u>	<u>709,117,278</u>
<b>16 CASH &amp; CASH EQUIVALENTS</b>				
<b>16.1 Short Term Investments:</b>				
16.1.1 Fixed Deposits	3,200,910,140	631,696,314	3,110,000,000	550,000,000
16.1.2 Treasury Bills - REPO	8,058,008,746	9,721,460,739	7,887,999,951	9,616,916,561
- S.I.T.S.T.Fund	16,211,647	14,436,613	16,211,647	14,436,613
	<u>11,275,130,533</u>	<u>10,367,593,667</u>	<u>11,014,211,598</u>	<u>10,181,353,174</u>
<b>16.2 CASH &amp; BANK BALANCES</b>				
<b>COLLECTION ACCOUNTS</b>				
16.2.1 BOC - Mahiyangana Branch	325,560	325,560	325,560	325,560
16.2.2 BOC - Battaramulla Branch	61,915	3,162,359	61,915	3,162,359
16.2.3 BOC - Dalada veediya Kandy	147,981	969,498	147,981	969,498
16.2.4 BOC - Kataragama Branch	16,622	8,568	16,622	8,568
16.2.5 BOC - Central Super Market Branch	2,112,141	729,572	2,112,141	729,572
16.2.6 BOC - Anuradhapura Branch	-	322,204	-	322,204
16.2.7 BOC- Nuwraeliya Branch	262,823	120,985	262,823	120,985
<b>CURRENT ACCOUNTS</b>				
16.2.8 BOC - Kandy Branch	595,735	255,585	595,735	255,585
16.2.9 BOC - Hambntota priority Project	88,951	88,951	88,951	88,951
16.2.10 BOC -Galle Bazaar Branch	448,954	448,954	448,954	448,954
16.2.11 BOC -Badulla Branch	300,000	300,000	300,000	300,000
16.2.12 Bank Account - PWCC Ltd	10,004,238	4,015,667	-	-
16.2.13 Bank Account - UNIDEP	-	914,487	-	-
16.2.14 Bank Account - Waters Edge	12,505,095	9,731,442	-	-
16.2.15 Bank Account - UDA Rest House Ltd	3,936,174	496,250	-	-
16.2.16 BOC - Debit Tax Exempt	107,118	357,106	-	119,142
16.2.17 BOC - Debenture Account	101,129	-	101,129	-
16.2.18 BOC - Debenture Interest Account	(1,703,766)	(1,886,831)	(1,703,766)	(1,886,831)
16.2.19 Peoples Bank Current Account	100,000	-	100,000	-
<b>SAVINGS ACCOUNTS</b>				
16.2.20 BOC- Foreign Currency Saving Account	62,233,085	61,783,041	62,233,085	61,783,041
	<u>91,643,756</u>	<u>82,143,398</u>	<u>65,091,131</u>	<u>66,747,588</u>
<b>16.3 Petty Cash Imprests</b>	610,659	8,713,243	364,660	559,190
<b>16.4 Cash in hand</b>	3,630,070	(61,265)	-	(61,265)
	<u><b>11,371,015,018</b></u>	<u><b>10,458,389,043</b></u>	<u><b>11,079,667,389</b></u>	<u><b>10,248,598,688</b></u>

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	Group		Authority	
	2011 RS	2010 RS	2011 RS	2010 RS
<b>17 Capital:</b>				
17.1 1979 Rs. 20,000,000				
17.2 1980 Rs. 80,000,000	100,000,000	100,000,000	100,000,000	100,000,000
<b>18 Net Government Capital Contribution:</b>				
18.1 For Sethsiripaya Administrative Complex	737,014,900	751,436,901	737,014,900	751,436,901
18.2 For Colombo Central Super Market	242,735,997	242,735,997	242,735,997	242,735,997
18.3 For Sellakataragama Shops	64,750,000	64,750,000.00	64,750,000	64,750,000
	<u>1,044,500,897</u>	<u>1,058,922,898</u>	<u>1,044,500,897</u>	<u>1,058,922,898</u>
<b>19 Capital Reserves:</b>				
19.1 Demolition of Structures	1,028,303	1,028,303	1,028,303	1,028,303
19.2 Equity & Central Bank rev.-UDSP	7,434,482	7,434,482	7,434,482	7,434,482
	<u>8,462,785</u>	<u>8,462,785</u>	<u>8,462,785</u>	<u>8,462,785</u>
<b>19.2 Central Bank rev. - UDSP:</b>				
Surplus/Deficit on Closing of UDSP Accounts	(6,928,161)	(6,928,161)	(6,928,161)	(6,928,161)
Exchange Revaluation	14,362,643	14,362,643	14,362,643	14,362,643
	<u>7,434,482</u>	<u>7,434,482</u>	<u>7,434,482</u>	<u>7,434,482</u>
<b>20 Revenue Reserves:</b>				
Contingency Fund	55,000,000	55,000,000	55,000,000	55,000,000
<b>21 Accumulated Deficit</b>				
Excess of Income over Expenditure For the Year	115,352,840	(256,111,984)	68,578,132	(282,263,051)
Adjustment on prior period on change in Accounting Policy (Note 26)	93,482,278	-	93,482,278	-
Balance B/F from Previous Year	(1,429,369,410)	(1,173,257,426)	(1,392,476,571)	(1,110,213,520)
Accumulated Deficit	<u>(1,220,534,292)</u>	<u>(1,429,369,410)</u>	<u>(1,230,416,161)</u>	<u>(1,392,476,571)</u>
<b>22 NSB Loan</b>				
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 owned subsidiary of UDA . Loan repayment will become due after the grace period of 3 years from November 2009. Repayment				
	Group		Authority	
	2011	2010	2011 RS	2010 RS
Balance as at 01st January	1,388,699,092	444,402,322	1,388,699,092	444,402,322
Add: Loan Drawdown during the year	913,907,881	944,296,770	913,907,881	944,296,770
Less: Loan repayment during the year	-	-	-	-
Balance as at 31st December	<u>2,302,606,973</u>	<u>1,388,699,092</u>	<u>2,302,606,973</u>	<u>1,388,699,092</u>
Payable within one year	-	-	-	-
Payable after one year	2,302,606,973	1,388,699,092	2,302,606,973	1,388,699,092
	<u>2,302,606,973</u>	<u>1,388,699,092</u>	<u>2,302,606,973</u>	<u>1,388,699,092</u>
<b>23 Debenture</b>				
The authority(UDA) has issued 5 years redeemable debentures to the value of Rs. 10 billion as at 31st December 2011 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				
<b>The details of debenture issue are as follows,</b>				
	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 +0.75%	bi-annually	04.10.2015
Type - C	278,110,000	10%	monthly	04.10.2015
	<u>10,000,000,000</u>			
<b>Movement in Debentures</b>	2011	2010	2011	2010
Balance as at 01st January 2011	10,000,000,000	-	10,000,000,000	-
Issued during the year		10,000,000,000		10,000,000,000
Redeemed during the year				-
Balance as at 31st December 2011	<u>10,000,000,000</u>	<u>10,000,000,000</u>	<u>10,000,000,000</u>	<u>10,000,000,000</u>
<b>24 UDSP Loan</b>				
Government of Sri Lanka (UDSP)				
Balance B/F GOSL Loan - Non current liabilities	217,024,178	234,482,400	217,024,178	234,482,400
Less:				
Short term liability - Current Portion	15,571,050	17,458,222	15,571,050	17,458,222
Balance C/F GOSL Loan - Non current liabilities	<u>201,453,129</u>	<u>217,024,178</u>	<u>201,453,128</u>	<u>217,024,178</u>
<b>25 Deferred Lease Rent</b>				
Balance B/F	3,864,422,923	3,750,592,014	4,187,572,923	4,080,642,014
Add :				
Premia due in 2011	3,000,352,094	179,656,424	3,000,352,094	179,656,424
Less:				
Revenue written back to the P&L	(134,887,238)	(65,825,515)	(141,787,238)	(72,725,515)
Balance C/F	<u>6,729,887,780</u>	<u>3,864,422,923</u>	<u>7,046,137,779</u>	<u>4,187,572,923</u>

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	Group		Authority	
	2011	2010	2011	2010
<b>26 Defined Benefit Obligation - Gratuity</b>				
The amount recognised in the Balance sheet are made up as follows,				
Provision at the beginning of the Year	216,183,834		213,479,945	
Current Service Cost	6,655,934		6,655,934	
Interest Cost				
(Gain) / loss arising from changes in the assumptions	Note (a)		Note (a)	
Amount charged to income statement	6,655,934		6,655,934	
Amount recognised as prior year adjustment	(93,482,278)		(93,482,278)	
Benefits paid	(13,531,389)		(13,442,289)	
Balance at the end of the year	<u>113,211,312</u>		<u>113,211,312</u>	
During year 2011, UDA changed its accounting policy for the calculation of Gratuity liability as at the Balance Sheet date complying with Sri Lanka Accounting Standards 16 (revised 2006); Employee Benefits.				
<b>Note</b>				
(a) As this is the first actuarial valuation for the gratuity liability of the Authority, these costs were not recognised				
(b) As stated in Accounting policy 1.2.4 (d) an actuarial valuation was carried out using the projected unit credit method as at 31st Decemtr as per recommendations made in the SLAS 16 (revised 2006); Employee Benefits.				
The principle actuarial assumptions used were as follows				
Discount Rate	11%		11%	
Salary Increase	1.45%		1.45%	
<b>27 creditors</b>	<b>Rs</b>	<b>Rs</b>	<b>Rs</b>	<b>Rs</b>
Expense creditors	88,082,993	106,775,800	87,951,971	108,227,442
Rent Deposits	8,921,581	8,052,443	-	-
Development Expenditure	726,777,300	742,056,369	557,502,596	617,265,991
Taxes Payable	27,135,568	91,853,990	16,867,178	91,350,394
UDSP	19,353,363	17,301,499	19,353,363	17,301,499
Other Creditors	566,411,737	467,511,855	441,227,452	337,322,303
	<u>1,436,682,543</u>	<u>1,433,551,956</u>	<u>1,122,902,561</u>	<u>1,169,809,794</u>
<b>creditors schedules for the Authority</b>				
<b>27 Expense &amp; Other Creditors</b>				
<b>27.1 Expense creditors</b>				
27.1.1 Audit Fees			1,247,113	2,927,850
27.1.2 Electricity			1,466,101	791,947
27.1.3 Maintenance			26,108	24,908
27.1.4 Other Expenses			43,010,324	51,312,541
27.1.5 Supplies			5,862,869	4,203,733
27.1.6 Telephone			1,696,849	978,661
27.1.7 Gratuity 15% Retention			305,882	305,882
27.1.8 Accrued Salaries, Medical Etc			24,094,244	34,981,900
27.1.9 Unpaid Salaries			-	539,151
27.1.10 Rest House Service Charge payable			315,323	1,486,899
27.1.11 E.P.F. Payable			8,015,406	8,072,560
27.1.12 E.T.F. Payable			961,849	943,576
27.1.13 Transport Charges Receivable			949,904	1,657,835
<b>27.2 Other Creditors</b>				
<b>Development Expenditure</b>				
27.2.1 Accrued Compensation on Lands with Interest			187,828,692	195,462,152
27.2.2 Bills Payable to Contractors			193,292,592	227,028,068
27.2.3 Retention Money			151,245,130	169,639,590
27.2.4 SEC Current Account			25,136,182	25,136,182
27.2.7 Bills Payable-UDSP & Others			1,531,402	1,531,402
27.2.8 ULG's (UDSP) Loan Inst. & Int Payable - (Note 27.2.8.1)			17,821,961	15,770,097
27.2.9 GST Control Account			18,264,664	18,264,664
27.2.10 VAT Control Account			(55,355,524)	14,920,198
27.2.11 With Holding Tax Payable			(41,272)	261,804
27.2.12 NSL payable			51,234,738	51,234,738
27.2.13 PAYEE Tax payable			642,410	1,931,103
27.2.14 SNF Payable			2,441	2,441
27.2.15 VAT Payable in Advance			179,156	4,130,324
27.2.16 Construction Industry Guarantee Levy			1,940,564	559,463
27.2.17 With Holding Business Turn over Tax			-	45,661
<b>Other Creditors</b>				
27.2.18 Stamp Duty on Deeds			452,016	40,750
27.2.19 Fee for water Services			103,725	103,725
27.2.20 Unpaid Cheque			172,798	183,743
27.2.21 Over accounted rent payable			4,010,307	4,010,307
27.2.22 Others			872,464	126,751
27.2.23 Rest House 80% Food & Beverages payable			31,630	31,630
27.2.24 Interest Payables on Debenture			257,828,966	257,825,398
27.2.25 Success Fee on Debenture Issue			25,000,000	75,000,000
27.2.26 Income Tax Payable			152,755,545	-
			<u>1,122,902,561</u>	<u>1,169,809,794</u>
<b>27.2.8.1 ULG's (UDSP) Loan Installment &amp; Interest Payable</b>				
Int. Payable- ULG Loan- UDSP (Treasury)			309,654,595	293,581,326
Payable to GOSL - Year 2002			232,706,303	217,135,253
			542,360,899	510,716,580
ULG's (UDSP) Loan Installment Receivable			(204,646,002)	(190,411,655)
ULG's (UDSP) Loan Interest Receivable			(319,892,935)	(304,534,828)
			<u>17,821,961</u>	<u>15,770,097</u>

**URBAN DEVELOPMENT AUTHORITY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
As at 31st December 2011**

	Group		Authority	
	2011	2010	2011	2010
<b>28 Deposits &amp; Advances</b>				
28.1 Tender Deposits	4,619,458	7,509,312	4,619,458	7,509,312
28.2 Security Deposits	23,286,635	21,016,504	23,286,635	21,016,504
28.3 Rest House Rent Refundable	43,405,171	39,078,645	43,405,171	39,078,645
28.4 Clients Deposits ( Note28.4.1)	887,194,706	643,086,741	887,194,706	643,086,741
28.5 Sundry Deposits	7,085,250	10,563,878	7,085,250	10,563,878
28.6 Rent Deposits	84,366,283	16,236,406	84,366,283	16,236,406
28.7 Refundable Processing Fee	482,913	482,913	482,913	482,913
28.8 Deposits - Visumpaya	4,358,112	4,358,112	4,358,112	4,358,112
28.9 Deposits for Proposed Projects	379,492	379,492	379,492	379,492
28.10 EIA Deposits Received	1,336,625	172,999	1,336,625	172,999
28.11 Land Sale Proceeds Received in Advance	1,192,734,664	892,175,594	1,187,946,664	887,387,594
28.12 Maintenance Deposit	7,063,500	7,758,500	7,063,500	7,758,500
28.13 Service Charge Deposit	730,639	694,324	730,639	694,324
	<b>2,257,043,449</b>	<b>1,643,513,421</b>	<b>2,252,255,449</b>	<b>1,638,725,421</b>
<b>28.4.1 Clients Deposits</b>				
Clients Deposits Received			1,810,811,425	1,944,767,677
Clients' project Expenditure incurred			923,616,718	1,301,680,936
Balance as at 31st December 2011			<b>887,194,706</b>	<b>643,086,741</b>
<b>29 Bank Overdraft</b>				
<b>CURRENT ACCOUNT</b>				
29.1 BOC- Corporate Branch	67,870,549	49,299,207	67,870,549	49,299,207
29.2 BOC- Hambantota Branch	971,986	971,986	971,986	971,986
29.3 Bank Account - UNIDEP	55,929,854	-	-	-
29.4 Waters Edge Bank Account	7,860,415	9,172,373	-	-
<b>COLLECTION ACCOUNTS</b>				
29.5 BOC - Matara Branch	7,852	7,852	7,852	7,852
	<b>132,632,804</b>	<b>59,451,418</b>	<b>68,850,388</b>	<b>50,279,045</b>

**30. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

No circumstances have arisen, since the balance sheet, which would require adjustment to, or disclosure, in the financial statements.

**31. DIRECTORS' INTEREST**

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>	<u>Relationship</u>
(1). Peliyagoda Ware House Complex Co.(Pvt)Ltd	Mr. Priyath B Wickrama - UDA Board Member Mr. Janaka Kurukulasuriya - Chairman UDA Mr. K.E.V.N.Frenando - Director General UDA	Chairman & CEO Director Director
(2). Urban Investment & Development Company ( Pvt) Ltd	Mr. Janaka Kurukulasuriya - Chairman UDA Miss Wasantha Geeganage- DDG (Finance) UDA- Up to 31.08.2011 Mr. W.L.D.P.V. Jayawardena- DDG (Finance) UDA - From 31.08.2011 Mrs. Renuka Wikramasinghe - Director (PM) UDA Mrs, S.Karunanayka- Director (Legal) UDA	Chairman Director Director Director Director
(3). UDA Rest Houses Company Ltd	Mr. Janaka Kurukulasuriya - Chairman UDA Miss Wasantha Geeganage- DDG (Finance) UDA- Up to 31.08.2011	Chairman Director
(4). Real Estate Exchange PLC	Mr. K.E.V.N.Frenando - Director General UDA	Director

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 31.

**32. 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>2011 Rs.</u>	<u>Value</u>	<u>2010 Rs.</u>
(1). Peliyagoda Ware House Complex Co.(Pvt)Ltd	- Interest Receivable to UDA on loan granted	15,019,615		15,019,615
(2). Urban Investment & Development Company ( Pvt) Ltd	-Sethsiripaya Stage 11 project Implementation expenditure	1,111,413,309		975,399,624
(3). UDA Rest Houses Ltd	- All capital and recurrent expenditure Net)	14,650,675		9,831,863
(4). Onally Holdings PLC	- Financial Management fee received - Dividend received	734,689 15,599,998		741,600 14,699,999

There were no related party transactions other than disclosed in Note32 to these financial statements.

URBAN DEVELOPMENT AUTHORITY  
SCHEDULE II  
Loan Given to Local Authorities

Local Authorities	(1) Investment as at 1999.12.31 Rs.	Dues fallen from 01.01.2000 to 31.12.2011				(2) Total Dues Rs.	3 = (1) - (2) Balance as at 31/12/2011 Rs.
		Water Supply Rs.	Bus Stand Project & Shopping Rs.	On Operation & Maintenance Equipment Rs.	Core Housing Project Rs.		
MC Rathnapura	77,388,759	(1,413,682)	(55,084,269)	(1,567,423)		(58,065,374)	19,323,385
UC Ambalangoda	35,639,150	(787,271)	(18,146,795)	(789,398)		(19,723,465)	15,915,685
NHDA	42,430,000				(21,215,000)	(21,215,000)	21,215,000
UC Hambantato	1,002,636	(41,223)		(559,460)		(600,683)	401,953
UC Weligama	1,759,550	-		(1,102,424)		(1,102,424)	657,126
UC Bandarawela	1,678,228	-		(1,148,672)		(1,148,672)	529,555
UC Chilaw	443,262	-		(199,084)		(199,084)	244,178
UC Gampola.	1,917,109	-		(1,228,265)		(1,228,265)	688,844
UC Matara	84,813,868	-	(62,758,550)	(1,201,088)		(63,959,637)	20,854,231
PS Monaragala	39,932,812	-	(29,745,000)	(249,944)		(29,994,944)	9,937,868
UC Kuliyaipitiya	42,550,557	-	(42,647,810)			(42,647,810)	(97,252)
MC Kurunagala	3,011,109	-		(2,163,185)		(2,163,185)	847,924
UC Anuradapuraya	1,662,639			(1,267,726)		(1,267,726)	394,913
MC Nuwaraeliya	3,914,062			(3,914,061)		(3,914,061)	0
UC Polonnaruwa	65,306,858	(6,767,594)	(36,990,170)	(710,232)		(44,467,996)	20,838,863
UC Trincomalee	9,300,000	(5,409,583)				(5,409,583)	3,890,417
	<b>412,750,598.67</b>	<b>(14,419,354)</b>	<b>(245,372,594)</b>	<b>(16,100,962)</b>	<b>(21,215,000)</b>	<b>(297,107,910)</b>	<b>115,642,689</b>

## PROVINCIAL OFFICES, DISTRICT OFFICES AND SUB OFFICES

S/N	Provincial Office	Address	Telephone No.
01	North Western Provincial Office	No. 03/A, Mihindu Mawatha, Kurunegala.	037-2223815 037-2230133 037- 2230134 037- 2220908
02	Central Provincial Office	No. 18,Keppetipola Mw.,Kandy	081- 2223851 081- 2201077
03	Uva Provincial Office	Syman Pieris Hall, H.R. Gunawardena Mw,Badulla	055- 2229959 055- 2223721
04	Sabaragamuwa Provincial Office	No. 427, Colombo Road, New Town, Ratnapura	045- 2222086 045- 2225690
05	Eastern Provincial Office	No. 56, Station Road, Trincomalee	026- 2222656 026- 2223097
06	Northern Provincial Office	No.211, Kachcheri, Nallor Road, Jaffna	021- 2223269
07	North Central Provincial Office	No. 3125, Dahaiyagama Junction, Anuradhapura	025- 2223391 025- 2223537
S/N	District Office	Address	Telephone No.
01	Galle District Office	No. 48/3, Havlok Road, Galle	091- 2234830 091- 2245435
02	Matara District Office	No. 71/1, H.G.P. Building, Old Market Road, Kotuwegoda,Matara	041- 2230413 041- 2232594
03	Hambantota District Office	No. 21, Terrace Street, Hambantota	047- 2222069
04	Nuwara eliya District Office	Race Curse Road, Nuwara eliya	052-2223664
05	Polonnaruwa District Office	Co - operate Road,Kaduruwela	027- 2226126
06	Ampara District Office	No.110, Sri Dharmarathne Mawatha, Ampara.	063-2222411
07	Batticaloa District Office	No.40, 02 <sup>nd</sup> Cross Street, Batticaloa	065- 2222953
08	Kalutara District Office	No.443, Galle Road, Kalutara	034- 2222647
09	Monaragala District Office	Kandasurindugama, Kataragama.	047- 2235343
10	Gampaha District Office	03 <sup>rd</sup> Floor, Pradeshiya Sabha Building, Gampaha.	033- 2221934 033- 2234757
11	Puttalam District Office	No. 97/24, Seda Uyana Place, Kurunegala Road,Chilaw	032- 2221742 032- 2223092
12	Vauniya District Office	Urban Council Building,Park Road, Vauniya	024- 2220518
13	Kegalle District Office	No. 21, Palladeniya Road,Kegalle.	035-2231935