

## **Mahaweli Authority of Sri Lanka and Group – 2023**

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### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the financial statements of the Mahaweli Authority of Sri Lanka (“Authority”) and the Group including subsidiary companies (“Group”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018, Mahaweli Authority Act No. 23 of 1979 and the Finance Act, No.38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

#### **Group**

##### **Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **Mahaweli Authority of Sri Lanka**

##### **Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 1.5.1 of this report, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1.2 Basis for Qualified Opinion of the financial statements of the Group**

My opinion is qualified on the matters described in paragraph 1.5.1 of this report regarding the financial statements of the authority.

My opinion is qualified on the matters described in paragraph 1.5.2 of this report regarding the Mahaweli Livestock and Agro Enterprises (Pvt) Ltd which is in the group.

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

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

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

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

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Authority is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Authority.

### **1.4 Auditor's Responsibilities for the Audit of the Financial Statements**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Authority and its subsidiaries, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority;
- Whether Authority has performed according to its powers, functions and duties; and
- Whether the resources of the Authority had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Audit Observations on the preparation of Financial Statements**

### **1.5.1 Mahaweli Authority of Sri Lanka**

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

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) Even though a revalued amount of Rs. 288.5 billion of the 13 major dams built under the Authority and currently being administered, operated, maintained and improved by the Authority had been accounted in the year 2023, a formal valuation had not been conducted by an independent professional with the relevant qualifications or a recognized valuation body as per the Section 43 of Sri Lanka Public Sector Accounting Standard No. 07.	Arrangements are being made to obtain the revalued amount of the structures including major dams owned by the authority, through the Government Valuation Department.	Assets should be valued and accounted for.
(b) The construction of the Uma Oya Multipurpose Development Project, identified under the	The project, planned at USD 514 million,	Action should be taken to value the

Mahaweli Master Plan with an estimated cost of USD 514 million, was completed in 2023 and even though power generation commenced on 31 March 2024, the development project had not been valued and accounted for.

had its remaining assets and include expected work them in the financial components listed statements. and was officially signed and taken over by the relevant parties, the Mahaweli Authority and the Ceylon Electricity Board, on 31 May 2024. It is not possible to assess and account for the cost of the Puhulupola and Dayaraba Dam structures, as the construction costs have not been provided up to now.

- (c) Even though assets and liabilities should not be offset unless required or authorized by the standard, as per Section 48 of Sri Lanka Public Sector Accounting Standard No. 01, a sum of Rs. 1,837,623 receivable as land use fee for the Walawa Resident Project Manager's office had been offset by including it as payables for five officials in that list. Additionally, action had not been taken to make the necessary accounting adjustments by confirming the debit balance totaling Rs. 554,135,228 and the credit balance totaling Rs. 509,098,933, which have been carried forward for several years in the authority's 3001 fund account.
- (d) Even though comparative information for the previous year should be disclosed for all numerical information reported in the financial statements, comparative information for the consolidated cash flow statement had not been disclosed as per the Section 53 of the Sri Lanka Public Sector Accounting Standard No 1
- Few names have been listed as payables in the land use fee payable schedule as at 31.12.2023.
- Assets, liabilities, and income and expenses should be presented separately as per the accounting standards.
- Even though the consolidated cash flow statement prepared as of 31 December 2023, has presented information for the prior and current years in a Comparative information should have been presented as per the accounting standards.

comparative manner, the accounting period has not been included within the comparative information. Action will be taken to present the to present the consolidated financial statements for the year 2024.

- (e) Even though the comparative values in the statement of financial position of the authority have been restated, the necessary disclosures have not been made as per the Section 47 and 54 of Sri Lanka Public Sector Accounting Standard No. 3. The differences between those values are as follows.

The prior period errors have been corrected, and a restatement of the account balances has been prepared. Accordingly, items that could practically be identified as errors for the prior years have been corrected in accordance with Sri Lanka Public Sector Accounting Standards.

Necessary disclosures should be made when restating the comparative values as per the Sri Lanka Public Sector Accounting Standards

	2022 Balance	2022 Restated Balance
	Rs. '000	Rs. '000
Property plant and equipment	111,447,032	111,472,690
Investment	235,989	235,925
Work in progress	8,738	39,113
Stocks	270,140	271,328
Trade and other receivables	4,576,005	4,803,174
Payable balances	39,760,813	596,453
Consolidated Fund	70,823,574	-
Reserves- B/F Balance of Income and Expenditure A/C	(2,723,686)	107,597,615
Revaluation	7,869,744	7,820,774

reserves

- (f) Even though the payable balance of Rs. 524,869,000 should have been recognized as non-current liabilities as per the Section 71 and 80 of Sri Lanka Public Sector Accounting Standard No. 01, the entire balance had been presented as current liabilities without such recognition
- Action will be taken to correct this in the 2024 financial statements by recognizing payable balances as both current and non-current liabilities.
- Current and non-current liabilities should be identified separately.
- (g) Even though the receivable balance of Rs. 5,089,330,000 should have been recognized as current and non-current assets as per the Section 71 and 76 of Sri Lanka Public Sector Accounting Standard No. 01, the entire balance had been presented as current assets without such recognition
- Action will be taken to correct this in the 2024 financial statements by recognizing receivable balances as both current and non-current assets.
- Current and non-current assets should be identified separately as per the accounting standards.
- (h) Even though money and money equivalents have been defined as short-term investments with very high liquidity that can be easily converted into monetary value as per the Sri Lanka Public Sector Accounting Standards 02, the value of two fixed deposits worth Rs. 206,651, which were for 03 months and the value of 05 fixed deposits worth Rs. 4,832,466, which were set to mature in one year in system L have been included under the cash balance instead of being shown under current assets. Additionally, a 400 days fixed deposit amounted to Rs.40,224,961 which should be shown under non-current assets had been shown under the current assets.
- It will be corrected when the financial statements for the year 2024 are presented.
- Money and deposits should be presented in the accounts in the correct format according to accounting standards.
- (i) The two land plots worth Rs. 64,320,853, purchased during the period of 1984-1989 by the authority, along with 54 line houses at the Kothmale Junior Camp, and values of the lands of the system offices, divisions, quarters, and circuit bungalows of the authority had not been recognized or accounted for.
- Steps will be taken to assess and account for their values.
- Action should be taken to identify and account for the land and properties owned by the company.
- (j) A laser leveler machine was purchased on 28 March 2022 for the Aralaganwila farm at a cost of Rs. 1,991,000 and due to the absence of a suitable tractor for its installation, the machine had not been used so far. However, the
- The accounting policy of the authority for depreciation is to start depreciating an
- Depreciation should commence after the asset is installed and ready to use as per the accounting

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| <p>depreciation of an asset should commence once it is made ready for use as per the Section 69 of Sri Lanka Public Sector Accounting Standards No. 07, Nevertheless, a depreciation of Rs. 227,464 was charged for the machine in the year 2023</p>   | <p>asset from the date it is purchased. Accordingly, the depreciation of the 'laser leveler machine' commenced from the date of its purchase.</p> | <p>standard.</p>  |
| <p>(k) Even though contingent liability of Rs. 311,157,590 for 23 lawsuits against the authority had been identified by the Deputy Director (Legal), and the amount was disclosed in the consolidated financial statements, action had not been taken to made the necessary provisions as per the Section 22 of Sri Lanka Public Sector Accounting Standards No. 8</p>   | <p>It was noted to take action according to the standards for the year 2024</p>   | <p>Provisions should be made for liabilities in accordance with the accounting standards.</p>                             |
| <p>(l) In total, an amount of Rs. 466,200,113, including a land use fee of Rs. 1,784,749 from System L; a sum of Rs. 106,909,200 from four individuals or entities operating soil projects in System Walawa; a sum of Rs. 3,214,200 from two individuals operating sand projects; a sum of Rs. 2,051,060 as service charges and outstanding tax amounts due up to October 19, 2001, for the removal of limestone from a 2-acre land in the Ukuwela-Wariyapola estate in System Victoria; and a sum of Rs. 352,240,904 as receivable land use fees from 71 individuals or entities for quarrying operations in Systems C, L, H, and Walawa, should have been recognized as receivables during the preparation of financial statements. However, these amounts were not recognized in the financial statements, as required by Section 33 of the Sri Lanka Public Sector Accounting Standard 10.</p> | <p>Agreed, action will be taken to identify the outstanding land use fees as receivables and to account for them starting from the year 2024.</p> | <p>Measures should be taken for identify, account for and to recover the receivable revenue.</p>                          |
| <p>(m) Even though the authority was required to value the leased lands identified as its investment property at fair value in accordance with Sri Lanka Public Sector Accounting Standard 13, only 28 lands covering 143.05 hectares, valued at Rs. 62,870,350 based on a gross assessment, out</p>   | <p>The land valuation fees have not yet been paid. Taxpayers have been notified to make the payments. As the</p>                                  | <p>The lands allocated for revenue collection and various projects should be identified, valued, and accounted for in</p> |

- of 104 lands leased for investment projects in System Walawa had been accounted for, while 23 lands covering 614.72 hectares had not been accounted for. In addition, a 4.23-hectare area in the region where the Digana Holiday Resort has been built in the Victoria System, leased to an external party based on the lease agreement, had not been accounted for as investment property.
- proper valuation has not been determined yet, the amounts have not been accounted for. However, after obtaining a formal valuation for these land parcels, steps will be taken to account for the relevant values.
- accordance with the relevant investment property accounting standards.
- (n) The necessary details regarding post-employment benefit plans, such as employee provident funds and employee trust funds, had not been disclosed as per Section 57 of Sri Lanka Public Sector Accounting Standard 19.
- The correction will be made during the presentation of the 2024 financial statements.
- The necessary details regarding employee provident funds and employee trust funds should be disclosed in accordance with the standard.
- (o) Even though the provision for employee gratuity benefits, identified as a defined benefit plan, should be recognized and measured using actuarial techniques as per Section 61 of Sri Lanka Public Sector Accounting Standard 19, the institute had not complied with this requirement.
- The correction will be made during the presentation of the 2024 financial statements.
- The employee gratuity benefits should be recognized and measured using actuarial techniques.
- (p) The authority did not identify and report the impairment loss related to two quarters costing Rs. 4,244,607 in System E, which were damaged by fire, and the damage caused to irrigation cannels, drainage cannels, and division cannels in System Walawa due to Phase II of the Southern Expressway project, as per Sri Lanka Accounting Standard 36 on impairment
- The impairment loss will be identified and reconciled in the year 2024. A sum of Rs. 43,884,000 was received from China State Construction Engineering Co-operation on 10 March 2021, for the damage to irrigation channels, drainage channels, and division channels. Since no loss has occurred, the accounting reconciliation will
- Asset impairment losses should be identified and reported as per the accounting standard.



be disclosed through the financial statements the year 2024.

### 1.5.1.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) The authority received assets amounting to Rs. 671,503,748 from the Dam Safety and Water Resource Planning Project, Rs. 536,539,275 from the Moragahakanda Project, and Rs. 325,457,540 from the Climate Resilience Improvement Project. However, as of the year under review, only Rs. 589,325,677, Rs. 466,896,356, and Rs. 78,348,847 of these assets were accounted for, respectively.</p>	<p>The authority has accounted for all assets received from the projects in accordance with proper documentation and storage policies. While it is stated that assets were provided through these projects, all items received, for which goods receipt notes were issued, have been integrated into the authority's accounts based on formal procedures.</p>	<p>Assets received from projects should be valued and accounted for.</p>
<p>(b) The 16 vehicles received from the Moragahakanda Project under the Tambuttegama Mechanical Works shop had not been valued and accounted for.</p>	<p>The 16 vehicles (heavy machinery) provided by the Moragahakanda Kaluganga Development Project have been handed over to the Mahaweli Authority's B, D, E, H, and Moragahakanda systems. A request was made to the Secretary to the Ministry of Transport for the transfer of these vehicles, and after approval was granted, steps will be taken to value and account for the vehicles accordingly.</p>	<p>Assets received from projects should be identified, valued, and accounted for.</p>
<p>(c) The interest of Rs. 1,000,911 for the fixed deposits amounting to Rs. 4,832,466 in system L for the year</p>	<p>Action will be taken to correct this in the presentation of the 2024 financial statements.</p>	<p>Interest income should be identified and accounted for.</p>

- 2023 had not been accounted for
- (d) Even though, according to the document presented by the Ministry of Irrigation, 241 vehicles belonging to the Ministry were handed over to the Mahaweli Authority, and 23 of these vehicles were included in the records of the Transport Division, action had not been taken to account for them in the financial statements.
- (e) According to the financial statements, the total amount receivable as of 31 December 2023, was Rs. 5,089,330,000. Of this, the amount receivable for more than 5 years was Rs. 434,649,000. The collection of this amount was uncertain, and no provision was made for it.
- (f) According to the financial statements of the authority, the balance payable to Mahaweli Livestock and Agro Enterprises (Private) Limited was Rs. 12,710,820, while the company's financial statements showed a balance of Rs. 5,820,430 receivable from the authority. Therefore, a difference of Rs. 6,890,390 was observed between the amount payable by the authority and the amount receivable by the company, but no action had been taken
- Action has been taken to start the vehicle handover process under proper coordination between the ministry and the authority, and to transfer the ownership properly.
- Action will be taken to clear these balances with the 2024 financial statements.
- The reason for the difference of Rs. 6,890,390 is the combination of two balances, which were shown separately in the previous years' financial statements for System H and Niraviya Farm, that are payable to Mahaweli Livestock and Agro Enterprises (Pvt) Ltd. Additionally, the Rs. 446,460 balance identified by the company as the value of "inventory" has contributed to the aforementioned difference. However, reasons are being analysed for identification of the net value of the buildings amounting to Rs.7,336,850 handed over to the farm as a payable
- The ownership of the vehicles received by the authority should be properly verified and accounted for.
- Action should be taken to collect the outstanding revenue.
- Action should be taken to make accounting adjustment by identifying the differences between balances.

to investigate and reconcile the discrepancy.

balance by the farm as this and the reconciliation of the investment accounts are being done.

- (g) The small-scale hydropower plant at Lower Kotmale Oya had not received the revenue due for the years 2021, 2022, and 2023 as of 29 May 2024, and these revenues had also not been accounted for as receivables.
- It has been informed that land use payments related to this project are made to the Divisional Secretary, and therefore, additional payments cannot be made to the Mahaweli Authority. Legal advice has already been obtained from the Attorney General to resolve this issue, and discussions are currently underway with the project developer regarding the next steps.
- Action must be taken to recover outstanding revenue.

### 1.5.1.3 Documentary Evidences not made available for Audit

Audit Issue	Management Comment	Recommendation
<p>(a) The investment in Mahaweli Livestock Enterprises Company amounted to Rs 10,000,000. However, share certificates, valuation details, and Board or Cabinet decisions required to verify the accuracy of the investment were not presented for audit.</p> <p>Although the authority's 25-acre Niraviya farm at Thambuththegama was leased to the company until 2019, no steps were taken to extend the lease period or reclaim the land. Similarly, the 25-acre Kalankuttiya farm leased in 2010 lacked a formal lease agreement submitted for audit. As a result, essential information regarding lease terms, duration, and the outstanding rental amount of Rs. 28,352,000 could not be satisfactorily verified.</p>	<p>This company operates under the Ministry of Livestock Development and functions under the supervision of the National Livestock Development Board. An audit observation discussion was held on 14 October 2024 under my chairmanship with the participation of officials from the National Livestock Development Board, the relevant company, and the authority. During the discussion, both parties agreed to exchange relevant official documents concerning these issues, review them, and hold another meeting in the first week of November 2024. Accordingly, I expect these matters to be resolved. Furthermore, to confirm the</p>	<p>The accuracy of the investment must be verified, and steps should be taken either to extend the lease agreements for the Niraviya and Kalankuttiya farms or to reclaim them. Additionally, the agreements should be submitted for audit.</p>

Mahaweli Authority's share ownership, the relevant company's Annual Return submitted to the Registrar of Companies for the year 2021 indicates that 100,000 shares have been issued to the Mahaweli Authority.

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| (b) | <p>The authority had disposed of 18766 hectares of land from taxable land by 21 December 2023, and out of this, only 6114.21 hectares, amounting to Rs. 2,810,494,000, had been accounted for. This represented 32.6% of the total taxable land. As a result, the fair value of the land was not reflected in the accounts, and it was not possible for the audit to verify the accuracy or the value of the land.</p> | <p>Since a proper valuation has not yet been determined, it has not been accounted for. After obtaining a formal valuation for these land parcels, action will be taken to account for the relevant valuation amounts.</p> | <p>The land disposed for various projects should be identified and valued according to investment property accounting standards and accounted for accordingly</p> |
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## 1.5.2 Mahaweli Livestock and Agro Enterprises (Pvt) Ltd

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

Audit Issue	Management Comment	Recommendation
<p>(a) Even though the land of 1113 acres 0 rood and 37.76 perches in Girandurukotte farm and the land of 100 acres in Damminna farm had being used by the Company, the values of the lands had not been taken in to the accounts as per the Section 17.04 of Accounting Standard for Small and Medium-sized Enterprises.</p>	<p>Land has not been valued and accounted for as an asset of the Company. Land has not been transferred to the Company.</p>	<p>Land values should be assessed and accounted for as per the Accounting Standard.</p>
<p>(b) Even though a gain of Rs.640,000 generated from the revaluation of office equipment, vehicles and machinery carried out previous year had been accounted for in the year under review, the required disclosures</p>	<p>Revaluations have been shown under the additions. The corrected statement is available which divided it as Additions and Revaluations.</p>	<p>Action should be taken to disclose as per the Accounting Standard.</p>

- had not been made as per the Section 17 of the Accounting Standard for Small and Medium-sized Enterprises.
- (c) Even though a sum of Rs. 814,905 was deducted from the revenue reserve and a sum of Rs. 1,274,358 was added as prior year adjustment, relevant disclosures had not been made as per the Section 10.23 of the Accounting Standard for Small and Medium-sized Enterprises.
- (d) Even though the profit or loss should be adjusted to the financial statements after calculating the gratuity liability based on the actuarial valuation method when calculating the gratuity as per the Section 18 of the Accounting Standard for Small and Medium-sized Enterprises 28, the Company had not been complied with. The gratuity liability of Rs.228,662 for 07 employees whose service period is between 01-05 years had not been accounted for as per the section 28 of the Accounting Standard for Small and Medium-sized Enterprises.
- (e) 195 teak trees in Damminna Farm and 211 teak trees in Girandurukotte Farm, which were recommended to be sold as commercial timber, had not been assessed and accounted for in accordance with Section 10 of Sri Lanka Accounting Standards No. 41.
- It will be corrected in the future.
- Disclosures should be made as per the Accounting Standard.
- It is informed that it will be corrected in the future.
- The gratuity liability should be calculated and accounted for on the basis of the actuarial valuation method as per the Accounting Standard.
- It has been documented teak trees in Girandurukotte and Damminna farms. A board paper will be presented related to this and it is informed that action will be taken to account for the values of these trees in the year 2024, by assessing these trees through a committee appointed by Board of Directors.
- Action should be taken to revalue these trees and taken in to account as per the Standard.

### 1.5.2.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The stock difference of Rs.1,154,681 and the gratuity payments of Rs.1,113,911 had not been adjusted to the cash flow statement. Even though the increase in trade and other payable amounted to Rs.383,670 to be shown as cash inflow had been shown as a cash outflow of Rs.1,916,226. Even though an acquisition of property, plant and equipment amounted to Rs.155,172 had been shown as a cash inflow, there was a cash outflow of Rs. 903,614. Prior year adjustment which should not be adjusted to the cash flow statement amounted to Rs. 459,454 had been adjusted as working capital change.	Action will be taken to correct in the future.	Cash flow statement should be prepared in accordance with the Accounting Standards.
(b) Niraviya Farm located in Thambuththegama, Kanthale farm, Siddhapura farm in Polonnaruwa, Muthuwella farm in Welikanda owned by the Company, had been vested in Mahaweli Authority during the period 2005-2010 without formally exchanging the documents. Nevertheless, buildings and fittings, 26 vehicles, 45 office equipment, 63 plants and machinery, 03 generators, and 260 furniture and fittings costing Rs.22,336,573 owned by those farms were shown in the accounts, even though they had not been utilized by the Company. And the assets had not been physically surveyed by the Mahaweli Authority of Sri Lanka or the Company	It is informed that action will be taken to rectify this by submitting a board paper to appoint a verification committee including a member of Mahaweli Authority of Sri Lanka for the year 2024 to physically verify the assets of the following farms, Niraviya, Kantale, Siddhapura, Muthuwella, Thungkama, which have left the control of the company.	Action should be taken to account for the Company owned assets only.

- (c) A contribution of Rs. 25,840,605 to be paid to the Employees Provident Fund for the period of 110 months from January 2013 to December 2023 had not been paid by the date of audit on 24 April 2024 and surcharges amounting Rs.6,208,029 relevant to it had not been accounted for. Action will be taken to account for in the year 2024. All liabilities should be identified and accounted for.
- (d) A contribution of Rs. 1,345,988 to be paid to the Employees Trust Fund for the period of 42 months from July 2020 to December 2023 had not been paid and surcharges amounting Rs. 652,809 relevant to it had not been accounted for. Action will be taken to account for in the year 2024. All liabilities should be identified and accounted for.
- (e) Even though the company's financial statements showed a balance receivable of Rs. 5,820,430 from the Mahaweli Authority of Sri Lanka, the Authority's financial statements indicated a balance payable of Rs. 12,710,820 to the company. Thus, a difference of Rs. 6,890,390 was observed between the two figures. There is no outstanding balance payable to the Mahaweli Authority. It is confirmed that the Rs. 446,460.00 indicated as a difference in the receivable balance represents the value of the stock of products and raw materials available at the farm as of September 30, 2010, when the Niraviya farm was handed over to the Mahaweli Authority. Necessary action should be taken to recover this receivable amount from the Authority
- (f) As the adequate information had not been presented for balances amounting Rs.406,061,033 indicated as Mahaweli Economic Agency, Kothmale Dairy development Fund, Capital grant of Europe Economic Commission, Foreign aid and Capital Reserve , the accuracy was not verified. The company does not possess the documents required to verify this balance in the final accounts of the Livestock Development Division for the year 2009. A Board Paper has been submitted, and efforts are being made to obtain confirmation regarding this matter from the Mahaweli Authority. Arrangements should be made to directly obtain balance confirmations for auditing purposes.
- (g) The loss of Rs.502,203 on disposal of scrap material had been debited to the revaluation gain instead of the revaluation account. Action will be taken to correct the adjustment of scrap value to the revaluation account. The accounting error should be corrected.

adjusting to the profit and loss account.

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| (h) | Arrears contribution of employee provident fund amounted to Rs. 1,729,889 and surcharges amounted to Rs. 864,945 related to 06 employees of Niraviya farm had been defaulted as at 31 December 2023 and a portion of this outstanding amount which is a sum of Rs. 402,513 in contributions and surcharges, had not been accounted for. | The payable balance of Rs. 2,030,402 reduced after the presentation of information to the Court regarding the employee benefit funds to be paid and the payments made by the company within the stipulated time frame, and it was decided that this balance would be paid in installments of Rs. 50,000 | Action should be taken to account for the all liabilities.                  |
| (i) | Actions had not been taken to account for the penalty amount of Rs.1,797,312 related to taxes on unpaid accumulated values exceeding five years, including income tax, turnover tax, and Nation Building Tax.   | Supporting documents for the balances have been presented   | Action should be taken to settle and account for the statutory obligations. |
| (j) | A revaluation gain amounted to Rs. 213,480 arose in the asset revaluation in 2019 had been transferred to the income reserve instead of being allocated to the capital reserve.   | The error in the valuation gain for the year 2019 will be corrected in the accounts for the year 2024.  | The valuation profit should be accurately accounted for.                    |

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Section 72 of the Land Development (Amendment) Act No. 27 of 1981	Even though While issuing land permits, land survey plans should be prepared or suitable land should be selected and permits should be issued, land permits had been given for 99	In 2014, suitable lands had been identified for distribution to permit holders without transferring the rights of land usage. However, as per the written notification issued by the Secretary	Land permits should be issued only after selecting suitable lands, conducting surveys, and preparing plans.



- selected persons from the land kachcheri held at Giradurukotte Block office in System C in the year 2014 deviating from the above requirements and without specifying the lands
- to the President on 2022/11/11, new land allocation activities have been temporarily suspended, making it impossible to proceed with this task.
- (b) Section 9(1) of the Inland Revenue Act, No. 24 of 2017
- Only the institutions listed in the III Schedule of the Act have been exempted from paying income tax. However, even though the authority was not included in that schedule, it had not taken steps to pay the applicable taxes.
- As per Section 106 of Public Enterprise Circular No. PED 03/2015, dated 17 June 2015, the Mahaweli Authority is categorized as a semi-government institution (Semi-Government) and functions as a service-providing state organization (Service Organization). Since the required funds are provided by the Treasury through other consolidated funds, it has been treated as a state institution, and a Nil Return has been submitted to the Department of Inland Revenue to date.
- Action should be taken to file tax returns related to the 2022/2023 assessment year.
- (c) Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- (i) F.R. 371 (C)
- Even though a total of Rs. 24,239,319 had been given to the Director (Research and Special Projects )
- Agreed
- The relevant divisions have been informed to regularize the advance payments provided for the project involving
- An advance payment should not be provided again before completing the work for which the initial advance was given.

to construct the electric fence in Kandakadu and Giradurukotte and to construct the fish Centre and ponds in system H, these advances had not been settled for 3 years as of the audit date, 10 May 2024 and the relevant tasks had not been properly completed.

the construction of the elephant fence around the Kandakaddu farm in Mahaweli system B, and the fish breeding center and mud ponds constructed in system H, as the information submitted for the settlement of these advances was not sufficient. Since technical issues have arisen with the hanging electric fence constructed around the Agricultural Training Center in Zone C, it is currently in a condition unsuitable for acceptance by the authority. Therefore, I have appointed a special committee to investigate and report on the matter. The committee's report has now been received, and I will review it to determine the necessary next steps.

- (ii) F.R 373 Even though all imprest balances were due to be settled by 31 December, fuel imprest amounting to Rs. 1,037,000, petty cash imprest of Rs. 169,000, purchase advances of Rs. 15,736,000, and various other advances totaling Rs. 15,736,000 remained
- Due to the final working day of December coinciding with the receipt of 2023 capital grants and local fund project allocations, imprest funds were provided for necessary purchases at the end of the year. (For example: maintenance of major dams and reservoirs.)
- An advance payment should not be provided again before completing the work for which the initial advance was given.

- unsettled, and employees continued to be retained without clearing these advances. As a result, even though the imprest funds were issued at the end of the year, they could not be settled by that date.
- (iii) F. R. 1646 The daily running charts for the vehicle bearing number CAF-1918, which was involved in an accident on 4 February 2020, had not been submitted for audit up to the date of this report. Agreed Action will be taken to submit it immediately. Should be submitted immediately.
- (d) Section 9.4 of the PED 12 Circular dated 02 June 2003 and the Operation Manual introduced by the Public Enterprises Circular No 01/2021 dated 17 November 2021
- (i) Section 3.5 The salaries paid to 31 members of the Mahaweli Security Force, including a special allowance of Rs. 5,000, from 2020 to 31 December 2023, along with the contributions to the employee welfare fund and the personnel deposit fund, as well as overtime and travel allowances, amounted to Rs. 34,537,879, Rs. 4,891,316, and Rs. Except for the five officers assigned to the 06th retired president, all other officers who were released to different institutions have now reported back to the authority for duty. I would like to inform you that the relevant institutions have not yet provided any response regarding the reimbursement of funds for the security The remuneration paid to employees released to other institutions without Cabinet approval should be recovered.

		2,559,571, respectively had not been reimbursed as of 20 May 2024.	controllers released. According to the instructions of the Secretary to the Ministry of irrigation, no reimbursement of funds has been made for the employees released to the Ministry.	
(ii)	Section 7.2	Even though key performance indicators (KPIs) and operational performance indicators should have been established to assess the performance of the authority, and approval from the Treasury should have been obtained for them, this was not done.	Key performance indicators (KPIs) and operational performance indicators relevant to the authority's performance assessment have been developed and submitted to the Ministry of Irrigation for Treasury approval.	The Treasury approval should be obtained for the key and operational performance indicators.
(iii)	Section 7.6	Even though an officer should have been appointed to report the performance-related information of the authority to the Ministry of Finance and the Treasury, this was not done.	Due to the resignation of the officer previously assigned to report on the authority's performance, it was not possible to appoint a new officer immediately. However, I would like to inform you that a suitable new officer will be appointed after recruiting a replacement, and further action will be taken accordingly.	An officer should be appointed to report on performance information.
(e)	Section 2.3 of the Guidelines on Corporate	Even though the action plan and annual budget document for	The approval of the board of directors of the authority has been	The action plan and annual budget should be prepared, the necessary approvals

	<p>Governance for the State Owned Enterprises introduced by the Public Enterprises Circular No. PED 01/2021 dated November 16, 2021.</p>	<p>the authority for the year 2023 should have been submitted to the Director General of the Department of Public Enterprises and the Director General of the National Budget through the Secretary to the line ministry, this was not done accordingly.</p>	<p>obtained and submitted to the Ministry of Irrigation. The Mahaweli Authority acknowledges that it was not presented to the relevant institutions, and assures that it will operate in accordance with the provisions of this circular starting from the year 2025.</p>	<p>obtained, and submitted accordingly.</p>
(f)	<p>Public Administration Circular No.30/2016 dated 29 December 2016</p>			
	(i)	<p>Section 3.1 Annual fuel tests had not been done for its vehicles by the authority.</p>	<p>The necessary instructions have been provided to the respective vehicle in-charge officers. Due to fuel limitations and price increases, this has been delayed; however, fuel tests are conducted at every possible opportunity.</p>	<p>Fuel tests should be done.</p>
	(ii)	<p>Section 3.3 The monthly fuel consumption record for vehicles was not maintained in the prescribed format.</p>	<p>The instructions provided have been noted for further action.</p>	<p>The fuel consumption-related information should be maintained according to the prescribed format.</p>

## 1.7 Cash Management

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
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<p>The authority, in collaboration with the Regional Development Bank, implemented 03 small and medium-sized loan schemes aimed at</p>	<p>Under the “Mahaweli Saviya” loan scheme, the Regional Development Bank charges an interest rate of 8%, and the bank</p>	<p>The funds to be provided should be promptly distributed to the rural community, and efforts should be made to ensure the recovery of</p>

enhancing the living standards of the Mahaweli community through the inclusion of agricultural, livestock management, value-added, and other industry-related products into both domestic and international markets providing essential facilities to entrepreneurs in the Mahaweli sector. and under the “Mahaweli Saviya” and “Moragahakanda” credit schemes, As of 31 December 2023, a total of Rs. 78.25 million out of the allocated Rs. 107.02 million had been disbursed as loans under these schemes. Under the “Mahaweli Saviya” loan scheme, no amount of interest has been provided to the authority from the interest charged by the bank on the loan amount of Rs. 66.57 million. Similarly, no interest was charged to the authority for the Rs. 13.32 million not disbursed under the “Moragahakanda” loan scheme. As a result, no interest was received by the authority for the total loan amount of Rs. 79.89 million. Furthermore, the authority's funds have been provided for the benefit of other parties.

uses the revenue generated from these charges for its own expenses. However, according to the signed agreement, the first party, the Mahaweli Authority, does not receive any portion of the interest income. Even though interest income from the loan funds issued is not received by the Mahaweli Authority as per the terms of the agreement, interest income is due to the authority for the unissued loan amount, calculated based on the annual general savings interest rate.

Under the Moragahakanda Athwela” loan scheme, a 7% interest rate is charged on the loans provided, with 2% allocated for expenses, and the remaining interest income from unissued loans is due to the Mahaweli Authority, calculated based on the annual general savings interest rate.

The loan program, initially started under a deposit of Rs. 50 million in 2006 with the S.M.E. Bank, was later transitioned to an agreement with LankaPuthra Development Bank. Even though the identification of suitable investors, field surveys, and the requirements for guarantors took some time, the process of issuing loan funds has now been initiated.

income due to the authority from the repayment of those loans.

## **02. Financial Review**

### **2.1 Financial Result**

The operating result of the authority of the year under review amounted to a loss of Rs. 6,201,567,000 and the corresponding loss in the preceding year amounted to Rs. 1,494,045,000. Therefore a deterioration amounting to

Rs. 4,707,522,000 of the financial result was observed. Decline in other revenue, decrease in Government recurrent grants and increase in depreciation had mainly caused for this.

The operating result of the group of the year under review amounted to a loss of Rs. 6,201,724,000 and the corresponding loss in the preceding year amounted to Rs. 1,485,127,000. Therefore a deterioration amounting to Rs. 4,716,597,000 of the financial result was observed. Decline in other revenue, decrease in Government recurrent grants and increase in depreciation had mainly caused for this

### 03. Operational Review

#### 3.1 Uneconomic Transactions

Audit Issue	Management Comment	Recommendation
<p>(a) A contract for preparing Environmental Impact Assessment (EIA) reports for an agricultural and livestock development project in the Kandakadua area of the Mahaweli System B, covering 3,770 acres, was awarded to the University of Sri Jayewardenepura for Rs. 6,539,600 on September 28, 2021. Out of this amount, Rs. 3,211,376 has already been paid.</p> <p>Due to the failure to reach a specific agreement by May 10, 2024, on which institution the Environmental Impact Assessment (EIA) report should be handed over to and which institution should bear the related future payments, the university was unable to finalize the EIA report, which was only partially completed. This situation arose as a result of transferring the ownership of the land to the National Livestock Development Board in accordance with a</p>	<p>Answers were not provided.</p>	<p>A feasibility study should be conducted to avoid uneconomical expenses, and the project should be completed without delay to achieve the expected benefits.</p>

Cabinet decision. The sum of Rs. 3,211,376 spent on the incomplete report has become an ineffective expenditure due to the lack of proper planning.

- (b) The Authority planned to allocate 2,802 acres in the Mahaweli Systems of B, C, D, L, and Udawalawe to farmers engaged in dairy farming to initiate a program aimed at improving livestock nutrition. The program, which included environmental assessments, archaeological surveys, and land surveying activities at a cost of Rs. 6,571,882, was scheduled to be completed by 31 December 2020. However, as of the audit date of 10 May 2024, no land had been distributed to the farmers for grass cultivation.
- A total of Rs. 6,571,882 was spent on the proposed grassland development in the Mahaweli System L. This included Rs. 1,551,958 paid to the Rajarata University of Sri Lanka for the initial environmental assessment, Rs. 140,099 to the Department of Archaeology for archaeological surveys, and Rs. 4,879,825 to the Survey Department of Sri Lanka for land surveying activities. At present, a land kachcheri has been conducted, and eligible dairy farmers have been selected for grass cultivation on the grasslands. The proposed development activities could not be initiated as planned due to the directive issued by the Presidential Secretariat on 11 November 2022, instructing the Mahaweli Authority to suspend new land allocations.
- The project should be initiated based on the feasibility study reports.
- (c) It was planned to provide about 540 acres of land from the Muthuwella Welikanda area for the implementation of agricultural crop production projects under the Mahaweli System B Agriculture Development Program in the year 2020. The contract of Rs.2,619,000 for evaluating the environmental impacts of these investment projects was
- Along with the commencement of the field programs of environmental studies of the Muthuwella project, the spread of the corona virus, the problems of encroachers, the delay in the study of water sources and preparing plans for the development of infrastructure affected the study activities to be delayed than the planned time.
- The project should be completed without delay and the expected benefits should be achieved to avoid uneconomic expenses by the feasibility study.



awarded to the University of Colombo and Rs.2,093,200 had been paid by the date of audit. Even though a period of 03 years and 05 months had passed from the planned year to the audited date of 10 May 2024, any investment project had not been implemented.

- (d) Even though a sum of Rs. 80,968,960 was spent in 2021 and 2022 to purchase necessary agricultural machinery and renovate the threshing floors at Rathkinda and Aralaganwila seed farms as part of a program to produce high-quality seed paddy for farmers in the Mahaweli regions, the funds have become ineffective expenditure due to all the paddy lands being allocated to external parties for rice cultivation under a share cropping system.
- Following the 2021 Yala season and the 2021/2022 Maha season, the country's ongoing economic crisis and political instability led to a gradual reduction in financial allocations. As a result, the total cultivated land for the 2022 Yala and 2022/2023 Maha seasons had to be reduced by 50 percent. Subsequently, the entire land area for cultivation was allocated under the sharecropping system. However, it was noted that these assets should be utilized effectively.
- A feasibility study should be conducted to assess the possibility of restarting the project.
- (e) Even though 200 agro wells were constructed in the Walawa system under the Ministry of Irrigation's guidelines as part of the 2023 Ambul Kesel Export Village Program for the establishment of agricultural entrepreneurship villages, all of them were in an unsafe condition.
- Under the Agricultural Entrepreneurship Village Program, farmers have been educated on preventing potential risks associated with agricultural wells. Although farmers have been operating agricultural wells for an extended period, no accidents have been reported so far
- Guidelines and assistance should be provided to ensure that agricultural wells are constructed safely.
- (f) A 95-acre land owned by the Sewanapitiya Block office in System B was allocated to 190 farmers under the Agricultural Sector Modernization Project for
- No memorandum of understanding (MOU) has been signed between the Authority and the Agricultural Sector Modernization Project as System B. Following the land allocation,
- Projects that have undergone feasibility studies should be completed without delay in order to achieve the expected benefits.

cultivating chilies without approval from the Board of Directors. There was no formal agreement between the Authority and the Agricultural Sector Modernization Project regarding the land size, area, timeline, and allocation methods for distribution to farmers. For the lands allocated in 2021, no taxes were collected that year. Although tax collection was started in 2022 and 2023, due to the lack of a formal tax agreement between the farmers and the Authority, the collection of Rs. 332,500 in outstanding taxes from 88 farmers remains uncertain. Even though three years have passed since the project was initiated, 46 farmers who were allocated 23 acres of land have not established any crops. Furthermore, the objectives expected from this project had not been achieved. The only activity carried out was the removal of the cultivation on the 100-acre area, which had been a long-abandoned forested land with overgrown trees.

- (g) A program to produce the required fish fingerlings for the reservoirs within the jurisdiction of the Mahaweli Authority, based on the Mahaweli region, had been initiated in the year 2021. Even though it was planned to construct pond systems in

a memorandum of understanding (MOU) was signed on 2022.11.05 between the Mahaweli Authority and the farmers, outlining the use of the land and the collection of taxes, along with the provision of equipment sets by the project. Even though 163 beneficiaries were selected under the tax-based allocation for the Sewanapitiya Block, several challenges have been faced in the farming project, including the failure of cultivation in certain areas, delays in the construction of agro wells, inadequate water supply during dry periods, and delays or incomplete provision of equipment sets to the farmers. Additionally, difficulties in pest and disease control during several cropping cycles have led to crop failure or farmers abandoning the land temporarily or permanently. These issues, or a combination of them, have been major contributing factors.

Two freshwater fish breeding centers were planned to be established in the System L, in the areas of Ahetugamawewa and Kiribbanwewa. Of these, the pond system comprising six ponds at the Kiribbanwewa breeding center has been excavated and completed. Construction work on

Projects that have undergone feasibility studies should be completed without delay in order to achieve the expected benefits.

C,H,Huruluwewa and three ponds is currently underway at the Ahetugamawewa breeding center. Walawa systems accordingly, construction work had been completed only in the system H as of the date of audit, 28 April 2024. A sum of Rs. 484,121 by System C, a sum of Rs. 523,146 by System Huruluwewa, and a sum of Rs. 1,036,650 by System L, amounting to a total of Rs. 2,043,917 had been incurred by these 03 Systems. However, since the pond construction activities were not completed as planned, the amount of Rs. 2,043,917 has become an unproductive expense.

A fish seed production unit was planned to be established within the Ratkinda Mahaweli farm in 2021. Pond construction began, and by 2022, four ponds were excavated and completed. A fish breeding center, including the above-mentioned ponds, was planned to be established within the farm under the provisions of the Asian Development Bank in 2024, and the construction work for this project is currently underway. Even though two ponds of 96x42 and 80x42 were included in the initial plan in the System Huruluwewa and were planned to be constructed in 2022, the excavation as required couldn't be completed. During the excavation of the second pond, it was found that a "naturally occurring rock" was present. The work on the first pond has been completed, and it was provided for the cultivation of ornamental fish based on a rental agreement in 2023.

### 3.2 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) The Cabinet approval had given to reorganize the Mahaweli Livestock and Agro Enterprises (Pvt) Company, which was established using the authority's resources, as a Public Private Partnership with a selected external investor in the year 2018. Even though the	The project committee evaluated the technical project reports and submitted the project committee report to the Cabinet Appointed Negotiation Consensus committee (CANC) on 06.05.2024. The approval for the financial project evaluation was given there. The meeting	A Public Private Partnership should be started according to the Cabinet decision.

- project reports of the investors should be checked and the appropriate projects should be selected by 22 April 2024. According to the timeline of the tasks expected to be carried out for the reorganization, the tasks had not been completed until now.
- and evaluation work has been completed by 13.08.2024. Although it was tried to get the recommendations of the technical evaluation committee officers to the report prepared accordingly, it has not been able to complete the work due to the busyness of the officers due to the election activities.
- (b) The land of 0.2139 hectare and building premises located on Baseline Road, Dematagoda belonging to the Authority are currently being abandoned and destroyed and it was observed during physical inspection that, the buildings within the land have been almost completely broken and destroyed in such a way that they cannot be used again and any action had not been taken in this regard.
- This land has been handed over to the Mahaweli Security Division to protect this buildings and furniture and equipment. Furthermore, by Board Resolution 352 dated 04.08.2023, approval has been granted to invite for the construction of a warehouse and vehicle yard in the 0.2139 hectare of land and building located at Baseline Road, Dematagoda.
- F.R should be followed regarding the damaged and misplaced Property.
- (c) Even though it had been decided to liquidate two subsidiary companies owned by the Authority which are Mahaweli Venture Capital (Pvt) Ltd in 2012 and Natural Resources Management (Pvt) Ltd in 2019 and liquidation process had not been completed by the end of the year under review.
- The liquidators submitted Form 29B to the Registrar of Companies on June 24, 2024, after completing the liquidation process of Mahaweli Venture Capitals (Pvt.) Ltd, and all remaining balances in the company's accounts were transferred to the Mahaweli Authority's account. Meanwhile, Natural Resources Management Services (Pvt.) Ltd. is in the process of preparing the final accounts for the liquidation activities.
- The liquidation process of the companies should be completed promptly, and the final accounts must be submitted.
- (d) An investment of Rs. 406,389,000 for Mahaweli Livestock and Agro
- One share was acquired out of the three shares issued on behalf of the Mahaweli Authority as
- Shares should be issued in the name of the Authority.

Enterprises (Pvt) Ltd was shown in the financial statements of the Mahaweli Authority, and the company was also listed as an affiliate of the Mahaweli Authority. The company's articles of association also indicated that it was an affiliated company of the Mahaweli Authority. However, despite this, the company did not issue a single share on behalf of the Mahaweli Authority.

promoters when converting the Livestock Resources Development Division of the Mahaweli Authority into Mahaweli Livestock and Agro Enterprises (Pvt) Ltd in the year 1999. This company was registered with one share acquired by Mr. Ranjith Gamini Wijethunga and one share acquired by Mr. Koggala Liyanage Sirimewan Kawirathna (Mahaweli Livestock Enterprises Ltd.). Since shares could not be issued in the name of the positions as it is a private company, the shares were issued in their personal names. Accordingly, the share issued on behalf of the Mahaweli Authority of Sri Lanka was transferred in the year 2024 to the name of the former Director-General of the Sri Lanka Mahaweli Authority, Mr. M.L.D.C.M. Abeywardena. Although the application was submitted, the transfer of the shares will be carried out after the submission of the company's annual return to the Registrar of Companies by the end of the year 2024. The other two shareholders have passed away. To transfer these shares, legal action must be initiated in the Commercial High Court. It is also important to note that the share transferred to the name of the former Director-General must be registered and finalized accordingly.

- (e) As of December 31, 2023, Although 157,843 hectares of land had been disposed as 315,529 plots as high land, water and rain sustained under the Land Development Ordinance, 110,902 plots had failed to be given grant papers, it was a percentage of 35 percent. And also, although 18,766 hectares of land had been disposed of in 24,735 plots by 31 December 2023 related to commercial, housing, investment projects, temples and government institutions under the State Land Ordinance Act, the Mahaweli Authority had failed to provide long-term grant papers and free grant papers for 19,657 plots. It had taken a percentage of 79 percent.
- Under the Land Development Ordinance, a percentage of 35 percent has been mentioned to provide grants for lands disposed of. Grants have been unable to be given and remained due to various problems. Informal alienation, lack of development, legal issues, family disputes, and land ownership issues are the reasons for this. Work is underway from the last quarter of 2023 to issue a grant paper. Accordingly, the said grant papers should to be given for all Mahaweli land plots. For long-term leasing under the government land ordinance, the lessees have paid the taxes without any deficit, the relevant land plots are measured, preparing plan after the boundary stones are laid, and once the line drawings are obtained by the surveying department after obtaining the valuation values from the valuation department, the providing leasing is done. A considerable time is taken in this work.
- Arrangements should be made to give the grant papers.
- (f) Disposal of lands on selective basis. It was observed that land clearance was disposed for the personal lists of ministers, citing "public welfare" under Section 20(B) of the amended Land Development Ordinance Act No. 27 of 1981. Furthermore, land disposal was carried out based on the personal lists of the President
- Under the Government Lands Ordinance, the Minister has the authority to lease land under Section 21(1) and to issue a notice under Section 21(2). However, the Government Lands Ordinance also states that "if the Minister has made regulations in any other manner, except for issuing a selective lease or rental agreement, every time such a decision is made, a
- Land disposal on a selective basis must be carried out solely for public welfare, according to the provisions of the Government Lands Ordinance.

and ministers, without notification must be published following the procedures under in the Gazette under the Section 21(i) and 21(ii) of the provisions of Government Land Development Ordinance Lands Regulation 21(2)." This Act No. 08 of 1947. During the implies that there is an authority sample audit, it was found that to not publish the Gazette notice. between 1998 and 2022, land disposal on selective basis was granted to 395 individuals in System C and 91 individuals in System E.

- (g) The audit was unable to ensure the accuracy of the final list prepared for the issuance of grants due to the inability to locate the selection records of 39 individuals in the farming community residing in Thammiyata, Belton, Akkaramele, and Riverside settlements of the Kothmale Division in the Victoria System who have been issued LC/144 permits. Additionally, the list prepared for the purpose of issuing grants included individuals who had already been issued LC/144 permits during the years 2000, 2002, 2003, 2004, 2012, 2014, and 2017, despite the failure to issue grants to the identified individuals for nearly 40 years.
- The officials of the Kothmale Division reviewed field and office records to gather information, including details of permits issued in the years 2000, 2004, 2012, and 2014, and incorporated them into these documents. The information related to those individuals could not be located in the office files. However, it has been reported that the selection records of 39 individuals in the farming community belonging to Thammiyata, Belton, Akkaramele, and Riverside settlements in the Kothmale Division have now been found. These records, along with the relevant annexures prepared to formalize the allocation of land, have been submitted to the Director (Lands) by the Residential project Manager for further approval.
- Documents should be prepared, and land should be allocated to individuals who have not yet been granted land.
- (h) Approval was granted on September 29, 2017, by the Director General to allocate 10 perches of land each to individuals who have requested land due to not receiving alternative lands acquired by
- According to the selection record dated September 29, 2017, it was identified that 13 residents of line houses, 26 secondary families, and 27 applicants who had not received resettlement lands in place of
- According to the State Lands Ordinance and the Land Development Ordinance, prompt action must be taken to allocate lands to the individuals who have been granted selections.

primary families, secondary families residing in line houses in System Victoria Ambakote region. Although eligibility was granted to those parties, and nearly six years have passed since, it was observed that resettlement lands had not been provided to 86 primary families and to 23 applicants who requested lands in place of those acquired. However, 37 allocations had been made for requests submitted personally by the President, Ministers, Deputy Ministers, and Ministry staff officials.

acquired lands were eligible. However, as of March 22, 2024, lands have been allocated to 27 residents of line houses, 26 secondary families, and 4 plots of land in place of the acquired lands. However, a portion of the proposed lands for allocation could not be disposed because some plots were less than 6 perches, and others fell within the 100-meter buffer zone of the reservoir reserve. Nevertheless, as mentioned in the audit query, it was stated that 37 plots of land had been allocated based on various requests. However, according to records, only 5 plots of land had actually been disposed.

(i) Disposal of lands for investment projects.

(i) There was no national policy for the disposal of lands, and lands, being a limited resource, had not been allocated in a more disciplined and transparent manner, considering human needs for agriculture, settlement, industry, tourism, and environmental sustainability, through a more planned and scientific approach.

Under the powers conferred by the Mahaweli Authority Act and the Government Lands Ordinance, investment lands have been allocated to investors after selecting suitable investors and fulfilling the necessary documentation requirements, with the approval of the Board of Directors. An evaluation committee for investment projects, consisting of experts from various fields, has carried out the allocation of government lands under the provisions of the Government Lands Ordinance, based on technical, social, and financial criteria. The evaluation process, under the physical planning recommendations, followed a

A national policy should be introduced for the disposal of Mahaweli lands, and the disposal of lands should be carried out by following the physical planning recommendations, in accordance with the provisions of the Government Lands Ordinance, based on a scientific methodology.



scientific methodology for the disposal of lands.

- (ii) Although initial strategic plans for land use were developed according to Section 3 of the Sri Lanka Mahaweli Authority Act No. 23 of 1979, those plans had not been updated after the year 2011 in accordance with the current land use requirements.
- Strategic planning for the Mahaweli systems is carried out considering development needs for the next 20 years. Accordingly, the amendments made in 2011 for the system B were based on the needs for the next 20 years. Therefore, following those strategic plans, the amendment of land use plans for new land applications is carried out in accordance with the recommendations provided by the regional physical planning committees, taking into account the ongoing needs.
- The strategic plans should be updated according to land use requirements.
- (iii) There was no specific and clear policy approved by the Board of Directors regarding the amount of land that could be allocated for agricultural and business development activities on a long-term lease basis in the Mahaweli power areas, suitable investment projects for each region, and the minimum and maximum land sizes that could be allocated. Lands had been allocated based on individual requests, and criteria had not been identified for selecting investors when allocating land for investment projects.
- Suitable areas for investment projects were identified according to the strategic plans in 2021, and it is planned to invite applications through newspapers and select suitable investors for these identified lands in System C, System Walawa, and System B. In addition, small land parcels scattered across regions are allocated based on individual requests, following the recommendations of the regional physical planning committees. The selection of investors is based on established criteria, and an evaluation of the investors is carried out by the project evaluation committee. Based on their reports, the lands are allocated to investors with the approval of the Board of Directors.
- A national policy should be introduced for the disposal of Mahaweli lands.

- (j) Even though the lands, amounting to 421.22 hectares, had been leased for a period of 30 years in five Systems, and 6 to 13 years had passed since the lease agreements ended by 10 May 2024, no action had been taken to renew or terminate these agreements. The management had not made a decision prior to the expiration of the lease period on whether to reissue the lease, terminate it, reassess the land, or reclaim it for the authority regarding these long-term leased lands that had reached the end of their lease period.
- Long-term leased lands are granted for an additional 30 years to the same beneficiaries after the initial 30-year lease period, considering the prevailing development status. Accordingly, leases for the second lease period related to the lands whose initial lease period had expired were issued up to 2022.11.11. However, a letter dated 2022.11.11 from the Presidential Secretariat suspended new land allocations. Subsequently, as per instructions from the Presidential Secretariat, the relevant documents for obtaining approval for renewing leases for lands whose initial 30-year lease period had ended were formally submitted to the Presidential Secretariat. Upon receiving approval, it will be possible to issue leases for the lands whose initial lease period has expired.
- New lease agreements should be entered into upon the expiration of the lease period.
- (k) An agro-enterprise company was granted 500 acres from the Siddhapura farm and 500 acres from the Muthuwella farm in System B. However, the lease permit was terminated on September 29, 2021, citing the reason that the land had not been developed. Although it was planned to allocate only 400 acres of land to 16 other investors for short-term crop cultivation, with each investor receiving 25 acres for one year at a lease rate of Rs. 4,000 per acre, based on the Director
- A total of 182.188 hectares of land from the Siddhapura farm was disposed to a private company with the approval of the Cabinet of Ministers. However, the remaining land parcels have not been properly leased to date, and land allocation within the Mahaweli Authority was suspended following a letter from the Secretary to the President dated 11th November 2022. A total of 10 hectares of land from the Muthuwella farm, which was previously allocated to a private
- Entering into lease agreements, fulfilling the purpose of land allocation, land development, follow up review, reclaiming lands from investors who have not developed them and canceling their lease rights, as well as collecting overdue lease payments and taking legal actions, should be undertaken.

General's approval, some of the buildings on the land were leased without charging separate monthly rent for them. The method of selecting these investors was not presented for review. As of the date of this report, 9 investors had failed to pay the annual lease payments, and the land had not been developed as agreed.

agricultural business company, has been granted to 17 individuals for short-term crop cultivation, with each person receiving 10 acres. Among them, 7 individuals are currently engaged in land development activities. The lease agreements of 9 investors who failed to carry out development activities on their lands have been canceled. For this project, the method of charging the lease was approved to charge Rs. 4,000 per acre until the Board of Directors grants approval for the lease charging method. The permission granted for temporary cultivation of the lands allocated to individuals for short-term crop cultivation ended on 31st March 2023, and it has been noted to take immediate next steps for this matter.

(l) According to the consolidated financial statements, the tax amount to be collected from investment projects by December 31, 2023, was Rs. 165,524,701, of which Rs. 22,993,596 had been uncollected for more than 5 years.

An analysis will be conducted regarding this matter, and steps will be taken to ensure collection in the future.

Steps should be taken to recover the outstanding tax amounts.

(m) Unauthorized land use  
According to Section 180 of the State Lands (Recovery of Possession) Act No. 7 of 1979, necessary steps were not taken in cases where unauthorized land encroachments occurred, to prevent such illegal occupation.

- (i) Even though a total of 897 hectares of land were being occupied by 4,616 unauthorized occupants in relation to 08 systems, necessary actions, as per the relevant procedures, had not been taken to address the situation. Under the unauthorized occupants, individuals who have been occupying land after the cancellation of the original landholder's lease, as well as those occupying land through illegal means, will also be included. These individuals will be directed to the land kachcheri for assessment, while the land recovery process for other unauthorized persons will be carried out in accordance with the provisions of the State Lands (Recovery of Possession) Act. This process will involve certain time-consuming steps, such as the publication of eviction notices. In the meantime, officials have been informed about the recovery of government lands from unauthorized occupants through various notices and letters issued at different occasions. Unauthorized occupants must be removed promptly.
- (ii) Even though the policy for unauthorized regularization was decided to be suspended from June 13, 2008, as per Section 3.1 of the circular, 16,135 selections were given to individuals who participated in 151 unauthorized regularization investigations in relation to System 08 after the year 2010. Under the unauthorized occupants, individuals who have been occupying land after the cancellation of the original landholder's lease, as well as those occupying land through illegal means, will also be included. These individuals will be directed to the land kachcheri for assessment, while the land recovery process for other unauthorized persons will be carried out in accordance with the provisions of the State Lands (Recovery of Possession) Act. This process will involve Land distribution should be carried out in accordance with the procedures outlined in the circular.

certain time-consuming steps, such as the publication of eviction notices. Unauthorized regularization investigations have not been conducted, and only land kachcheri has carried out the investigations, selecting the relevant individuals.

- (iii) The process of handling illegally occupied or illegally acquired lands, by granting legal possession to the same individuals through unauthorized regularization at land kachcheris without lawful selection, has led to a situation where the motivation of the general public to obtain land through proper procedures is undermined, creating a sense of injustice among the public. In the investigations conducted regarding this matter, it was found that a total of 177.95 hectares of land, which had not been surveyed, were being unlawfully occupied by 550 individuals for commercial, residential, and agricultural purposes, specifically in areas belonging to the C System and Victoria
- In cases where lands have been leased to landholders under a permit, and the permit holders violate the conditions outlined in the permit, the permit will be revoked in accordance with the provisions of the Land Development (Special Provisions) Act. The land will then be handled according to the legal procedures, where it will be selected by the land kachcheri. It is further clarified that such selection will not be considered unauthorized regularization, but rather, it should be regarded as a regularization of unlawful occupation. Efforts are being made to prevent unauthorized occupants from entering uncultivated government lands. As mentioned earlier, actions will be taken in accordance with the provisions of the State Lands (Recovery of Possession) Act for the removal of unauthorized occupants.
- Unauthorized occupants must be removed, and actions for land allocation should be carried out in accordance with the provisions of the circular.

System.

(iv) There were 2,544 individuals illegally occupying lands in the areas under the authority of the B, C, D, G, H, L, E, Huruluwewa, Walawa systems as well as in the reservoirs under the reservoirs and Operations Division.

- a) To remove unauthorized settlers, institutional measures have been taken for 910 plots at the system level, and legal actions have been taken for 145 plots. Accordingly, no actions had been taken to remove the unauthorized occupants from 1,489 land plots by the audit date, May 20, 2024.
- To prevent unauthorized activities in internal reservoirs and other water sources, the main fields of the respective regions and the Reservoir Operations Division manage unauthorized activities in the Ulhitiya/Rathkinda reservoir areas. The unit manager directly intervenes and collaborates with the block manager and land officers for assistance.
- The authority must ensure the protection of sensitive areas and regions under its jurisdiction.
- b) Institutional measures had been taken to remove 150 unauthorized settlers from the reservoir reserves, and legal actions had been taken against 185 individuals under the Director
- Field operations and security measures have been deployed by the unauthorized prevention unit to address the practical difficulties encountered in preventing unauthorized activities in the Elephant Management Reserve area of the Mayurapura Division. With the establishment of this unit, unauthorized land
- The authority must ensure the protection of sensitive areas and regions under its jurisdiction.

(Reservoirs and encroachments have been Operations) and no largely controlled. In situations measures had been where unauthorized taken to remove the encroachments occur beyond remaining 67 manageable levels, this individuals by the unauthorized unit is also called audit date which upon to assist with other was 20 May 2024. divisions within the Walawa System.

For unauthorized settlers in the vicinity of reservoirs and protected areas, legal actions are being taken, and cases have been filed against 76 individuals.

When the management of lands in the Biso-pura division of the system D was taken over in 2009, it was identified that 851 individuals were occupying government-owned land, ranging from ¼ acre to 5 acres, across 21 small reservoirs and ponds. Due to various social and family disputes arising, the land division and land use planning departments within the system are currently working to resolve these issues by preparing detailed plans.

- c) Within the Mahaweli System C, 137.175 acres near reservoir reserves had been occupied by 219 individuals for a maximum period of up to 40 years. Similarly, in the Victoria System, 23
- The Major Dam and Reservoir Operations Division has been taking legal action regarding the removal of unauthorized occupants from reservoir reserves. It is mentioned that legal proceedings have been initiated to remove 13 unauthorized occupants since May 20, 2024.
- The authority must ensure the protection of sensitive areas and regions under its jurisdiction.

acres near reservoir reserves had been utilized by 237 individuals for up to 30 years, and in the Walawa System, 645 acres near tanks and reservoir reserves had been occupied by 1,042 individuals for up to 45 years. These unauthorized users had been engaging in permanent crop cultivation, farming, and constructing permanent buildings. The process of removing these unauthorized occupants had been progressing slowly within the authority.

- d) In the Victoria System, 20.19 acres of land acquired by the authority for the conservation of reservoir reserve forests had been unlawfully occupied by 181 individuals for a period of 30 years, falling under the aforementioned unauthorized usage. Even though Dulgollaya was acquired in 1987 for forestry activities, it has become impractical to remove the illegal occupants by the year 1994 due to unauthorized developments. Since it cannot be disposed of in a manner inconsistent with its acquired purpose, regularization is also not possible. A field assessment has been conducted, and the relevant information has been forwarded to the Director (Lands) for further action. The authority must ensure the protection of sensitive areas and regions under its jurisdiction.



- (v) Approximately 50 acres of land, located amidst 511.52 acres released by the authority to a private company for an investment project adjacent to the Ulhitiya Reservoir within the Giradurukotte unit in System C, had been leased to the private company for Rs. 6,522,100 for a period of 10 years, from March 15, 2014, to March 14, 2024. This lease was based on a claim of ownership by a private party intending to establish a plantation. Upon investigating the ownership of the land, no legal action had been taken as of the audit date, April 28, 2024, to reclaim the land if the individual was found to be unlawfully claiming ownership, recover the losses incurred by the government, address the removal of vegetation within the reserve, or take legal action against the lessee.
- A 50-acre plot of land, located in the Giradurukotte unit of the Mahaweli System C, adjacent to the boundary of the sector, is being developed and enjoyed by **R.M.C.M.A Rathnayake**, with the address at No. 17, New Town, Giradurukotte, under deed number 16409.
- Since the inception of the Mahaweli Authority, this land has been maintained as private property. As a result, it has not been treated as government land or subject to authority actions up until now. However, efforts are currently underway to verify the legitimacy of this land's ownership.
- The authority must ensure the protection of sensitive areas and regions under its jurisdiction.
- (vi) The necessary legal actions to remove the aforementioned unauthorized cultivators have not been initiated, and the officers of the Mahaweli Security Force, stationed in the Mayurapura power area,
- Even though the Director (L.U.P.) had recommended the allocation of two land plots, each 45 acres, to **E.L. Pushpalal and R.A. Indika** for agricultural activities, requests for further instructions regarding the land clearance were made, as the relevant land belongs to the
- The authority must ensure the protection of sensitive areas and regions under its jurisdiction.

- had been unable to prevent the land acquisition.
- Elephant Management Reserve. Legal actions are currently underway to remove the unauthorized occupants, with the explanation that it is not possible to dispose of the land due to the declaration of the Elephant Management Reserve in 2021.
- (vii) A restaurant is run by a private party on an area of about 01 acres and 01 rood and 36 perches in the island located in the middle of the Mahaweli river in the Gatambe Grama Niladhari domain of Kadawatsatara Divisional Secretariat of Kandy District. The private restaurant located within the Varatenna Hakkinda Environmental Protection Zone, where the island is situated, had not been removed from the Reserve until 22 March 2024, which is the date of audit.
- Since this restaurant is a business place that has been running before the announcement of the environmental protection area by the Central Environmental Authority, it has been recommended that it is appropriate to lease the land for running the restaurant without the approval of the committee based on the legal provisions of the Mahaweli Authority. The Board of Directors has given approval to provide the restaurant on lease basis by imposing technical recommendations and conditions for running the restaurant.
- The authority must ensure the protection of sensitive areas and regions under its jurisdiction
- (viii) Even though a 3.1-acre plot of land designated for public cemetery purposes in the Aluthwatta Rajawella area of the Victoria region had been unlawfully occupied by 39 individuals, no legal actions had been taken in this regard.
- The 39 unauthorized occupants of the Aluthwatta cemetery land have been conducting illegal constructions and occupying the land for an extended period. Since they have established permanent residences outside the designated purpose, efforts have been made to assess and identify the situation. However, no plans have been received so far.
- The authority must ensure the protection of sensitive areas and regions under its jurisdiction

- (n) Even though 43 warehouses belonging to the Authority have been used by the Paddy Marketing Board since 2009, no rental payments have been collected for these warehouses by the end of the reviewed year. In response to the previous year's audit report, it was stated that efforts are underway to obtain the assessed values of these buildings from the Valuation Department in order to transfer ownership to the Paddy Marketing Board. However, as of the audit date, 20 May 2024, no progress has been made regarding the collection of rent or the transfer of ownership of these buildings.
- In order to obtain approval for transferring the warehouses to the Paddy Marketing Board, it was communicated to the Board that if there is no Cabinet approval, and if the Board is unwilling to pay rent, there is a benefit under the Act that established the institution, allowing the Board to obtain government land free of charge. The Board was instructed to promptly inform me along with a copy of the relevant Act if this benefit applies. However, no response has been received regarding this matter.
- Actions should be taken to collect the outstanding rent for the warehouses and to ensure their proper clearance.
- (o) A 146-acre portion of land at Tambuththegama Niraviya Farm was handed over to the Army in 2020 for agricultural activities without entering into any agreements. During this period, Army officials stayed in the farm's tourist bungalow and official residences, but no charges were levied by the Authority. As a result, by the audit date, the Authority had lost an income of approximately Rs. 24 million.
- The Cabinet has granted approval for the continued use of the land portion at the Niraviya Farm, which was handed over to the Sri Lanka Army. Accordingly, discussions are currently ongoing between both parties regarding the rental payments, as well as the usage of water and electricity.
- Agreements should be made, and rental payments, along with electricity and water charges, should be collected in accordance with these agreements.
- (p) Extraction of Mineral Resources
- (i) An area of 20.2343 hectares in Mayurapura block of System Walawa was disposed of to a
- The concerned institution has been informed by The Resident Project Manager (Walawa) to pay the arrears of land use
- Legal Action should be taken to recover the outstanding land use fees.

private company in 2016 for soil excavating project. Although this agency has paid the royalty to Geological Survey and Mines Bureau for excavating 66,012 soil cube of soil between 20 December 2016 and 19 December 2017, The land use fees payable to the authority amounting to Rs.51,533,440 had not been recovered as at 19 March 2024 which was the date of audit. Also, the relevant land rehabilitation work had not been done as agreed. charges. Nevertheless, the payment of the money has been defaulted so far, so the related legal work is being done.

(ii) According to Section 12 (d) of the Act related to the establishment of the Mahaweli Authority, the conservation and sustainability of the physical environment within certain special areas has been identified as one of the main duties of the Authority. The following observations were made:

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| <p>a) Even though it is necessary to restore the land to prevent damage to the surrounding environment, particularly in the case of mining lands, the Authority had not taken the necessary measures for this</p> | <p>After 2019, both when issuing new mining licenses and renewing previously granted ones, efforts have been made to approve restoration plans. Additionally, measures have been taken to charge fees in accordance with the approved restoration plans for the extension of operations.</p> | <p>Action should be taken to enter into agreements that include provisions for the restoration of lands when re-leasing mining lands suspended prior to 2019 and to implement the necessary measures accordingly.</p> |
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before 2019. As of the audit date, 20 May 2024, the mining land had been abandoned without restoration, leaving large, unsafe, water-filled pits.

- b) Even though legislation was enacted on 1 April 2019 to secure land rehabilitation fees, no steps were taken to charge such fees or to introduce new measures related to land rehabilitation when renewing mining permits issued before that date. Investors have been informed at the regional level to submit rehabilitation plans for projects that commenced mining operations after 2019 or had their licenses extended. There are instances where rehabilitation costs have not been collected as a refundable deposit, citing reasons such as technical issues encountered during the preparation of project rehabilitation plans, delays in revising those plans, and the fact that mining lands have not been operational since 2019. As a result, certain tasks related to work carried out in previous years have faced practical challenges. These mining lands have now been suspended. Necessary steps should be taken to include provisions related to land rehabilitation in agreements when leasing out suspended mining lands.
- c) Land rehabilitation fees had not been collected for 35 abandoned granite mining projects across five Systems as of the audited date, May 10, 2024. A total of 197,730 cubic meters of granite had been extracted from these projects by the miners. Steps have been taken to suspend two granite projects in the L System due to non-payment of land usage fees. Land rehabilitation fees have been duly collected for projects that received recommendations from April 1, 2019, in System Walawa. In System B, rehabilitation fees were not charged for one miner related to the granite extraction from an abandoned granite project disposed of in 2022, specifically Action should be taken to enter into agreements that include provisions for the restoration of lands when re-leasing mining lands suspended prior to 2019 and to implement the necessary measures accordingly.

for block number 1 of map number 14 during the abandonment phase. The taxpayer has passed away, and the granite mining project is no longer operational. Upon inspecting the granite mining project, the relevant environmental officer in this System has provided a recommendation for land rehabilitation. The permit holder's son has now undertaken efforts to rehabilitate the land by planting crops on the site. Progress has been made regarding the collection of land rehabilitation fees in the System H.

- d) Due to the facts that not following a formal system of issuing a new license after calculating and recovering the arrears of the previous year in cases where mining licenses are extended and not collecting the relevant arrears of land use fees up-to-date by the responsible officials, the amount of outstanding land use fees to be received to the authority was Rs.1,898,907,760 by the end of the
- The answer is not matching.
- Disciplinary action should be taken against the officials who have defaulted on their responsibilities and the loss to the government should be recovered.

year 2019.

- e) The opportunity had been given to written off 75 percent of the outstanding land use fees to be collected from granite businessmen and recover the rest in 36 instalments as per the decision of the Cabinet No. 403/20/1852/317/0 12 dated 14 December 2020. Accordingly, it was further observed that the amount of Rs.1,424,180,320 which was written off from C, H, L and Walawa Systems was a revenue that could have been collected by the authority and that the authority had lost this money due to the weak and inefficient performance of the authority's revenue collection officers and supervisory officers.
- f) The concession period given to the miners to pay the arrears had ended on 31 December 2023, nevertheless an amount of
- Due to the approval given by the Cabinet to collect 25 percent of the arrears of the industrialists in 36 monthly installments within 03 years, the arrears of land use fees mentioned in the query could not be recovered. The arrears of land use fees calculated at 25 per cent as per Cabinet decision are being collected.
- Disciplinary action should be taken against the officials who have defaulted on their responsibilities and action should be taken to recover the losses of the government.
- Investors have been informed at the regional level in writing to pay the land use fees and the Letters of Demand have also been sent to enter the legal action. Although so directed, taking further action for the
- Legal action should be taken against the miners and the fees and related legal interest should be recovered.

Rs.298,362,829 had not been recovered from 65 miners even 20 May 2024. During the further investigation, amount to be recovered of Rs.69,423,300 has not been recovered from 27 miners and only a small amount had been paid out of the amount to be paid by misusing the above concession and resumed mining by 38 miners. An amount of Rs.228,939,529 should have been recovered from the amount of Rs.373,612,647 that the miners were to pay as of the date of audit. It was 61 percent of the amount due from them. Even after giving concessions such as, according to the above Cabinet decision, 75 percent of the land use fees to be received to the government was written off, the remaining amount was paid in 36 instalments and not charging any interest for the investors who did not pay the fees despite, the complaints related to the prosecution under the Act regarding the offenses committed in the subject of public property No.12 of 1982 have been arranged to forward the complaints to the police station of the area located in quarries.



arrears, legal action has not been taken to recover the arrears from the businessmen who did not pay the arrears even by the date of audit. It was advised to file a case under the Public Property Act against the investors who do not pay properly in the Committee on Public Enterprises held on 10 August 2023, nevertheless action has not been taken to file the cases accordingly.

### 3.3 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) According to the preliminary investigation report conducted by the Ministry of Irrigation regarding irregularities in the issuance of permits for sand mining in the Mahaweli C System, actions were recommended against former residential business managers for allowing the misappropriation of state resources. Additionally, the report suggested taking action against the former director of the land management division, who	Based on the recommendations from the preliminary investigation report, actions were recommended against the retired Residential Project Manager (System C), who carried out duties on a secondary basis, as well as the former Director (Land Use Planning), who resigned and is now working in another institution. A notification to take action against these officials was sent to the legal division on June 27, 2023, in accordance with the Establishment Code, as per Section 8.15 of Chapter XLVIII of the Second Appendix, regarding the violation of regulations and the disregard of	Actions should be taken against the parties responsible for the loss of revenue.

was fully responsible for mineral extraction, for committing errors as outlined in the second appendix of the establishment code. Even though it was mentioned that the recommendations from the preliminary investigation report had been implemented, by 20 May 2024, no significant actions had been taken against the mentioned primary offenders, nor had any fees been collected.

- (b) It was agreed to mark 60 meters reserve boundaries on both sides of the Mahaweli River to reduce the environmental damage of sand mining in the meeting of the Committee on Public Enterprises held on 21 February 2019 and although Rs.1,000,000 in the year 2018 and Rs.612,300 in the year 2019 as a total of Rs.1,612,300 had been paid to the Sri Lanka Survey Department for that, the survey work or the marking of reserve boundaries had not been done until the date of audit on 10 May 2024.
- (c) The Authority had established a land information system at a cost of Rs.6,973,405 to introduce information and communication technology to land management in the year 2016 and 2018 and 60
- guidelines outlined in departmental handbooks and instruction compilations. The Deputy Director (Legal) has informed that, based on the written instructions of the Attorney General, legal action should be taken against the sand miners who failed to pay land usage fees, under the Public Property Act, in order to recover the relevant losses. This notification has been communicated to the Residential Project Manager (System C)
- Although the preliminary survey work was started by the Survey Department in 2019 in relation to marking the boundaries of the 60 meter reserved area on both sides of the Mahaweli River, after that, existed transportation difficulties due to the covid epidemic situation and the fact that it is an area with a lot of wild elephants and the loss of life in the area during that time, it has not been possible to complete the survey work due to regarding the security situation. According to the constant requests made in this regard, the measurement work has been started again on 2024.06.24.
- During 2021, it was impossible to input data due to the transition of data space from LGC 1 to LGC 2, which rendered the data system inactive. To ensure the continuous operation of the system, the Secretary to the Line Ministry appointed a Ministry Advisory
- Necessary measures should be taken to complete the work of demarcation of reserve boundaries as soon as possible
- The Land Management Information System must be operated efficiently.

officers had been trained to implement the system. However the land management information system was not functioning properly as on the date of audit 28 April 2024, that expenditure had been a fruitless expenditure.

Procurement Committee (CPCD) on 10 January 2024. The committee's recommendations were submitted for the Ministry's procurement activities on 27 May 2024. The sum of Rs.4,450,000 proposed by Araaya Business Solutions (Pvt) Ltd or reinstalling the e-Slim computer system and an additional 2,750,000 for obtaining the services of a software engineer for one year have been recommended to pay. Furthermore, the committee has recommended paying Rs. 800,000 for the transition of data space from LGC 1 to LGC 2, and Rs. 700,000 for updating the existing system to integrate information and communication technology for current government land-related operations.

Accordingly, the procurement process for implementing the e-Slim system within the Mahaweli Authority has been completed, and an agreement has been signed with the respective company.

(d) One of the primary functions of the Authority is planning and implementing the Mahaweli River Development Program, which includes the construction and operation of reservoirs, irrigation distribution systems, and power generation facilities. The following observations are made in this regard:

(i) Even though the total estimated construction cost of the main canals

The total construction cost of the main canal system was Rs. 420 million. However, due to the lack

The maintenance and rehabilitation costs of the canals and reservoir systems should be

and reservoir system was Rs. 288.5 billion, reports clearly identifying the annual maintenance costs and expenses incurred for major rehabilitation activities of these systems had not been maintained. of systematic recording of annual maintenance expenses over an extended period, efforts are currently underway to review and document these details. As of now, the expenses incurred from 2020 to 2023 have been documented. recorded in a manner that clearly identifies the expenses.

- (ii) Water is released from the Victoria, Randenigala, Rantembe, Kotmale, Bowatenna, Maduru Oya, Polgolla, and Udawalawa reservoirs for electricity generation and the authority bears a significant annual expense for the maintenance and operation of these reservoirs. However, in 2022 and 2023, the reservoirs released 11,042.07 million cubic meters and 9,210.85 million cubic meters of water respectively for electricity generation, resulting in the production of 2,327.46 GWh and 1,845.76 GWh of electricity. Despite this, no fees were charged by the authority for the generated electricity. The assets, operations, maintenance, and management of the reservoirs are handled by the Mahaweli Authority, while the operation of the power plants is managed by the Ceylon Electricity Board. Their capital and recurrent costs are recovered from consumers through a variable tariff system. However, the Mahaweli Authority carries out operations and maintenance based on the annual provisions allocated from the General Treasury. During the process of transitioning into a self-financed institution according to the Mahaweli restructuring plan, it was recommended to charge 20% of the maintenance costs (approximately Rs. 1 and 2) from the Ceylon Electricity Board's hydroelectric unit for the maintenance and operation of the reservoirs used for hydropower generation. However, there has been no positive response from the Ceylon Electricity Board regarding this proposal. fair fee should be charged for the water released for electricity generation.
- (iii) In addition to generating The Mahaweli Authority has instructed the Mahaweli System The Mahaweli Authority should take steps to impose a reasonable

hydropower, the Mahaweli Authority releases large quantities of water from its rivers, reservoirs, ponds, and canal systems for various businesses. However, there is no established mechanism in place for charging fees for this water usage. According to available information, water equivalent to 133,113 cubic meters per day is supplied to 48 agricultural or plantation sites.

- and Major Dam Maintenance Division to impose a water fee on various projects utilizing water from the sources managed and maintained by the Authority. This initiative is currently being implemented, and as of now, the Authority has collected Rs. 5.33 million in 2022 and Rs. 7.09 million in 2023 as water fees. The National Water Supply and Drainage Board extracts around 250 million cubic meters of water annually from the Mahaweli water resources, but no payment is made for this water usage.
- fee for the water provided from its water sources.
- (iv) Even though the Authority had spent Rs. 1,297,533 from 2011 to 2013 on selecting investors and identifying 20 suitable locations for the construction of small-scale hydropower plants, 10 of these projects could not be completed by the date of audit on 28 April 2024.
- Progress has been presented as at 30.09.2024 among the 20 locations selected in 2011. It should be implemented after conducting Project Feasibility Studies and identifying the Investors and suitable locations.
- (v) In addition to the above-mentioned power plants, formal agreements had not been entered into to collect watershed management fees from 65 small-scale hydropower plants engaged in electricity generation within the
- Although the areas where these small-scale hydropower plants have been constructed are located within the Mahaweli Gazetted Areas, those areas are administered under the relevant Divisional Secretariats or Land Reform Commissions. Accordingly, approval has been obtained from the said offices when obtaining approval to
- Appropriate methods should be introduced to collect watershed management fees in hydropower plants .

Mahaweli Special Administrative Region, although they are not regulated by the Authority. commence the projects. An Environmental Protection Permit has been issued for these power plants for a period of 15 years and when the said permit is renewed, the Mahaweli Authority will be able to intervene again in these projects, so it is necessary to take action on this in the future. And it is expected to enter into contract as appropriate.

- (vi) The Authority had identified suitable sites for the construction of land-based and floating solar power plants and had allocated 692.6 hectares of land for lease to 33 investors as at 28 April 2024, the date of audit, for the establishment of solar energy investment projects. However, as at 28 April 2024, only 08 investors were engaged in electricity generation. It has not been taken action to provide lands for which projects had not been initiated to other investors. The competent authority for these projects is the Sri Lanka Sustainable Energy Authority. When starting a solar energy project, it is mandatory to first obtain preliminary approval from the Sri Lanka Sustainable Energy Authority and then obtain the relevant environmental approval. Furthermore, the Ceylon Electricity Board must agree to purchase the electricity generated and accordingly, agreements must be signed to purchase electricity. This work took time due to the lack of investors in the face of the Covid pandemic and the subsequent economic downturn, but significant progress has been made so far. Objectives of land allocation, development Follow-up and Undeveloped lands should be reclaimed and used for appropriate purposes.
- (e) The following observations are made regarding investment projects.
  - (i) The Authority had disposed of 464.68 hectares of land for 82 investment projects as of 31 December 2023, according to information from 05 6,534 hectares of land have been disposed of for 797 land parcels across 10 Mahaweli Systems. According to the updated data presented at the Committee on Public Enterprises meeting on 23 May 2023, it was identified that The full undeveloped projects should be canceled, and the land should be reclaimed. Additionally, the progress of other projects should be continuously monitored to ensure they comply with the

- Systems. Despite the land being disposed of over a period of 2 to 38 years, the level of development remained below the expected standard, with development being less than 25%.
- (ii) Leases had been charged based on the rough estimate without obtaining the official government valuation for 229.3 hectares of land disposed for 186 investment projects in 06 Systems. Even though it had been 02 to 34 years after leasing these lands, as the failure to obtain the government valuation, the correct amount of tax that could have been collected from these investment properties could not be collected.
- (iii) The land of 421.22 hectares, leased for a period of 30 years in Systems 05, had its lease period end by the 10th of May 2024. However, the renewal or termination of these lease agreements has not been carried out, despite a period of 6 to 13 years having passed since the lease term ended.
- 325 land parcels, which is 75% of the total land area, are in development conditions below the expected standards. As a result, 135 underdeveloped land parcels in System B have been canceled, and similar actions are being carried out in the remaining systems as well.
- Due to delays in obtaining the valuation, taxes are charged based on the rough estimate according to the decision of the Board of Directors. Accordingly, efforts are being made to obtain the government valuation.
- proposed plans.
- The tax should be levied based on the government valuation.
- Action should be taken to enter into new tax agreements for the leases that have ended, update the tax amendments, and collect any outstanding taxes

further taxes have been imposed on individuals whose 30-year lease term has ended. Subsequently, following instructions received from the President's Secretary's office, the relevant documents have been formally submitted to the President's Secretary's office for approval to renew the lease after the completion of the initial 30 years. Therefore, once approval is granted, it will be possible to issue the tax for the original lease period.

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| (iv) | 85.42 hectares of land set aside for investment projects in System C had been illegally alienated.  | The process of cancelling investment projects that have been illegally alienated without the consent of the Mahaweli Authority is being implemented in accordance with the provisions of the Government Lands Ordinance  | Action should be taken to cancel illegal investment projects in terms of the provisions of the Government Lands Ordinance. |
| (v)  | Even though 206 acres of land that had been set aside for investment projects in the System Walawa had been set aside for between 2 and 11 years by the date of audit on 10 May 2024, no development had been carried out and no steps had been taken to cancel the lease agreements. | Development activities have been hindered due to unique issues related to each investment project. Steps are being taken to cancel the lease approvals of investors who were not carried out development activities and take over the underutilized lands from the Mahaweli Authority. In addition, although new investment lands were distributed in the Chandrikawewa Division in 2022, the investors who accepted the lands have not carried out development activities on those lands, and therefore, a written notice has been issued to pay the lease and carry out development activities and steps will be taken to cancel the lease approval of these | Completely undeveloped projects should be canceled and the lands should be reclaimed for that purpose.                     |



individuals in the future.

(vi) Although land parcel numbered 366, located at F.V.P 80 of Unit 406/408 in the Thambuththegama Division, was designated as a government reserve, 5 acres were allocated for waste management at the Thambuththegama Economic Center, 20 acres for a forest monastery, 10 acres for guava cultivation, and 12 acres for grape cultivation. The following observations are made regarding this matter.

a) Even though land was allocated for the above-mentioned purposes between 2015 and 2019, as of March 25, 2024, these land parcels had not been accurately measured, marked, or allocated to the relevant individuals and institutions. As a result, the land occupied exceeds the amount allocated, and taxes have not been levied on it

12 acres of land were allocated for the cultivation of grapes according to a survey plan in 2005. In 2013, 10 acres were allocated for the cultivation of guava as per the survey plan. A land parcel of 2.0267 hectares was surveyed for the purpose of Orugalayaya waste management in the year 2019, and a plan was prepared on 02.07.2018 under reference F.V.P. 366, Supplement 09, Plot No. 153. Accordingly, action will be taken to investigate and address the issue of the land occupied exceeding the allocated amount, and the failure to levy taxes on it.

Action should be taken to reclaim the land occupied by unauthorized occupants.

- b) The 12 acres of land allocated for grape cultivation in 2005 were not used for the intended purpose, and due to failure to pay the proper taxes, the taxpayer's tax rights were revoked in 2022. However, the land was not returned to the authority as agreed. By December 31, 2023, the outstanding tax amount for the land was Rs. 489,625.
- Even though the tax rights were revoked in 2022 for the land allocated for grape cultivation in 2005, which was not used for the intended purpose and for the failure of the landholder to pay the required taxes, legal action is being taken under the Recovery of Possession Act, as the land was not handed over to the Mahaweli Authority and not vacated it.
- It is necessary to collect the outstanding tax payments from investors.
- c) The lessee had not cultivated the 10 acres of land provided for guava cultivation and had later illegally sold it to a private company for Rs. 30 lakhs. In addition to those 10 acres, that company had also used another 8 acres of adjacent land for its cultivation.
- In addition to the 10 acres of land provided for guava cultivation, another 8 acres have been illegally used for additional cultivation. As these people have not vacated the land after handing it over to the Mahaweli Authority, further legal action is being taken under the Repossession of Possession Act.
- Lease rights of investors have been cancelled and the outstanding lease should be recovered.
- d) Two/three acres of land on the eastern boundary of this reserve was being illegally occupied by a certain person, and long-term cultivations such as mango and coconut
- Two or three acres of land on the eastern border of this reserve are being illegally occupied by a certain person, it has long-term cultivation of mangoes and coconuts and the necessary steps to remove that intruder will be taken.
- Sensitive areas and zones under the authority should be protected.

had been carried out there. The Thambuththegama Block Manager had informed the Residential Project Manager about this, but no necessary steps had been taken to remove the unauthorized cultivator until the date of audit on 25 March 2024.

- e) In 2021, approval was granted by the Director (Land Use Planning) to allocate 20 acres of land within the relevant reserve to an international Vipassana meditation center. However, during a field inspection conducted to formally approve the lease, it was observed that, beyond the recommended 20 acres, numerous huts had been constructed sporadically. Measurements revealed that the total area occupied was 87 acres, with further construction of huts still ongoing. This
- This F.C.P. 366, Ex 29, Lot No. 156, consisting of 53.9496 hectares, is a land area designated as the Orugalayaya Thelhiriyawa Forest Reserve under the initial plan. Taking the land use of the area into consideration, a recommendation was made to allocate 20 acres of this land to the international meditation center. When making this recommendation, observations from the combined field inspection conducted in relation to the implementation of the decision made by the District Coordinating Committee to remove the undergrowth, following a human fatality caused by wild elephant attacks in this area in 2020, were taken into consideration. Accordingly, based on my guidance, a field inspection was conducted, and it was determined that allocating more than 20 acres of land for a forest reserve in a suburban area could not be recommended.
- Sensitive areas and zones under the authority should be protected.

matter was reported by the Residential Project Manager of Thambuttegama. A letter was sent by the Director General requesting instructions on the next steps to address this issue; however, no necessary actions had been taken as of the audit date, 25 March 2024

- |     |  |  |   |
|-----|--|--|---|
| (f) | <p>The land holdings of Lot No. 03 and 05 of land bearing Lot No.I.P. maha 4971, which had been allocated to a private company on 17 July 1995, had been illegally alienated by that company to a biscuit company and had also defaulted on the payment of lease. Due to this, the Director General had cancelled the said selection on 06 November 2019. Although the said company had developed the land to more than 75 percent, that is, to a fully developed state, and had generated income by 31 December 2023, the Authority had lost the income due to not taking steps to obtain the valuation of the land and collect leases.</p> | <p>The Residential Project Manager requested approval to conduct an investigation to formalize the leasehold in the name of the current occupant who is occupying it illegally, but since the disposal of the new land has been suspended by the letter dated 11.11.2022 from the Presidential Secretariat, approval has not been granted to conduct an investigation to formalize the leasehold in the name of the current occupant. I will report that once the Presidential Secretariat lifts the restriction imposed by the above letter, further steps can be taken to formalize the leasehold in the name of the current occupant.</p> | <p>Steps should be taken to enter into new lease agreements, assess the land and collect outstanding lease.</p> |
| (g) | <p>A 0.226 hectare land in the Kadadora inhabitation in Kotmale was handed over to a private company on 05</p>   | <p>This investor has been given the ownership of the land to establish an export crop processing factory. However, no formal government</p>  | <p>Steps should be taken to enter into lease agreements, assess the land and collect outstanding lease.</p>     |

January 2021, to establish a processing center for vanilla, pepper, cinnamon and ginger-related products. However, no valuation had been obtained for the land or buildings and the revenue due to the Authority had not been collected.

(h) 1750 acres had been given to 4 investors in Pollebedda area of Rambakanoya under the promotion of local food production and providing land for investment opportunities under foreign financial facilities. Out of it,

(i) Although 150 acres of land was allocated to the Central Engineering and Consultancy Bureau in 2020, the land was not properly surveyed or allocated through a formal agreement. Additionally, taxes for the years 2020, 2021, 2022, and 2023, or taxes receivable, had not been accounted for.

The outstanding tax amount due from the Central Engineering and Consultancy Bureau, covering the period from the Yala season of 2021 to the Maha season of 2023/24, has been calculated as Rs. 4,050,000, and action will be taken to account for and rectify this.

Action should be taken to enter into tax agreements, assess the land, and collect the outstanding taxes.

(ii) The 500 acres of land allocated to the company for maize cultivation had been abandoned by them.

Since the Court of Appeal case number CA (writ) 70/2021 has been filed, the Additional Solicitor General has suspended the development activities of this land. Consequently, the respective investors have abandoned the land.

Land development activities should be initiated immediately after the conclusion of the legal proceedings.

(iii) For the 250 acres initially allocated to an agricultural company, lease approval had not

- The performance lease payment for the 2020/2021 Maha season has been collected from this company.

The lease rights of the investors should be revoked, and the outstanding lease payments must be recovered.

been granted nor lease payments collected up to May 26, 2024. Additionally, the agreed-upon performance bond of Rs. 1,125,000 had not been obtained.

- The investor has also been notified to pay the seasonal lease through the letter No DL/10/02/7-37 dated 16 January 2023.
- As no proper response has been provided to these letters, and due to the non-payment of lease fees and lack of cultivation activities, steps are currently being taken to cancel this land as well.

- (i) Even though 100 acres of land from the Aluthwewa Unit in the Dambanna Division of System B were granted to a plantation company on a 30-year long-term lease for coconut cultivation under an agricultural project by the Polonnaruwa District Secretary, the original valuation related to the land was not received by the Authority due to the misplacement of the original file at that office. Under the provisions of the State Lands Ordinance, a long-term lease had been granted to the said company effective from December 13, 1983. Accordingly, the initial lease period ended on December 14, 2013. Subsequently, the Authority had collected a total of Rs. 80,330 from the company, charging Rs. 7,302 per annum for the 100 acres from 2013 to 2017 and Rs. 8,764 per annum from 2018 to 2021. Since the first lease
- The land was initially allocated by the Polonnaruwa District Secretary's office, but the original file related to it was misplaced at that office, and therefore, it was not provided to this Authority. Three land parcels have been issued with long-term lease agreements for these lands. The initial lease amounts were Rs. 202 for parcel number 488, Rs. 203 for parcel number 487, and Rs. 396 for parcel number 485. The lease amount is subject to a 50% reduction every 5 years. However, according to the 2016/02 circular, this reduction has been reduced to 20%. Additionally, after the initial 30-year lease period ends, when extending the lease, 20% of the tax amount from the last year of the previous period should be added to calculate the first tax amount for the second lease period. Accordingly, the tax amount for the second 30-year lease period was calculated by adding 20% to the tax amount that existed at the end of the first 30-year period. This calculation was made in compliance with the prescribed circular instructions,
- Land should be assessed and taxed, and for lands where the lease period has ended, new lease agreements should be entered into. Additionally, tax amendments should be updated in accordance with the circular, and arrears tax should be collected.

period ended in 2013, and as a result of the proper tax calculation, no loss has occurred to the government.

another institution had been requesting a long-term lease for this land from the year 2013 onward. According to the government valuation obtained during this period, the valuation of the 100 acres of coconut land was assessed by the Department at Rs. 1,500,000 as of 12 December 2013. Accordingly, for this land, a total of Rs. 5,919,200 should have been charged, with Rs. 3,020,000 for the period from 2014 to 2018 at an annual rate of Rs. 604,000, and Rs. 2,899,200 for the period from 2019 to 2022 at an annual rate of Rs. 724,800. However, the Authority only collected Rs. 80,330. As a result, the Authority lost Rs. 5,838,870 that should have been charged from this investment project.

(j) Granting assets belonging to the authority to external parties.

- (i) The main building of the Kotmale Holiday Resort, located on a 1.7176-hectare plot of land belonging to the authority, along with the sports complex, swimming pool, and 15 residential buildings, was handed over to a private party for a period of 10 years. Approval for this was granted through Decision No. 2914 at the 219th Board of Directors meeting held on October 6, 2010. The Residential Project Manager (Victoria/Kotmale) has requested the valuation department to assess and provide the monthly rent from December 2023 to November 2028. Accordingly, the Government Valuation Department has informed that the
- When charging taxes to external investors, the standard procedure should be followed, and an agreement must be entered into. It should also be shown in the accounts as an investment property.

starting from November 2013, with a monthly management fee of Rs. 300,000, outside the usual procedure. The method of determining this management fee was not presented for auditing, and according to the terms of the management agreement, the agreed monthly fee was supposed to be increased after 5 years based on mutual agreement between the two parties. However, no action was taken to increase the fee after 25 November 2018. The costs or assessed value of the building's facilities, including the dining hall, kitchen, office, bar, sports complex, swimming pool, changing rooms, open-air toilet, and the residential buildings (Building No. 01, 02, 03, 04, 05, 06, 07, 08, 09, 11, 12 A, 12 B, 14, 15, 18), were not reflected in the accounts as investment properties.

monthly rent has been assessed at Rs. 440,000.00. Following this, the new monthly rent has been incorporated, and a formal agreement has been entered into for a period of 5 years from November 5, 2023, to November 5, 2028, on September 5, 2024. Steps will be taken to include this in the 2024 financial publications.

- (ii) The Digana Village Resort, which belonged to the Authority, was handed over to a private company on 1 June 1993, through a Memorandum of Understanding. The plaintiff's case has been dismissed, accepting the initial objection of the Mahaweli Authority. According to that decision, since it is not possible to obtain possession of the premises, the unauthorized persons who This premises should be taken over and re-leased. Adequate security should be provided for this premises and the parties responsible for the loss should be identified. The outstanding rent should be



Understanding, with a land area of 07 acres and the premises including the main hall building, swimming pool, sports rooms and accommodation rooms, including all furniture and equipment. In addition to the amount legally granted, the investor had also taken actions to occupy an additional area of about 03 acres. In 2005, when the Authority took actions to divide the land occupied by the company in excess, the above company had taken legal action, and although according to the judgment dated 21 November 2022, the premises should have been handed over to the Authority as scheduled on or before 26 February 2023, the property had been vacated without being formally returned. As of 22 March 2024, the date of the audit, one year had passed since the operations of the relevant premises had stopped, the premises had become overgrown with jungle that is impossible to enter the premises, and adequate arrangements had not been made to protect the

were present in the premises at that time were identified and expressed their willingness to hand over the official residence to the Authority. At that time, a committee appointed for the purpose took over the possession of the abandoned official residences to our Authority. In accordance with the provisions of the State Lands (Recovery of Possession) Act for official residences and holiday resorts that were not handed over as such, on 28.01.2023, cases were filed in the Teldeniya Magistrate's Court and the possession of 03 cases has been taken over by our Authority, and orders in cases 78086 and 78087 are scheduled to be given on 18.10.2024.

Since a proposal to establish an art studio in this premises has been submitted to the Presidential Secretariat, it has been informed that it should not be disposed of without prior approval from the Presidential Secretariat. Thereafter, the Presidential Secretariat has been informed on 03.11.2023 to submit recommendations regarding the granting of a 30-year lease to the company from the unauthorized party, but all necessary actions are being taken to take over the premises formally by the Authority. Since this premises has not been formally handed over to our Authority by the relevant court decision by the investment party, our institution's officials have not been able to legally enter this premises. Therefore, it is not recovered.

premises and other properties. Although the agreed returns from the investment had not been received, the investor had provided this premises to outside individuals and institutions for various functions and residential facilities for a period of 20 years since 1993 and had generated income without paying any amount to the Authority, the outstanding rent amount calculated as receivable was Rs.4,500,000.

- iii) Taxes have not been levied properly for the 33 land plots allocated to 33 individuals under Plan numbers 935 and 997 in the Nilgama area in 2005. No land has been allocated to any individual under Plan numbers 935 and 997, and the land allocation and tax collection have been halted until the legal proceedings are concluded. Arrears tax should be recovered.
- (k) Land plots were leased to private telecommunications companies in 04 Systems and 45 telephone towers had been constructed. By May 10, 2024, land had been allocated for 23 telephone towers, with durations ranging from 2 to 28 years. However, the lease payments for these towers were collected based on approximate valuations instead of obtaining official government valuations. Additionally, for 7 telephone towers, land had possible to open the place and assess the damage caused. Furthermore, the Assistant Director (Mahaweli Security Corps) has deployed security guards for the security of this place. Security has been provided at this time. It has been informed to provide details regarding the installation of telecommunications equipment by other companies on the transmission towers within the System C. In the System L, transmission towers established by companies have been provided to other telecommunications companies for shared transmission operations with the agreement of the Mahaweli Authority. Rent collection from the companies conducting these shared transmission operations is currently being carried out. Land leases should be formalized through agreements and based on the government valuation. Additionally, information regarding sub-leases must be collected, and any outstanding lease payments should be recovered.

been allocated for durations ranging from 2 to 13 years, but no land valuation or lease payments had been conducted. During the process of land allocation, the absence of agreements between the authority and the respective companies led to the usage rights of those towers being transferred to other telecommunications companies without the authority's approval. Consequently, reclaiming the unpaid dues has become questionable.

- (l) While the Regional Industrial Zone program in the Walawa System has been operational since 2017, the construction of a new industrial zone within the same division, at the Halmillaketiya unit, began in 2020. However, no feasibility study report or concept paper related to the establishment of this new industrial zone was submitted for review. Furthermore, as of April 28, 2024, no factories had commenced operations in the industrial zone.
- In the initial strategic plan, land designated for industrial use was allocated after gathering aspirations through newspapers. Following the publication of these aspirations, the necessary land was designated. Although the primary planning began in 2020, it took over two years to implement structured processes, such as selecting investors and granting lease approvals. Due to economic setbacks, industrialists did not start new industries, leading to delays in the establishment of industries. Since 2022, new land allocations have been temporarily halted, and as a result, there has been no opportunity to select new investors.
- The resources allocated for the new industrial zone should be utilized efficiently and productively.
- (m) Even though 69 hectares of land had been allocated to Housing Development Authority during the period
- Currently, 37 land plots have been identified for 41 housing projects allocated to the Housing Development Authority, of which
- An agreement containing the relevant terms and conditions must be established to implement housing projects.

2018 and 2019 without establishing an agreement containing the relevant terms and conditions between the Authority and the Housing Development Authority as of 19 Mar 2024 which is the date of audit to implement 35 house projects in System Walawa, these lands had not been legally transferred to the Housing Development Authority as of 30 April 2024. Even though 65 ½ acres of land from the Myurapura Block including Ruhunupura, Karuwalawewa, Bolhidiya, Galwewa, Ballagasewa, Katuwewa, and Thissapura units, were allocated to the Housing Development Authority for housing proposals, prior approval from the Director (Land Use Planning) and the Director General had not been obtained before the allocation. Due to the lack of proper planning and formal approval, this land allocation led to the inability to collect the rental payments for the land until the audit date of March 19, 2024.

prior approval of mine has been obtained for 14 plots. For another 14 projects, recommendations from the Director (Land Use Planning) and the regional physical planning committee have been received. Relevant block office managers have been informed to obtain the formal lease approval for the lands which have have given the covering approval of the Director General and for 9 housing projects that have not yet received the Director (Land Use Planning)'s recommendation.

According to the Land Grant Act, the land must be allocated.

### 3.4 Idle or underutilized Property, Plant and Equipment

Audit Issue	Management Comment	Recommendation
(a) As a remedy for acute kidney disease prevalent in	Twelve water purification units in System L were installed in 2015,	A feasibility study for the projects should be conducted, suitable

Mahaweli System B and L, the Authority had entered into an agreement with the Department of National Community Water Supply in the year 2015 For supply, construction, installation of 30 Reverse Osmosis (RO) plants and providing related facilities and maintenance for 10 years for the purpose of ensuring quality water supply by incurring Rs.80,000,000. Due to the failure to conduct local inspections and assessments before selecting the locations for the installation of the machines, 5 unused machines remained idle, and after installing 4 machines in System B, they were never activated. By May 10, 2024, a total of 14 machines—9 in System B and 5 in System L—remained inactive. Of the 5 inactive machines in System L, 3 were handed over to the farmer organizations while remaining inactive, as of May 10, 2024, despite being part of the agreement. According to Clause 13 of the agreement made with the Department of Water Supply, the department had agreed to undertake essential maintenance activities, service provision, and supply of spare parts for the water purification project for a period of 10 years. However, the department did not carry out the tasks as outlined in the agreement.

2016, 2017, and 2018, and issues arose regarding their maintenance. However, in 2023, these units were formally handed over to farmer organizations through an agreement. 09 Reverse Osmosis plants that were previously inactive are now operational in System B. However, the beneficiaries are not receiving high efficiency from the installed water distribution units, and after a field study, it is planned to relocate the 3 aforementioned units to other locations based on the identified needs. In System L, out of 12 units, 5 remained inactive, while 7 units were operational. The funds for the repair of these units have not been established. In System L, the five units that were inactive were handed over to farmer organizations in 2023 through a formal agreement. However, these water purification units have not been repaired as of now. According to the agreement with the Department of National Community Water Supply, these units should have been serviced and maintained for ten years, but they have failed to adhere to these terms.

locations should be selected, inactive units should be promptly repaired to provide clean water, and the non-operational water purification units should be relocated to the required areas.

Additionally, the necessary management and supervision required to execute the tasks, which should have been performed during the construction phase, were not properly implemented by the department.

- (b) The resettlement activities for people who lost their homes due to the construction of the Moragahakanda Reservoir were initiated in 2012 and completed by November 2022. Due to the failure to prepare plans for the water supply needed for drinking and other activities for the resettled people, as of the audit date on April 28, 2024, water had to be supplied daily by water tankers to 47 families in Welwela and 426 families in New Guruwela for drinking and other needs. In the year 2023, an amount of Rs. 40,733,958 was incurred, and from January to March 2024, an additional amount of Rs. 8,548,473 was incurred. As of the audit date, April 28, 2024, a total of 161 families in 03 units of the resettled population had not been provided with land for farming. Due to the loss of their livelihoods, a total of Rs. 13,882,846 had been provided as dry food allowances to the resettled families by the Authority, starting from the project's initiation and continuing
- Due to the Moragahakanda-Kalu Ganga Development Project, the displaced villagers were resettled in the Vellewela and Guruwela areas. For the Guruwela region, 8 bowser vehicles were deployed, while for the Vellewela region, 4 bowser vehicles were used for water supply. The financial provisions allocated to the System were utilized until September 2024, and for the remaining three months of the year, the Ministry of Irrigation provided additional funds. The National Water Supply and Drainage Board has started a drinking water project to supply water, and work on the project is still ongoing. However, it has been noted that further delays in providing water supply are expected. Although the residents of the new development zone were settled and the rough leveling of the land for cultivation was carried out by the Technical Services Department, the distribution of the land has not been completed for those who have not yet received their allocated plots. This delay is due to the instructions provided in the letter PS/LSA/00/08/මහවැලි (මහවැලි) dated 11 November 2022, which was sent by the Secretary to the President to the Mahaweli
- A feasibility study should be conducted for the projects to prevent unnecessary expenses and ensure that the initiated projects are completed without delay.

from July 2022 until the audit date, April 28, 2024. As of April 28, 2024, a total of 181.5 acres had been identified for cultivation, of which 72 acres of forest land remained to be cleared completely, and 87 acres were yet to be rough leveled.

Authority. Therefore, as an organization, the Mahaweli Authority has been providing dry rations once a month to the remaining 65 families until a resolution is found for this situation.

(c) Quarters Administration

(i) During the physical inspection of quarters in System C, it was found that 192 out of 775 quarters in 7 blocks were underutilized, and the remaining quarters were in a condition that required repairs. Due to inadequate maintenance, the residences deteriorated quickly, and the collection of overdue rent was not at a satisfactory level.

These official quarters were built 30 to 40 years ago, and as a result, some of them are in a condition that makes them unsuitable for use. A significant amount of money will be required to bring these quarters up to a usable standard. Therefore, considering the annual allocation for the System, necessary actions will be taken to repair and rent out the quarters that can be used, on a monthly rental basis, over the next few years, in accordance with the applicable circular provisions. Action will be taken to demolish completely unusable official quarters with the approval of the Board of Directors and to release official quarters upon requests from line institutions, subject to the approval of the Board of Directors.

Action should be taken to maintain the official quarters and collect overdue rent.

(ii) 66 official quarters in the Weheragala Division were handed over to the Cashew Corporation and later returned to the Mahaweli Authority, and included in the official housing list. However, it was observed that the management and

There has been no formal transfer of the official quarters to our organization, and they have not been included in the asset register. Accordingly, based on the findings pointed out by the audit, a formal committee will be established to address and clarify this issue. Additionally, necessary steps will be taken to update and

Actions should be taken to include the official quarters in the fixed assets register and to collect rent

collection of rent for these quarters had not been carried out by the Authority. Furthermore, these official quarters were not included in the fixed assets register.

- (iii) Official quarters were provided to the farmer organizations without charging any rent, and no approval for this was submitted to the audit. A rent arrears of Rs. 372,264 remains due for one official quarter, while an unauthorized resident has built his house near the official quarter, and the roof of the official quarter has been completely dismantled.
- (d) Although the land about 1.311 hectare with buildings including the authority's official residence in the Kotmale area, a building in the Kotmale campsite and the Doragala Estate Bungalow had been given to the Sri Lanka Broadcasting Corporation on several occasions, a formal lease agreement had not been obtained and the government valuation had not been obtained for the buildings. At the time of handover of the buildings, no inventory records related to the goods in them had been updated and included in the file. Out of all
- Actions are being taken to update the agreements for official quarters provided to farmer organizations without charging rent and to establish agreements for those without contracts. Legal action has been initiated against the individual mentioned for the unauthorized construction of a private house. Additionally, 38 letters of demand have been issued regarding the non-payment of rent for official quarters.
- There is a conditional handover of land with the signature of a Residential Project Manager without a formal lease agreement. Although the details of the buildings have been obtained at the time of handover of these buildings, it is acknowledged that there is no inventory list and accordingly, I will take actions to inventory the items in these buildings in the future. Agreements have been prepared to charge Rs.3,000 per month for the official residence No. 57 B and Rs.10,000 per month for the old estate bungalow.
- Necessary actions should be taken to enter into agreements regarding official quarters.
- A rental agreement should be entered into and the buildings should be rented out based on government valuations, and inventory records should be prepared. Rent arrears should be included in the financial statements.



these buildings, only the official residence at 57 B was collecting a monthly rent of Rs.3,000, and no rent had been collected by the Authority from any other building up to the date of audit, 22 March 2024. The necessary actions had not been taken to recognize these properties as investment properties in the financial statements and the rental receivables as arrears of income.

- (e) Even though the official quarters built near the Digana Circuit Bunglow had been allocated to a woman in the Polonnaruwa district on August 8, 2023, neither formal rental agreement had been established, nor the housing committee approval had been obtained as of the audit date 22 March 2024. Furthermore, the roof of this house had been completely renovated, but no prior written approval from the authority was obtained for this work, and no expenditure reports were submitted. Additionally, it was confirmed that the authority had not reimbursed the costs, and no formal understanding agreement had been reached regarding this matter.
- The official quarters located within the Digana Mahaweli Camp, at the address Veera Padesa, No. 121/4, were formally provided to Mrs. Ranamuka Mudiyansele Mallika Kumari on August 8, 2023, with a rental agreement for a monthly rent of Rs. 4,800, valid from August 8, 2023, to August 7, 2024. However, due to the disconnection of water and electricity services, the quarters required repairs before they could be used. As a result, it was not possible to charge the monthly rent, and the rental agreement was consequently cancelled. Accordingly, repair work is currently ongoing, with approximately 50% of the work completed. Furthermore, the relevant rental agreement has been drafted and presented to the Board of Directors. Based on the decision made by the Board, it has now been prepared in accordance with the guidance provided by the legal division.
- It should not be allowed to use the authority's property without proper authorization.

- (f) A commercial complex consisting of 48 shops in a two-story building, built in 1999 with an investment of Rs. 48,000,000 under the Saudi Development Fund, is located on a 1.5-acre land area facing the Mannampitiya-Aralaganwila main road. In 2000, 23 of these shops were rented out to businesses on a monthly rental basis. However, due to the failure of these businesses to commence operations, 11 of the shops had been handed back to the authority later. As of November 13, 2024, only 12 shops remained open for business. The closed shops had their water and electricity connections disconnected, and the building's sewage system, roof, and flooring had deteriorated to a poor condition. It was revealed by the estimates prepared by the Authority's Technical Services Department that it would cost Rs. 30.7 million to renovate the shopping complex to attract consumer interest. Although a feasibility study should have been conducted to cover all relevant factors before constructing such a shopping complex, this was not done. As a result, more than 30 out of the 48 shops have remained non-operational since the construction. Consequently, the Rs. 48 million spent on the
- A committee has conducted a field study to renovate the shopping complex. Accordingly, the Director (Land Use Planning) has informed that, through letter number LUP/SYS-B/01 VOL.VI-2021 dated 02 August 2021, the relevant report on the feasibility study conducted for the renovation of the building has been submitted to the Deputy Director-General (Technical Services). However, no further action has been taken regarding this matter so far. However, during the meeting of the Dimbulagala Regional Coordination Committee held on December 28, 2023, it was informed that actions should be taken to hand over the responsibility to the Dimbulagala Pradeshiya Sabha. Nevertheless, no decision has been made by the Authority regarding this matter so far.
- Action should be taken to conduct feasibility studies to avoid unnecessary costs and ensure that projects are completed without delay to achieve the expected benefits.

building's construction has turned out to be an uneconomic expenditure.

(g) Allocation of buildings owned by the Authority to external organizations

(i) The Mahaweli Authority Agreed

has not established a proper procedure for generating income from the buildings and floors of its office premises. Specifically, the first, eleventh, and twelfth floors of the main office building were allocated to the Ministry of Irrigation – Mahaweli Section, the Ministry of Irrigation’s office, and the Wew Gam Pubuduwa Project Office, respectively.

Furthermore, six buildings owned by the Mahaweli Authority in Jawatta area have been provided to institutions without charging any rental fees.

It is noted to take further actions.

It is essential to enter into a formal agreement and charge an appropriate rent when providing the Authority's properties to external organizations.

(ii) The Sri Lanka Mahaweli Authority has paid the water, electricity, and janitorial bills for the buildings and main offices. As of December 31, 2023, the outstanding amounts for the water, electricity, and janitorial bills that had not been reimbursed by the respective institutions

As of December 31, 2023, the total amount to be collected by the Authority from these institutions for the provision of water, electricity, and janitorial services was Rs. 11,056,377. Out of this amount, Rs. 3,863,186 was received in 2024, leaving an outstanding balance of Rs. 7,193,191 still to be collected.

Action should be taken to recover the outstanding water, electricity, and janitorial charges that need to be reimbursed.

were Rs. 1,131,891, Rs. 7,220,815, and Rs. 3,711,119, respectively, and no action had been taken to collect these amounts.

### 3.5 Defects in Contract Administration

Audit Issue	Management Comment	Recommendation
(a) Although the construction of the Bakamuna Bus Stand was scheduled to be completed by 4 April 2022 as per the contract agreement, it was not completed until 28 April 2024, and the construction had been abandoned.	Due to the rapid increase in the prices of construction materials and the lack of financial resources in the face of the economic crisis in the country, the agreement was canceled on 12 May 2023 by mutual agreement of both parties. The relevant estimate is currently being prepared for the future works, and if the required financial allocations can be obtained in 2025, it is expected that the remaining work under this contract will be completed.	Action should be taken to complete the planned task.

- (b) A contract amounted to Rs.4,843,183 was awarded on 14 November 2017 to construct a quarters in System Maha oya and even though the work should be completed on 06 May 2018 as per the agreement, the related construction work had been abandoned without completing the contract as on 10 March 2024. No action had been taken to recover the Rs. 1,422,931 paid to the contractor as a mobilization advance or to initiate legal proceedings against the contractor.
- Out of the mobilization advance paid, a sum of Rs. 758,678 was recoverable, and this amount was recovered through the Construction Guarantee Fund (CGF) on 30 July 2024. The performance bond amount of Rs. 484,319 was also recovered through the Construction Guarantee Fund (CGF). Although an estimate of Rs. 3,867,407 was prepared to complete the remaining work, due to the prevailing financial crisis in the country, funds were not allocated for building construction, making it impossible to proceed with the construction activities.
- Legal action must be taken against the contractor who abandoned the construction work, and steps should be taken to recover the resulting losses. If officials have acted irresponsibly, disciplinary action should also be initiated. Additionally, the unfinished portions of the work must be inspected, and the necessary measures should be taken to complete them.
- (c) The contract for the renovation of the Ratkinda Tourist Bungalow was awarded to the same contractor on December 24, 2018 for an amount of Rs. 12,107,000. According to the contract agreement, the work was to be completed by July 19, 2019. However, as of the audit date, April 28, 2024, the contractor had abandoned the project. The mobilization advance of Rs. 3,447,508 paid to the contractor could not be recovered. Although the bank guarantee obtained at the time of granting the mobilization advance included a condition requiring all payments to the contractor to be
- After the termination of this contract, the mobilization advance and the performance bond amount were to be recovered through the Construction Guarantee Fund (CGF) that issued the bank guarantee. After several discussions with the Construction Guarantee Fund (CGF) on this matter, they agreed to release the funds. The remaining mobilization advance of Rs. 1,536,926 and the performance bond amount of Rs. 605,390 were recovered on September 12, 2024. Due to the financial and economic crisis in the country, sufficient funds were not allocated for new construction in the years 2022, 2023, and 2024. However, plans are in place to allocate the necessary provisions in the future
- Legal action must be taken against the contractor who abandoned the renovation of the tourist bungalow, and steps should be taken to recover the resulting losses. Disciplinary action should be initiated against officials who acted irresponsibly. Additionally, the unfinished portions of the work must be inspected and completed promptly, with all necessary measures taken.

deposited into a Construction Guarantee Fund account, this condition was violated, and all payments were made directly to the contractor. Additionally, since the validity period of the bank guarantee has expired, the Authority is unable to recover the losses incurred.

Despite five years having passed since the commencement of work on this contract, the remaining work has not been identified, and no steps have been taken to award a new contract. Furthermore, the removal of the roof of the building has caused the constructed portion to deteriorate progressively over time.

- (d) A construction contract for the establishment of an economic center near the Thammannawa Tank was awarded to the Central Engineering Consultancy Bureau (CECB) for Rs. 6,514,819 on 12 October 2021. Subsequently, a mobilization advance of Rs. 2,062,201 was released on 23 August 2021. According to the contract, the relevant construction work was to be completed within 60 days. However, by April 28, 2023, the contract had been
- The land designated for the contract is located within the restricted boundary of the Road Development Authority, and due to the inability to obtain permission for construction, the above contract was annulled on April 28, 2023, through mutual agreement. Additionally, the mobilization advance of Rs. 2,062,201, which was provided to the relevant contracting company, is to be paid by the Mahaweli Authority, and it is also being used to reduce the outstanding bills related to the renovation of the Kalawawa Tourist Bungalow.
- The feasibility study and the ability to obtain necessary approvals must be confirmed. The mobilization advance should be immediately recovered, and disciplinary action should be taken against the officials who made payments prior to the execution of the contract.

suspended. Even though it had been 03 years after the mobilization advance was released, no action had been taken to recover the advance or to take further steps regarding the contract as of 25 March 2024.

- (e) A contract of Rs.32,096,839 had been awarded by the Mahaweli Authority of Sri Lanka to construct a new building in a land at Kundasale Warapitiya area owned by the Central Environmental Authority by taking over the building near the Polgolla dam which has been used as the Central Province Office of the Central Environmental Authority to Central Engineering Consultancy Bureau without entering to agreements. However, the building with 04 floors had not been constructed as agreed on 10 May 2024 which was the date of audit as the funds were not adequate and only the ground floor had been constructed. Due to the fact that it was incompletely completed without proper finishing, the Central Environmental Authority had not taken over the relevant building till the date of audit.
- In accordance with the Cabinet decision, approval was granted to proceed with the first phase of the proposed new building under the turnkey basis for design, construction, and handover. The estimated amount for this was Rs. 32,096,839. The amount has been presented for the construction only up to the slab level of the ground floor as the first phase. Additionally, since the approval has been obtained from the Department of National Planning for the remaining work related to the construction of this office building, The authority has informed that after receiving the necessary provisions from the Central Environmental Authority, the construction will be expedited, and the office operations are expected to commence thereafter.
- Proper planning and supervision should be carried out at all times, ensuring adherence to the procurement guidelines. The construction of the building should be completed, and it must then be handed over to the Environmental Authority.

- (f) An advance of Rs.11 Mn had been given to the Director of Irrigation of Ampara for the preparation of roads and rough leveling of paddy lands in the Mahaweli village of Galwala Yaya on 5 occasions in 2013-2014 period. Out of that advance and a sum of Rs. 2.88 Mn had not been settled as of 28 April 2024.
- Written notifications regarding the unpaid advances have been regularly communicated to the Department of Irrigation. Accordingly, after obtaining the information from the relevant departments during that period, I would like to inform you that the payments can be made after the rough level work on Yaya 01 and Yaya 05 is completed.
- Advances should be settled immediately.
- (g) An amount of over Rs. 20.8 million paid for the construction of 2 electric fences in the L system remained in the accounts as an unsettled balance for over 8 years. It was informed that an amount of Rs. 11,074,476 remained with the Department of Wildlife Conservation, but no action had been taken to recover or settle the advance.
- The contractor has met all the qualifications (eligibility) checked for the contract. Accordingly, the selection of this contractor was made in accordance with the procurement guidelines. The contractor had nominated a common person as the contract manager for both these contracts, and since the relevant contract manager was not a person who should be in the field, the proposal was accepted by the Technical Evaluation Committee and the Procurement Committee, and with the agreement of the contractor, the contracts were awarded with a 30 percent reduction in the amount payable for the contract management service.
- Arrangements should be made to settle the advance immediately.
- (h) Rs. 390,085,714 had been paid in 2018 for the construction of the road from Welioya Gajabapura to Nedunkerni Junction, and upon completion of the relevant construction and settlement of payments, no action had been taken to recover the overpayment of
- The cost of the road renovation from Welioya Gajabapura to Nedunkerni Junction is Rs. 346,721,805 and the remaining cost of Rs. 43,363,909 has been spent on carpeting and developing a 1.95 km stretch of the road from Welioya Sampathnuwara to Gajabapura, but it has stopped halfway. The remaining amount
- The advances must be settled.



Rs.43,363,909 from the Road Development Authority until the date of audit on 18 April 2024. to be paid to the Mahaweli Authority has not been received yet.

- (i) The flood protection dam in Kantale, Suriyapura, had been eroded due to the sand deposits that had been deposited, posing a threat to the protection dam on the Mahaweli River. The project to renovate the flood protection dam was initiated on August 6, 2019, using the profits generated by excavating and selling the sand deposits deposited on the opposite bank of the dam. According to the agreement, the removal of 103,128 cubic meters of deposited sand and the concurrent restoration of the flood protection dam were agreed to be completed within 6 months, and subsequently, this contract was extended several times until July 19, 2022. Although this project, which was initiated in 2019 as a priority task, has taken 4 years and 7 months to complete, it had not been completed by the date of audit on 07 May 2024.
- According to the relevant agreement, it was agreed to remove 103,128 cubic meters of sand and construct 3 dam protection wall within a period of 6 months. However, as of July 19, 2022, the contract period has been extended on several occasions. The company has stated that the COVID-19 pandemic and fuel crisis in 2020 and 2021 prevented it from achieving its expected targets.
- Necessary steps should be taken to complete the relevant tasks as per the agreement. A report should be obtained for the statistical variance.
- (j) A contract for the renovation of the Kalawewa Circuit Bunglow and the construction of the side wall was awarded on
- Deficiencies that were not identified at the time of handing over the building under the relevant contract were later discovered during the
- Construction related to reservoirs should be carried out with proper strategic planning.

12 December 2016, for an amount of Rs. 40,490,644. Subsequently, the contract value was revised to Rs. 57,586,734, and as of the audit date, 25 March 2024, an amount of Rs. 41,050,169 had been paid. Upon physically inspecting the construction, several deficiencies were observed, including the cracking of walls in many areas of the building, ground subsidence and cracking, the roof of the section near the reservoir being unsupported by the main walls, and the Creation of a depression in the embankment of the tank near Balaluwewa and the section with interlocking paving, causing further deterioration.

maintenance period. The contractor was notified about these deficiencies at various stages, and some of the issues were rectified. However, for the deficiencies that were not corrected, the Mahaweli Authority took corrective action, and the related costs were deducted from the contractor's retention funds, which were managed by the Lanka Mahaweli Authority. Furthermore, deficiencies corrected during the maintenance period were re-inspected after the maintenance period. Specifically, Cracks in the walls of the buildings, loosening and cracking of floor tiles, separation of the roof from the main walls at the section near the Balaluwewa, the formation of a depression associated with the embankment and the interlock paving near the embankment.

- (k) The Mahaweli Authority and the Sri Lanka New Inventors Commission jointly constructed hanging electric fences to minimize conflicts between wild elephants and humans in the Mahaweli systems. Initially, these were constructed between Aralaganwila, Kandakadu, and Sinhapura in System B and around the Mahaweli Training Center in Zone C. For this purpose, advances of Rs.4,844,272, Rs.9,234,319, and Rs.8,000,000 were
- In order to rapid construct electric elephant fences around farms, the “Sri Lanka Inventors Commission”, a state institution with extensive knowledge and experience in the field, was awarded the contract for this construction to the Inventors Commission under Section 3.7.1 of the Sri Lanka Mahaweli Authority Procurement Guidelines under the Direct Contracting Method, under approvals No. 2021/04, 2021/04-16 and 2021.04.23 and the relevant advance payment was made.
- According to the Memorandum of Understanding, the supervision activities should be carried out, and the construction must be completed.

provided, but the awarding of the contract and the payments made to a single institution were not approved by a Cabinet decision. Contrary to the provisions of the Procurement Guidelines, the contract was awarded and payments were made as advances before the completion of the work, as described above. The failure to confirm by the Authority's technical division or any other party that the elephant fences were properly constructed, along with the failure to submit proper invoices, resulted in the inability to settle the advances. Furthermore, the audit also observed that the elephant fences had been destroyed

at the locations physically inspected.

- (1) 35 small-scale contracts (labor contracts) valued at Rs. 18,905,600 had been awarded in the year 2023 to a private contractor instead of recruiting workers at the level of farmers' organizations to carry out the maintenance and sanitation work of tanks and two main canal units, daily maintenance and cleaning activities at the quarters camp and the Mahaweli Sports Complex, In addition to the annual construction and maintenance work within the system, water control operations, sanitation activities, cleaning, and various other tasks in the system, labor contracts required to carry out using only laborers are awarded and completed. The completion of these tasks requires the involvement of laborers. Furthermore, since it is not feasible to recruit workers directly into the organization, it becomes essential to fulfill these The contracts should be fulfilled through qualified farmer organizations.

daily maintenance of the Residential Project Manager's office premises and the plant nursery in the agricultural sector and daily maintenance work of the technical services division, the warehouse and office of the mechanical workshop.

**3.6 Human Resources Management**  
**Audit Issue**

**Management Comment**

**Recommendation**

(a) The following observations were made regarding the staff as of 31 December 2023,

(i) As of December 31, 2023, the Mahaweli Authority of Sri Lanka had an approved cadre of 4,859 for 145 positions, while the number of vacancies across 118 positions stood at 1,390.

Agreed.

As per the National Budget Circular No. 05/2022 and the associated guidelines, all classification promotions and position upgrades were temporarily suspended. However, during the Committee on Public Enterprises (COPE) meeting held on May 23, 2023, approval was granted to fill a total of 326 vacancies, both internal and external, as of March 31, 2023.

Following the instructions provided by the Recruitment Committee, efforts were made to recruit 97 multi-purpose development task assistants for filling vacancies in primary level positions.

The existing vacancies should be reviewed, and necessary actions should be taken to appoint the required officers.

- (ii) The excess number of employees for the 4 approved positions and 8 unapproved positions was 50 and 11, respectively, totaling 61 employees. According to Public Administration Circulars No. 25/2014 and 25/2014 (I), permanent appointments have been granted to employees of the Mahaweli Authority of Sri Lanka who have continuously completed 180 days of satisfactory service from Management Assistant (Non-Technical) Service Category (MA 1-2) up to the Primary Non-Technical Service Category (PL 1) and only the letter has been communicated to the Management Services Department. Accordingly, an excess number of employees is shown in relation to the four approved positions. Similarly, an employee surplus is also indicated based on the recruitment of officers/employees under the previous approved cadre, limiting their roles to those that are personal to them only. Officers should not be recruited for unauthorized positions.
- (iii) By the end of the review year, there were 22 vacancies out of the 34 positions in senior divisions, representing a high percentage of 65 percent of the approved cadre. Answers have not been given. The existing vacancies should be reviewed, and necessary steps should be taken to appoint the required permanent officers.

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|---|---|---|
| <p>(iv) Even though the Deputy Director General informed on October 5, 2023, that 120 officers were assigned for duty coverage, 4 officers for duty execution, and 2 officers for acting basis, according to the information submitted to the audit on April 4, 2024, by the end of the review year, 96 appointments had been made under duty coverage, duty execution, and acting basis for 37 positions.</p>                | <p>In accordance with the guidelines provided through National Budget Circular No. 05/2022 and the letter dated 2022.09.02 regarding the strict control of public expenditure, all promotions and appointments to graded positions were temporarily suspended. By the end of 2023, only 96 appointments had been active in service. Since these appointments were made based on service requirements to ensure continuous operation and do not qualify for permanent appointments, and since they were not made from external candidates, action was taken to grant these appointments with the approval of the Director General.</p> | <p>The existing vacancies should be reviewed, and necessary steps should be taken to appoint the required permanent officers.</p> |
| <p>(v) Even though the Director Board is the appointing authority for each position, according to the Scheme of Recruitment approved for the Authority, since 2018, appointment letters for duty coverage, duty execution, and acting appointments have been issued not only by the Director General but also by the Deputy Director General (Administration and Finance) and the Director (Personnel and Administration)</p> | <p>Same as the above answer</p>   | <p>Appointments for acting or duty execution in a position should be made by the Director Board of the Authority.</p>             |
| <p>(vi) The officers appointed by the Authority in 2018, 2019, and 2020 for duty coverage continued to hold these positions at the end of the review year. Although it was necessary</p>  | <p>Same as the above answer</p>   | <p>Permanent officers should be appointed for the vacant positions.</p>   |

to carry out internal recruitment or invite applications for suitable candidates to fill vacant positions for long-term acting appointments in addition to regular positions, this was not done, and appointments were made based on duty coverage arrangements.

### 3.7 Management of Vehicle fleet

Audit Issue	Management Comment	Recommendation
<p>(a) The vehicle numbered PF-0845, which was assigned to the Dehiathkandiya Residential Business Management Office, had met with an accident on 22 December 2019. Even though a full report on the damage should have been submitted within three months from the date of the loss as per Financial Regulation 104 (4), the full report regarding the accident was submitted on May 22, 2023, which was three years and five months after the accident occurred. The vehicle was handed over to the Anuradhapura branch of United Motors for repair on March 23, 2023, based on an estimate of Rs. 9,991,909, while only Rs. 3,700,000 was approved as the insurance compensation. By the audit date of May 10, 2024, the</p>	<p>The salary arrears for the officer during the suspension period, calculated according to the last month's salary, amounts to Rs. 3,493,376. The total amount due to the institution is Rs. 6,217,909. Accordingly, the total amount to be recovered by the institution at present is Rs. 2,724,532, as stated in my letter dated July 22, 2024. A letter of demand was sent to him on 09 September 2024, ordering the payment of the said amount. Legal action has been referred to the Attorney General's Department for filing a lawsuit against him. Accordingly, I inform you that efforts are ongoing to recover the amount of Rs. 2,724,532 through legal means. Furthermore, the full amount not covered by the insurance is also subject to legal action for recovery. The Authority has taken steps to make the payment and proceed with the repairs and operation of the mentioned vehicle, as instructed</p>	<p>Steps should be taken to repair the vehicle and put it into use, as well as to recover the money from the responsible parties.</p>

repairs had not been completed, and the repair costs not covered by the insurance, amounting to Rs. 6,291,909, had not been recovered from the responsible parties.

- (b) The vehicle bearing number WP-JF 3105, assigned to the Office of the Residential Project Manager under the Sri Lanka Mahaweli Authority, was provided to an external party without approval during the 2004-2005 period, as indicated in recent audit reports, but no action has been taken regarding this matter as of April 28, 2024.
- The Secretary of the Ministry was informed to take action regarding the displacement of this vehicle in accordance with Financial Regulation 104(1), and the Secretary has appointed a committee to conduct an investigation in relation to this matter under financial regulation 104, and the relevant investigation is being carried out. According to the preliminary investigation report, this cab was handed over to the ministerial staff base on the request made to the director general by Mr. S.B. Wijekon, who is the private secretary to the Minister of Mahaweli and River Basin Development and Rajarata Development. It has been stated that Mr. K.G. Sugathadasa, who was then serving as the Transport Officer of the System Walawa, submitted a letter to the Deputy Residential Project Manager (Technical Services) on 11.05.2005, stating that he had taken the cab as per the verbal instructions of the Residential Project Manager and had formally handed it over to the Security Controller, Mr. W.P. Ediriweera Jayawarna, on the decision of the Director (Transport and Maintenance) as per the instructions of the Private
- Proper approval must be obtained when disposing of vehicles to outside parties.



Secretary to the Hon. Minister. It has been confirmed that the cab has been provided to the staff of the Hon. Minister Maitripala Sirisena as per the letter dated 08.03.2011 addressed by the Residential Project Manager (Walawa) to the Chief Transport Officer.

- (c) According to the recommendations of the committee appointed for vehicle disposal, it was decided in 2019 to dispose of 45 vehicles as vehicles, 63 vehicles as scrap metal, and to repair and put 31 vehicles back into use. The chassis numbers of the 63 vehicles that were disposed of as scrap metal were removed and handed over to the Motor Vehicle Registration Office. Additionally, the Authority did not possess ownership of 25 of those vehicles.
- A large number of vehicles, whose ownership was not confirmed, were removed from operation and stacked in an unregulated manner across the premises. These vehicles, which only held the value of scrap metal and were not economically viable for repair, caused environmental issues. The improper disposal led to several media reports raising concerns about the lack of proper disposal and the accumulation of abandoned vehicles. Furthermore, keeping these vehicles within the premises did not bring any financial benefit to the Authority. As a result, these identified abandoned vehicles were directed for disposal in 2023, generating an income of Rs. 6.4 million.
- Ownership of the vehicles should be verified before proceeding with their disposal.
- (d) The crane used for maintenance work at the Kotmale Dam, which had been inactive since 2014, was repaired on December 29, 2017, and an amount of Rs. 9.8 million was paid to the company that carried out the repairs. However, after this repair, the machine was left idle for more than 10 years, unable to perform its intended
- The 1985 crane was brought to the Kotmale work site and a major repair work was carried out on its engine on December 29, 2017 at a cost of Rs. 9.8 million. After that repair, it was necessary to carry out repairs to its hydraulic system while operating the machine. This is because the machine is over 32 years old. At present, it has been observed that not only the hydraulic system of the machine but also all the tires
- Machines should be repaired and put to use.

functions due to a burst pipe in the machine's hydraulic hose system. are severely damaged. According to a letter from the Project Engineer dated on 11.10.2024, it is estimated that approximately Rs. 10 million will be required to address these damages. Although repairs were carried out, due to the machine's old condition, further repairs continue to arise during operation, and the difficulty in sourcing the necessary parts from the market makes the repairs ineffective.

- (e) According to the document presented by the Ministry of Irrigation, 241 vehicles owned by the Ministry were handed over to the Mahaweli Authority of Sri Lanka. However, as of May 29, 2024, the transfer of ownership to the Authority had not been completed. Information regarding 46 vehicles was missing, so they were not included in the Transport Department's records. Additionally, among these vehicles, the vehicle with the number plate 56-8184 was sold in 2023.
- 40 mini
- Action will be taken after investigating in this regard.
- A vehicle register should be maintained, and ownership should be confirmed before disposal.