

Transport Project Preparatory Facility Consultancy Service for Feasibility Study for the Colombo North Port Development Project - 2022

The audit of financial statements of the Transport Project Preparatory Facility - Consultancy Service for Feasibility Study for the Colombo North Port Development Project for the year ended 31 December 2022 was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 2.09 of the Loan Agreement No. 3425-SRI (SF) dated 28 October 2016 entered into between the Democratic Socialist Republic of Sri Lanka and the Asian Development Bank. My comments and observations which I consider should be reported to Parliament appear in this report.

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Loan Agreement, the Ministry of Ports, Shipping & Aviation is the Executing Agency and Sri Lanka Port Authority is the Implementing Agency of the Project. The objective of the Project is to improve readiness of priority Transport Projects and as per the Project Administration Manual of the Loan Agreement, the Sri Lanka Port Authority is supported to prepare for development of port facilities following the National Port Master Plan.

As per the Loan Agreement, the estimated cost of the Project was US\$ 5 million equivalent to Rs. 729.65 million and out of that US\$ 4.42 million equivalent to Rs. 645.01 million was agreed to be financed by the Asian Development Bank. The balance amount of Rs. 84.64 million is expected to be financed by the Government of Sri Lanka.

The Project had commenced its activities on 24 February 2020 and scheduled to be completed by 23 May 2021. However, the date of completion of the activities of the project had been extended up to 31 May 2023.

1.3 Opinion

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2022, statement of expenditure and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.4 Basis for Opinion

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 opinion.

1.5 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 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.

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

1.6 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 Project's internal control of the project.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Physical Performance

2.1 Physical Progress of the Activities of the Project

It was planned to complete the consultancy service for feasibility study of Colombo North Port Development Project and its detailed engineering by 2nd quarter of 2020. However, the contract was awarded to AECOM Infrastructure & Environment UK Limited on 24 February 2020 and due to delay in procurement process and contract, the project had to be completed within 15 months from that date. The activities under the contract had not been completed by 23 May 2021 as scheduled and four extensions were granted up to 31 May 2023. The overall progress of consultancy contract was 95 per cent as at 31 March 2023 and final report had not been submitted by 31 March 2023, due to the COVID 19 pandemic situation. As a result, the targeted progress could not be achieved.

2.2 Underutilized Resources

Audit Issue	Response of the management	Auditor's Recommendation
A sum of Rs.824 million had been allocated for project expenses under GOSL and ADB expenses through the Annual Budget of Ministry of Ports, Shipping and Aviation for year under review. However, only Rs.552 million had been spent during the year under review.	The payments are made as per the milestone payment after receiving the reports. The Final Payments will be released after receiving of Final EIA Report.	Annual Estimate should be prepared by considering the activities that can be actually done in the year.