

Workshop Building Complex Construction Project under the South Asia Sub-regional Economic Cooperation Port Access Elevated Highway Project - 2023

The audit of financial statements of the Workshop Building Complex Construction Project under the South Asia Sub-regional Economic Cooperation Port Access Elevated Highway Project for the year ended 31 December 2023 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 Article II Section 2.09 (a) of the Loan Agreement No3716- SRI(SF) dated 17 January 2019 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 the Parliament appear in this report.

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Loan Agreement and Project Administration Manual of the Project, the Ministry of Ports, Shipping and Aviation is the Executing Agency and Sri Lanka Ports Authority is the Implementing Agency of the Project.

The objectives of the Project are that the existing workshop building of SLPA is required to be relocated in order to facilitate for the construction work of Port Access Elevated Highway Project and as per the Project Administration Manual of the Loan Agreement, SLPA is supported to prepare for development of port facilities following the National Port Master Plan. The activities of the Project are implemented under civil work components namely Workshop Building Complex Construction.

As per the Loan Agreement, the estimated total cost of the Project was US\$ 6.11 million equivalent to Rs.1,090.08million and out of that US\$ 6.11 million equivalent to Rs.1,090.08 million was agreed to be financed by Asian Development Bank.

The Project had commenced its activities on 09 September 2021 and scheduled to be completed by 09 June 2022. However, the date of completion of the activities of the Project had been extended up to 30 June 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 2023 and its cash flows for the year then ended in accordance with Sri Lanka Public Sector 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 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.

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 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. Comments on Financial Statements

2.1 Accounting Deficiencies

Accounting Deficiency / Audit Issue	Amount Rs. million	Response of the Management	Auditor's Recommendations
Commitment charges and interest charges amounting to Rs.65 million had been paid to the Lending Agency on undisbursed proceeds of the loan during the year under review due to failure of utilizing the funds of the Project within due period and accumulated commitment charges were Rs.83 million as at 31 December 2023	Rs.65	This loan facility has been provided for both Sri Lanka Ports Authority (SLPA) and Road Development Authority (RDA). RDA has commenced the loan disbursement in year 2019 and thereby the commitment chargers for the entire balance amount of the loan have been activated. As per the Project Administration Manual (PAM) of Asia Development Bank (ADB), total commitment charge (SLPA+RDA portions) for the entire loan is USD 0.8 million and total interest charges (SLPA + RDA potions) for the entire loan is USD 15.4 million. This has already been included in the total loan amount of USD 300 million.	Necessary actions should be taken to reduce cost of the Project.