Transport Project Preparatory Facility (Consultancy Service for Feasibility Study for the Colombo North Port Development) Project -2024

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 2024 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 Technical Assistant Loan Agreement (Special Operation) 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 and 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. The activities of the project are implemented under Sri Lanka Ports Authority component namely Consultancy Service for Feasibility Study for the Colombo North Port Development. As per the Loan Agreement, the estimated total cost of the Project was USD 5 million equivalent to Rs.729.65 million and out of that USD 4.42 million equivalent to Rs.643.77 million was agreed to be financed by 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 2024, 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 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.	Response of the Management	Auditor's Recommendations
According to Paragraph 39 (c) of LKAS 21, although the financial results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy shall be translated in to different presentation currency and all resulting exchange differences shall be recognized in other comprehensive income, the exchange differences of Rs.3,170,066 in sub ledger A/C 191 has been recognized in to Advance A/C ADB during the year 2024.	3,170,066	Agreed to do relevant disclosures from next year onwards.	To follow the terms of the standard when preparing financial statements.

2.2 Non Compliance with Laws, Rules and Regulations

Reference to the Laws Rules and Regulations	Non Compliance/Audit Issue	Response of the Management	Auditor's Recommendations
Section 4.01 of the Article IV (Particular covenants) of Technical Assistance Loan Agreement of the Project.	The borrower shall perform or cause to be performed all obligation set forth in Schedule 5 to the Loan Agreement and the Project Agreements. Accordingly, it was planned to complete the consultancy service for feasibility study for Colombo North Port Development Project and its detailed engineering by 2nd quarter of 2020 as per to the implementation arrangements of Schedule 5 of Loan Numbers 3425 SRI (SF) dated 28 October 2016 and Overall Project Plan of the	As per the consultancy service agreement between Sri Lanka Ports Authority (SLPA) and AECOM infrastructure and environment UK limited, the consultant has completed the feasibility study for Colombo North Port (CNP) development. Further, the consultant also completed the environmental impact	Matters should be solved immediately and actions should be taken to submit the EIA Report without further delays.

Project Administration Manual. However, the contract was awarded only on 24 February 2020 due to the delay in the procurement process. Accordingly, contract for Consultancy Services for Feasibility Study for Colombo North Port Development Project was awarded to AECOM Infrastructure & Environment UK Limited for a total evaluated and negotiated contract price of GBP 0.85 million, USD 2.03 million and Rs.66.17 million on 24 of February 2020 and it's to be completed within 15 months from that date. However, the contract had not been completed by 23 May 2021 as scheduled and extension was granted up to 31 May 2023. Final Environmental Impact Assessment Report has been forwarded to Coast Conservation and Coastal Resource Management Department for Public hearing. Environmental Foundation (Guarantee) Limited and Centre for Environment Justice (Guarantee) Limited considered the report and comments were issued on 10 February 2024. SLPA has responded on comments on the public hearing for the proposed Colombo North Port Development Project on 14 March 2025 letter No NP/EIA/21/55 and forwarded to the Technical Evaluation Committee (as per the Section 14 of Appendix 5 of the Project Manual). Although the final report on Project should be completed 2 weeks after review of the comments of the Government and ADB, a revised EIA report had not been issued even up to 31 May 2025.

assessment (EIA) study with the participation of all stakeholders, with the assessment of all base line conditions as per the Terms of Reference (ToR) issued by the Coast Conservation and Coastal Resource Management Department (CC & CRMD), and the EIA report has been issued for the public hearing process. As per the ToR of the consultancy service, the consultant's work was completed with the issuance of the EIA report for the public hearing process.

Subsequently, SLPA reviewed all the public comment/ concerns, incorporated the comments in to the EIA report and sent it to CC & CRMD for review. Accordingly, CC & CRMD has scheduled a Technical Evaluation Committee (TEC) meeting on 20.06.2025 with all stakeholders to finalize the matter.