

## **Peliyagoda Central Fish Market Complex Management Trust -2012.**

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### **1. Financial Statements**

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#### **1:1 Qualified Opinion**

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In my opinion, except for the matters described in paragraph 1:2 of this report, the financial statements give a true and fair view of the financial position of the Peliyagoda Central Fish Market Complex Management Trust as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1:2 Comments on Financial Statements**

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##### **1:2:1 Accounting Deficiencies**

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The following observations are made.

##### **(a) Fixed Deposits**

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- (i) Interest income on fixed deposits had been understated by a sum of Rs.919,407 in the financial statements and as such the deficit for the year had been overstated by a similar amount.
  - (ii) The Withholding Tax amounting to Rs.693,251 relating to the interest income had not been brought to account in the accounting for the interest income.
- (b) The kitchen equipment valued at Rs.7,068,905 given to the Restaurant had been omitted in the accounts.
  - (c) Even though the waste tank constructed in the year under review at a cost of Rs.771,049 had been eliminated from use in the year, action had not been taken to eliminate that from the accounts.

**1:2:2 Suspense Accounts**  
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Action had not been taken to disclose separately and account for accurately the rent income in suspense amounting to Rs.349,000 and the deposit balances in suspense amounting to Rs.6,550,000.

**1:2:3 Accounts Receivable and Payable**  
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Out of the rent income receivable, a sum of Rs.7,510,500 or 16 per cent and out of the balance receivable from the Ceylon Fisheries Corporation a sum of Rs.9,229,020 or 64 per cent had been outstanding over a period exceeding one year.

**1:2:4 Lack of Evidence for Audit**  
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Confirmation of balances had not been furnished for the creditors and other liabilities totalling Rs.56,106,502 and a sum of Rs.14,529,380 receivable from the Ceylon Fisheries Corporation.

**1:3 Non-compliance with Laws, Rules, Regulations and Management Decisions**  
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Non-compliance with the following laws, rules, regulations, etc.were observed during the course of audit.

<b>Reference to Laws, Rules, Regulations, etc.</b> -----	<b>Non-compliance</b> -----
(a) Constitution of the Management Trust	
(i) Paragraph 8(a)	Even though meetings of the Management Trust should be held at least once in two months, only 04 meetings had been held in the year under review.

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| (ii) Paragraphs 10(b) and (c)  | Even though copies of the financial statements should be forwarded to the Secretary to the Treasury, the Minister of Finance and the Minister of Fisheries and Aquatic Resources Development, it had not been so done.                                  |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka<br>Financial Regulations 756 and 757 | The Board of Survey for the year 2012 had been conducted and the reports therein had been presented to the Auditor General only on 15 August 2014.  |
| (c) Inland Revenue Act, No. 10 of 2006<br>Section 2  | Even though the “Trust” is a body subject to income tax liability action in accordance had not been taken.  |
| (d) National Procurement Agency<br>circular No.8 of 25 January 2006<br>Guideline 3.2                             | An institution had been selected for the cleaning services of the Market Complex premises without inviting quotations and following the Procurement Process and an agreement for a long period of 05 years from 14 February 2012 had been entered into. |
| (e) Public Finance Circular No. PF/423<br>of 22 December 2006 Paragraph<br>04.1                                  | Even though the Annual Budget of the Trust approved by the relevant Minister before the fifteenth day of September of the prior year should be forwarded to the Director General of the National Budget before 30 September, it had not been so done.   |

**1:4 Transactions not supported by Adequate Authority**

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Contrary to the Sub-section 12.2.5 of Chapter VII of the Establishments Code, a Planning Assistant of the Ministry of Fisheries and Aquatic Resources Development appointed for covering up duties had been paid an allowance of Rs.212,500 for 9.5 months of the year 2011. Since the inclusion of those duties of that post in the list of duties of that officer in December

2011, that officer had been paid a sum of Rs.287,500 as an allowance for the performance of normal duties in 12.5 months.

## **2. Financial Review**

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### **2:1 Financial Results**

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According to the financial statements presented, the financial result of the Trust for the year under review amounted to a deficit of Rs.863,735 as compared with the corresponding deficit of Rs.34,941,614 for the preceding year. Accordingly, an improvement of Rs.34,077,879 in the financial results of the Trust for the year under review has been indicated. The increase of rent income and the interest income from fixed deposits had been the reasons for the improvement.

## **3. Operating Review**

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### **3.1 Management Inefficiencies**

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The expenditure incurred by the Government up to the end of the year under review on account of assets and infrastructure facilities for the establishment of the Market Complex amounted to Rs.2,030,406,385 and the objectives and functions for which the Trust is established and the takeover of the full control and management of the Market Complex, the efficient operation, management and maintenance of the said Complex and taking action on matters ancillary thereto. A large number of responsibilities relating thereto are vested in the Trust and as such the proper collection of all income of the Trust and the proper management of expenditure should be ensured. Nevertheless, in view of the following matters it was observed that the Trust had failed to execute those functions in the proper manner.

#### **(a) Irregular collection of Income from the Motor Vehicles Park of the Trust.**

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- (i) The collection of income from the motor vehicle park of the Market Complex had been assigned by the Trust to the Ceylon Fisheries Corporation. The Corporation had entered into an agreement for that work with a company which is a third party without an approval of the Trust.

- (ii) The approval for the agreement had not been obtained from the Attorney General.
- (iii) The nature of the expenditure that can be deducted from the income collected by the Company had not been included in the agreement. The income lost by the Trust due to the over-recovery of employees' salaries amounting to Rs.1,721,802 and other expenditure amounting to Rs.1,827,990 in the remittance of income to the Trust, amounted to Rs.516,548 and Rs.548,397 respectively.
- (iv) The accuracy of the motor vehicle parking fee income of the Management Trust amounting to Rs.45,295,360 could not be ascertained in audit as the copies of the financial statements of the Company for the years 2011/2012 and 2012/2013 had not been furnished. According to the books and records maintained by the Market Complex the income received by the Trust had been less by a sum of Rs.39,636.
- (v) As the fees on the memberships cards issued to the businessmen who are using the motor vehicle park of the Market Complex daily had been under-recovered for the year under review, the income received by the Trust had been less by a sum of Rs.2,989,080.
- (vi) Action had not been taken for the sum of Rs.14,529,376 receivable by the Trust out of the income collected by the Company in the years 2011 and 2012 and remitted to the Ceylon Fisheries Corporation.

**(b) Failure to Collect Rent on Trade Stalls properly**

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- (i) Even though 64 trade stalls of the Retail Trading Complex of 128 trade stalls had been converted in the years 2011 and 2012 to Wholesale Stalls at a cost of Rs.9,625,540, those 64 trade stalls and 35 of the 64 Retail Trade Stalls had not been in use by 31 August 2014 and as such the Trust had been deprived of the rent income from those.
- (ii) Out of the 16 trading stalls of monthly assessed value amounting to Rs.14,000 constructed in the Retail Market Complex for renting out, 02 stalls had been

given for the use of the Police Officers and one had been given for the use of the employees of the restaurant without charging fees.

- (c) The ground under the concrete layers of several buildings in the premises of the Marketing Complex had sunk and filled with water and dirty water had collected in the sunken spots in the roads inside the premises. Action had not been taken even up to 31 August 2014 to rectify those.
- (d) Necessary action had not been taken to make recoveries from the salary by considering 50 days of unauthorized leave obtained by an officer of the Trust as no-pay leave and take disciplinary action.

### **3:2 Transactions of Contentious Nature**

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The following observations are made.

#### **(a) Construction of a Tank for Waste Materials**

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A private institution had constructed a building with the necessary machinery at its own cost for drying, powdering and sale of the waste materials discarded by the Market Complex without obtaining the approval of the Board of Trust.

#### **(b) Lease of the Restaurant**

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- (i) Contrary to the Guideline No. 3.2 of the Government Procurement Guidelines, the restaurant had been leased out for a period of 10 years from 01 April 2011 at a monthly rent of Rs.129,000.
- (ii) Three freezers valued at Rs.1,143,868 purchased in the year 2011 remained in the restaurant without being used.

**(c) Lease of Fish Cutting Rooms**  
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- (i) Even though plans had been made for the construction of 48 fish cutting rooms in the Market Complex at a cost of Rs.4,800,000 only 44 rooms had been constructed at a cost of Rs.4,092,792. The evidence in support of the measurement of reports for making payments thereon or the originals of the recommendation of the Engineer had not been furnished to audit.
- (ii) Those rooms had been leased out to 44 persons with effect from March 2012 without following the Procurement Procedure and the Management Trust had not entered into lease agreements with the lessors.

**3:3 Apparent Irregularities**  
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**(a) Erroneous Payments for Security Service – 2011, 2012 and 2013**  
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- (i) The Trust had made payments on Bills for deployment of 24 officers for each duty roster despite actual deployment of between 9 to 12 officers per roster furnished by the private security service company supplying security services to the Market Complex. As such the erroneous overpayments made during the period 01 June 2011 to 31 October 2013 amounted to Rs.15,399,050. In addition to that, Value Added Tax amounting to Rs.1,884,954 and the Nation Building Tax amounting to Rs.307,999 had also been paid on the overpayment made.
- (ii) Even though action should have been taken to take disciplinary action against the officers of the Trust who had acted without care and caution in making payments and for the recovery of the overpayment made from the security services company, necessary steps had not been taken even up to 31 August 2014.
- (iii) Even though the Trust had entered into an agreement with the security services company on 08 January 2014 for a period of 04 years from 31 March 2011 to 30 March 2015 action had not been taken to determine the places in the Market

Complex where security officers should be deployed and the number of officers in advance and include such conditions in the agreement.

### **3:4 Personnel Administration**

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Even though 41 officers from the Ceylon Fisheries Corporation had been deployed for the operating and maintenance activities of the Market Complex, action had not been taken to determine the cadre of requirements of the Trust and obtain approval for that and to prepare and organization chart.

## **4. Accountability and Good Governance**

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### **4:1 Presentation of Financial Statements**

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According to Section 4.3 of the Public Finance Circular No. PF/423 of 22 December 2006, the financial reports of the Trust should be presented for audit within 02 months after the close of the year of accounts. Nevertheless, the financial statements of the Trust for the year 2012 had been prepared and presented for audit only on 30 May 2014, that is, after a delay of 15 months.

### **4:2 Corporate Plan**

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A Corporate Plan for the Trust covering the year under review and the ensuing years had not been prepared.

## **6. Systems and Controls**

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Secretary of the Ministry from time to time. Special attention is needed in respect of the following areas of control.

- (a) Procurement Process
- (b) Budgetary Control and Accounting
- (c) Collection of Income