

Peliyagoda Central Fish Market Complex Management Trust – 2017

The audit of operations of the Peliyagoda Central Fish Market Complex Management Trust for the year ended 31 December 2017 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 the approval of the Cabinet of Ministers No.අමෙ/10/0958/438/001 dated 03 June 2010. The financial statements for the year 2017 had not been presented even by 31 October 2018. My observations on the performance of the Trust for the year under review which I consider should be presented to Parliament in terms of Article 154(6) of the Democratic Socialist Republic of Sri Lanka, appear in this report.

1.2 Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

2. Financial Statements

2.1 Presentation of Financial Statements

In terms of Section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the financial statements and the Draft Annual Report should be presented to the Auditor General within 60 days after the closure of the year of accounts. Nevertheless, the financial statements and the Draft Annual Report for the year 2017 had not been presented even by 31 October 2018, the date of audit.

2.2 Existence of Assets and Liabilities

A summary on assets, liabilities, income and expenditure shown in the financial statements of the Trust for the year ended 31 December 2016 prepared for the last time by the Trust, is as follows.

Item of Financial Statements	Value
Assets	Rs.
Non-current Assets	1,917,763,213
Current Assets	110,694,262
Total Assets	2,028,457,475

Liabilities

Current Liabilities	5,182,315
Non-current Liabilities	85,080,000
Net Assets/Equity	1,938,195,160

Total Liabilities	2,028,457,475
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Total Income	117,718,311
Total Expenditure	(130,446,796)

Deficit	(12,728,485)
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2.3 Lack of Evidence for Audit

Agreements had been entered into with a private institution to remove waste collected daily in the Fish Market Complex and to make payments relating to number of days thereon for a period of 05 years from 01 August 2014. Only the number of days relating to the removal of waste in May and June of the year 2017 had been mentioned in the relevant file and a sum of Rs.987,981 had been paid therefor. Even though a sum of Rs.4,073,255 had been paid for other months of the year 2017, adequate records had not been available with the Trust to observe whether waste has been removed daily or to examine whether the payments therefor has been made accurately.

2.4 Transactions not supported by Adequate Authority

The following observations are made.

- (a) In terms of paragraph 6(a)(1) of the agreement entered into in the establishment of the Management Trust on 10 August 2010, it had been pointed out that the Secretary to the Ministry in charge of the subject should invest all savings or surplus funds in Treasury Bills or in Government Securities with the concurrence of the Treasury and the prior written approval. Nevertheless, a sum of Rs.160 million had been invested in fixed deposits as at 31 December 2017. However, it was observed that a written approval of the Treasury had not been obtained therefor.
- (b) A Planning Assistant of the Ministry of the Fisheries and Aquatic Resources Development had been appointed as the Coordinating Officer (Sales Promotions) of the Fish Market Complex by a Letter No. SEC/1/3/1/GEN dated 01 March 2011 of the Secretary to the Ministry of Fisheries and Aquatic Resources Development. Contrary to the Establishments Code and Public Administration Circulars, the allowances paid to that Officer from March 2011 to December 2017 totalled Rs.2,479,000 only on the approval of the Trust.

- (c) It had been decided at the Board Meeting of the Management Trust held on 22 May 2015 to grant the approval for payments to a person who is a member of the Management Trust and holds the post of Director of the Department of Public Enterprises, in addition to serving as a member of the Management Trust and to pay an allowance at a monthly rate of Rs.12,500 without the approval of the Treasury for serving as the Counter signatory for cheques. According to the reply, it had been informed that the approval of the Management Trust has been obtained therefor. However, a allowance of total sum of Rs.150,000 had been paid for the year 2017 without obtaining the approval of the Treasury.

2.5 Non –compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances with Laws, Rules, Regulations etc. were observed in audit.

Reference to Laws, Rules, Regulations etc.	Non –compliance
(a) Section 10 of the Value Added Tax Act, No.14 of 2002, as amended by the Act, No.17 of 2013	Even though the income from lease rent amounting to Rs.95 million and Rs.91 million in the years 2015 and 2016 and Rs.96 million in the year under review respectively had been earned by the Trust, action had not been taken to register for payment of Value Added Tax.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka (i) Financial Regulation 395(b)(c)	The monthly cash receipts and cash payments had been computed separately as at the end of the year under review and a sum of Rs.13,953,214 had been indicated as the debit balance in the cash book and presented to Audit. However, the cash book had not been balanced and brought forward as at 31 December 2017. Moreover, the Bank Reconciliation Statements on transactions remained as at the end of each month should be prepared before the 15 th day of following month. However, Bank Reconciliation Statements for the year 2017 had not been prepared accordingly.
(ii) Financial Regulation 880	Action had not been taken to obtain securities from officers who are responsible for the receipt and custody of public money and from storekeepers.

3. Operating Review

3.1 Performance

3.1.1 Planning

The following observations are made.

- (a) Appropriate methodologies had not been identified for achieving objectives of the Trust by identifying development activities and commercial activities of businesses separately, evaluating strengths as well as weaknesses of the Trust and evaluating opportunities and obstacles in business environment. Further, a Corporate Plan had not been prepared so as to continue for ensuing years since the inception of the Management Trust.
- (b) The Annual Action Plan which should be prepared in terms of the Public Finance Circular No.01/2014 dated 17 February 2014, had not been prepared by the Trust for the year 2017 as well.
- (c) The Annual Budget which should be prepared in terms of paragraph 4.1 of the Public Finance Circular No.PF/423 dated 22 December 2006, had not been prepared since the year 2014.

3.1.2 Function and Review

The output and outcome of functions performed could not be evaluated due to non-preparation of performance indices required for measuring the output and for evaluating the outcome of functions to be performed by the Trust.

3.2 Management Activities

The following observations are made.

- (a) Despite having established the Management Trust as a separate institution from 03 June 2010, the collection of revenue of the vehicle yard of the Market premises owned by the Trust had been assigned to a private company on lease basis by Ceylon Fisheries Corporation for a period of 10 years from 07 March 2011. Moreover, the Plate Ice Manufactory had been vested in the Ceylon Fisheries Corporation at an annual lease rental of Rs.3,900,000 from the year 2011 on which the Trust has been established without entering into a written agreement.

- (b) Even though the selling of ice cubes had been carried out by a Trade Association in the Market premises during the year 2016, a written agreement had not been entered into therefor and a sum of Rs.518,000 had been outstanding thereon even by the end of the year under review. Even though the selling of ice cubes had been carried out by the Fisheries Corporation during the year 2017, action had not been taken to enter into a written agreement or to recover charges therefor.
- (c) Even though a space of about 1,375 square feet in extent belonging to the Management Trust had been allocated for the use of the Fisheries Corporation since the year 2017, action had not been taken to enter into a written agreement or to recover charges therefor.
- (d) The approval for the Cabinet Memorandum submitted by the Minister of Fisheries and Aquatic Resources Development on 14 May 2010 in respect of establishment of the Management Trust in the Peliyagoda Central Fish Market Complex, had been received on 03 June 2010. Even though the Management Trust had been established in terms of the said decision, no necessary steps had been taken even by 30 September 2018, the date of audit to legalize as a statutory body.
- (e) Necessary steps had not been taken for certifying the storing of fish in the Central Fish Market Complex with quality and hygienic conditions in the specified standard and an environment had not been created to fit the public to hang about frequently by minimizing the environmental pollution in the Market Complex and surrounding area.
- (f) There was a delay in taking action by the Trust in accordance with recommendations made by the Central Environment Authority for the issuance of an Environmental License to the Market Complex and the animal feed manufactory located in that premises. As such, the Environmental License for the year 2017 could not be obtained even by 28 September 2018, the date of audit.
- (g) It had been indicated that the lessee has no right to pawn, sell or transfer a sales outlet or part thereof contrary to the lease agreement on wholesale outlets coming under the purview of the Trust. However, out of 154 sales outlets leased out to businessmen, 19 sales outlets had been vested with external parties during the period from the year 2016 to 13 August 2018 by lessees. A total sum of Rs.9,500,000 had been obtained by the Trust for 19 sales outlets so vested, at a rate of Rs.500,000 per sales outlet, instead of transferring those outlets to the Trust and leasing them out again. There were 26 sales outlets so vested before the year 2016 and no money whatsoever had been recovered by the Management Trust therefrom.
- (f) The monthly average expenditure of the Trust ranged between Rs.4.5 million and Rs.6 million and according to the cash book, the average surplus as at the end of every month amounted to Rs.13 million. Moreover, action had not been taken to make the said surplus in another beneficial investment process.

- (g) A stock market complex constructed with 154 sales outlets and a retail market complex with 128 sales outlets were available with the Central Fish Market Complex Management Trust and out of retail outlets, 64 had been converted into wholesale outlets constructed by spending Rs.9,625,540 in the years 2011 and 2012. However, 64 sales outlets and 46 wholesale outlets of the retail market had not been leased out for marketing purposes even by 31 December 2017.

3.3 Staff Administration

The following observations are made.

- (a) Even though a staff comprising 43 employees had been approved by the Department of Management Services for the Management Trust of the Peliyagoda Central Fish market Complex, approval had not been obtained for the Scheme of Recruitment thereon even by 16 January 2018, the date of audit.
- (b) The staff of 40 employees who are in the service of the Management Trust, consisted of 37 permanent employees attached by the Ceylon Fisheries Corporation and 03 employees recruited on contract basis by the Ceylon Fisheries Corporation and all salaries and allowances relating to these employees had been paid by the Trust.
- (c) Permanent employees had not been recruited for the posts of Manager and Accountant of the Trust and a person for the post of Manager on contract basis and an Accountant of the Ministry for the post of Accountant had been deployed on acting basis.

4. Sustainable Development

4.1 Achievement of Sustainable Development Goals and Targets

Every Government institution should act in terms of the Letter No.NP/SP/SDG/17 of 14 August 2017 issued by the Secretary to the Ministry of National Policies and Economic Affairs and the 2030 “Agenda” of the United Nations for Sustainable Development. Further, information that the Peliyagoda Central Fish Market Complex Management Trust had identified sustainable development goals, targets relating to its functions and indices for measuring the achievement of those targets, had been made available.

5. Accountability and Good Governance

5.1 Internal Audit

The Accounting Officers had not taken necessary steps in terms of Financial Regulation 128 even by the end of the year under review to establish Internal Audit Units and to strengthen systems and control of the Management Trust.

5.2 Procurement and Contract Process

5.2.1 Procurements

The following observations are made.

- (a) A detailed Procurement Plan for the year 2017 had not been prepared in terms of the Guideline 4.2.1 (c) of the Government Procurement Guidelines.
- (b) Even though it had been instructed by the Guideline 4.3.1 of the Government Procurement Guidelines that a Total Cost Estimate should be prepared prior to every procurement activity, action had not been so taken in respect of procurements valued at Rs.663,564 of the Water Purification Plant.

5.3 Unresolved Audit Paragraphs

Necessary action had not been taken even by 31 October 2018, the date of audit in respect of following observations pointed out by the report of the Auditor General of the year 2016.

Paragraph Number	Observation
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(a) Paragraph 4.4(a)	Three refrigerators purchased at a cost of Rs.1,143,868 in the year 2011 for the use of canteen, had remained idle without being used.
(b) Paragraph 4.2(f)	Even though 6 years had lapsed since the inception of the Trust, action had not been taken to transfer the land of 7 acres, 3 roods and 14.9 perches in extent where the Peliyagoda Fish Market Complex is located, to the Trust.

6. Systems and Controls

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

Areas of Systems and Controls	Observations
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(a) Financial Control	(i) Improper preparation of Bank Reconciliation Statements.

- (ii) Non-reconciliation of entries in the cash book with the cheque counterfoils and existing of uncertified vouchers and failure in making payments in terms of Financial Regulations.
 - (iii) Failure in assigning duties so as to carry out an internal checking.
 - (iv) Failure to sign the reports on Boards of Survey relating to the year under review by the members of the Boards of Survey and failure in recording unserviceable goods.
- (b) Control of Revenue
 - (i) Failure to take action to lease out all sales outlets.
 - (ii) Sub lease of sales outlets.
 - (iii) Failure in taking action to obtain revenue from lease rental in an accurate manner.
- (c) Maintenance of Books and Registers
 - (i) Non-maintenance of Register of Fixed Assets, Register of Fixed Assets on Computers, Accessories and Software, Inventory on Electrical Fittings, Register on Losses, Security Register etc.
 - (ii) Non-maintenance of a Record Book for recording activities of meetings of the Trust.
 - (iii) Incompletion of ledger accounts, books and registers relating to the year under review.