

Peliyagoda Central Fish Market Complex Management Trust - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Peliyagoda Central Fish Market Complex Management Trust for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the fund as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

I expressed qualified opinion on the matters described in paragraph 1.5 of this report.

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 qualified opinion.

1.3 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.

In preparing the financial statements, management is responsible for assessing the trust's stability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the trust or to cease operations, or has no realistic alternative but to do so.

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

As per Sub Section 16(1) of the National Audit Act No. 19 of 2018, the trust is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the trust.

1.4 Auditor's Responsibility 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 trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the trust's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the trust to cease to continue as a going concern.
- 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.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the trust, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the trust has complied with applicable written law, or other general or special directions issued by the governing body of the trust;
- Whether the trust has performed according to its powers, functions and duties; and whether the resources of the fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
Value Rs. 1,347,223 worth of furniture and fittings and office equipment had been fully depreciated in the last year, but since those assets are being used up to now, the assets were not revalued and adjusted to the accounts in accordance with paragraph number 42 of Public Sector Accounting Standard No. 7.	Since it is expected that there has been no increase in the value of the furniture and fittings after the end of their useful life, that the fixed assets had not been revalued and shown.	Even if fully depreciated, the assets used up to now should be revalued and adjusted to the accounts.

1.5.2 Accounting Policies

Audit Observation	Management Comment	Recommendation
Although it has been decided to depreciate the wastewater treatment plant by 5 percent each, tenders had been awarded for Rs.114 million in the year 2021 for the complete construction of the treatment plant built in 2011. Accordingly, the life of the treatment plant was 20 years and depreciated at 5 percent each, due to the need to completely repair the treatment plant in 10 years, the depreciation policies adopted were not sufficient.	Although the policy decision was taken to depreciate at the rate of 5% with a life of more than 20 years when the depreciation policy was decided, this situation has arisen due to the insufficient capacity of the plant and the difficulty in maintenance activities.	The useful life of the asset should be accurately determined and the depreciation policies to be followed should be identified.

1.5.3 Accounting Deficiencies

The following observations are made.

Audit Observation	Management Comment	Recommendation
The interest income due for the year under review for the value of short term investment of Rs.76,122,535 in the months of October and December 2021 had been shown understated by Rs.1,202,714 in the financial statements.	That interest received and receivable on short-term investments are shown in the notes.	Interest income receivable should be accurately reflected in the financial statements.
According to the trust deed, the building complex worth Rs.1,700,000,000 was handed over to the trust on 10 August 2010. But since that value was accounted as Rs.1,688,741,540, Rs.11,258,460 was shown less in the financial statements and the depreciation was not calculated for that value.	The trust deed states that the building value is about Rs.1,700,000,000. Accordingly, the value of the trust deed has been rounded down to the nearest billion, so that the building value has been correctly stated in the financial statements.	The building value should be accurately reflected in the financial statements.

1.5.4 Unreconciled Control Accounts or Records

The following observations are made.

Item	As per Financial Statements	As per Corresponding Record	Difference (Decrease)/ Increase	Management Comment	Recommendation
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	Rs.	Rs.	Rs.		
(a) Debtors	76,577,311	77,222,311	(645,000)	That the figure stated in the financial statement is correct and that the figure should be reduced in the debtors' age analysis.	The values between the financial statements and the records should be compared to examine the reasons for the difference and account for the correct value.
(b) Receivable outlets' rent income	7,110,807	15,212,466	(8,101,659)	-do-	-do-
(c) Rent Income	98,073,755	94,502,088	3,571,667	-do-	-do-

1.5.5 Documentary Evidences not made available for Audit

The following observations are made.

Item	Amount	Evidence not available	Management Comment	Recommendation
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	Rs.			
(a) Petty cash payments	750,111	Bills	That the relevant officials have been informed to provide that information.	Bills related to petty cash payments should be submitted along with the voucher.
(b) Suspended Refund Deposit Balance	5,550,000	Documents confirming the balance	A individual list of these 3 deposit balances has also been presented in the 2021 Annual Financial Statements. If this individual list provides a model of how it is needed, it is also possible to provide that information accordingly.	Proof of balance must be submitted.

1.6.1 Accounts Receivable and Payable

1.6.1 Receivables

The following observations are made.

Audit Observation	Management Comment	Recommendation
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(a) Rs. 4,831,927 is shown in the rental income account of the ledger as the amount recovered from the arrears due in relation to the previous years, but the details of those recovered and the arrears balance could not be checked as no schedule was submitted for the audit.	That such a document will be prepared and maintained in the future.	The relevant schedules should be submitted for audit.
(b) According to the presented debtors' analysis, the outstanding balance of Rs. 43,398,322 over 03 years as at 31 December 2021 had not been recovered.	That the relevant officials have been instructed to take necessary measures to recover the outstanding loan balances.	Arrangements should be made to recover the amount due for a long time.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

 The following observations are made.

Reference to Laws, Rules Regulations etc.	Non-compliance Rs.	Management Comment	Recommendation
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(a) Para 120 of Chapter IX of Group I of the Rules of Procedure of the Public Service Commission	A public servant should be appointed to act in a post or to perform the duties of a post only if the post is of a higher rank or equivalent to that post held by that public servant. However, the Chief Accountant was appointed to act as the Accountant by the Secretary to the Ministry of Fisheries and paid Rs. 360,000 for the year under review by the Trust.	Rather than recruiting new managers and accountants to the Management Trust, appointing ministry officials who are serving in the same position in the Ministry of Fisheries can provide an experienced and efficient service and thus the Management Trust has been able to perform the relevant services at a low cost.	It should be done as per the procedural rules of the Public Service Commission.
(b) Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka i Financial Regulation 261(1)	All payments should be properly recorded in the cash book and other accounting books prescribed for that purpose, and the notes in the cash book should be numbered sequentially and the same numbers should be applied to the vouchers related to the notes, but the trust's cash book and vouchers were not prepared accordingly. Also, according to Financial Regulation	That the cash book is properly prepared and submitted for audit.	Should be done as per the Financial Regulation.

446(2), the cash book must be signed by the supervisor or staff officer responsible for the payments, but the trust's cash book entries and balances were not confirmed to be correct.

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| ii | Financial Regulation 272(1) | Although all the paid vouchers should be prepared according to their serial numbers and all the necessary information for the audit should be prepared and submitted, but the trust had not prepared the payment vouchers for the year 2021 according to the serial numbers and submitted the necessary information for the audit. | That payment vouchers are properly prepared and submitted for audit. | Should be done as per the Financial Regulation. |
| (c) Inserted vide paragraph 15.1 of State Finance Circular No. 01/2020 dated 28 August 2020 | | | | |
| (i) | Paragraph 876(3) of the Financial Regulations | Although if there are reasonable reasons for continuing to maintain any fund that is not regularized, such funds should be reported to the State Finance Department stating the relevant reasons so that such funds can be legalized by an Act of Parliament, the Trust had not been institutionalized through an Act of Parliament as at 31 December 2021. | A related committee will be appointed and further work will be carried out and instructions will be given to the officers to complete the work as soon as possible. | According to the Financial Regulation, arrangements should be made to make it an established institution through an Act of Parliament. |
| (ii) | Paragraph 877(2)(d) of the | Although a performance report along with the | That there was a delay of 14 days in | Should be done as per the Financial |

Financial
Regulations

financial statements about submitting the Regulation.
the respective amounts financial statements
should be submitted to the Auditor
the Director General of General.
State Finance with a copy
to the Auditor General
within 2 months after the
end of the accounting
year, since the 2021
financial statements were
submitted on 14 March
2022, a performance
report was not submitted
along with the financial
statements.

(d) Deed of Trust dated 10
August 2010

(i) paragraph no. 6 (a) 1

Although all surplus
funds of the trust should
be invested in treasury
bills and government
securities in some way
other than prior written
consent of the treasury,
without such consent, the
management trust had
invested a total of Rs.
298,981,972 in the Bank
of Ceylon and the
Savings Bank only based
on the decisions of the
Board of Trustees.

That the money has
been invested in the
fixed deposits of the
Management Trust
subject to the
approval of the Trust
and that the same
method has been
used as it is the
method of quick and
easy access when
required for the
maintenance and
repair of the
premises.

It should be done as
per the Deed of
Trust.

(ii) No.7(a)

Although a rent
determined based on the
assessment obtained from
the chief valuer of the
government should be
collected from
wholesalers and retailers
in relation to a trade unit,
the rent of Rs.40,000 and
Rs.10,000 currently
charged is contrary to the
said rule, but nothing has
been done to correct them
as 11 years have passed.

That as soon as the
valuation report is
received regarding
the buildings of the
trust, the rents of the
stalls will be
changed.

It should be done as
per the Deed of
Trust.

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| (iii) No.7(e) | Although the Board of Trustees should prepare written criteria approved for leasing 154 wholesale shops and 128 retail shops belonging to the trust, the lease was done from the year 2011 to 2021 without preparing such criteria. | The wholesale stalls were given on the basis of a thirty-year lease in 2011 and after the expiry of the lease base, the stalls will be given according to the most appropriate method available at that time and the stalls in the retail sector will be given under a waiting list. | -do- |
| (iv) No. 7(n) | Although it was stated that it is possible to file a lawsuit to protect the property of the trust or to present oral defenses in the cases, the trust did not have enough evidence to file a lawsuit to recover the arrears of Rs.77,222,311 for 283 retail shops leased from the year 2011. | So far no lawsuits have been filed for the stalls in the trust and written and verbal notifications will be made for the stalls that are in arrears for more than three months and if further defaults in payment will be dealt with according to the decisions of the management trust. | -do- |
| (v) No.8 (f) | Although it is stated that the trustees are not entitled to receive any remuneration in the form of salary, allowances or standard amount, regardless of that, the secretary of the Ministry of Fisheries, who is also the chairman of the board of trustees who was the first to be nominated for the board of trustees, and 14 members A sum totaling Rs.870,000 had | Since the labor and time of the officials participating in the meeting of the Board of Trustees will be sacrificed and the transportation work will be procured by them, the said officials will be paid an amount of Rs.10,000 upon the approval of the Board of Trustees. | It should be done as per the Deed of Trust. |

been paid as monthly allowances for the year under review.

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| (e) Guideline 4.2.3 of the 2006 Code of Procurement Guidelines | Although the bid evaluation procedure was to be completed in 154 days regarding the bid for the construction of the waste water treatment plant worth Rs.114,590,885 in the year under review, it was observed that, it did not fulfill its responsibility properly as spending by 17 months or 518 days. | That the procurement work was very complex and took a long time. | the Procurement should be done in accordance with the Code of Procurement Guidelines and the Code of Procurement Manual. |
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1.8 Investment Management

Audit Observation -----	Management Comment -----	Recommendation -----
In order to pay for the repair of the waste water treatment plant, , although the fixed deposits held by the Trust were pledged and a loan amount of Rs.100 million was obtained from the Bank of Ceylon during the year under review, without performing the desired function, Rs. 76,122,535 of that amount was invested in fixed deposits in that month without the approval of the Board of Trustees. Because of this, the trust had lost the interest due and the trust had to pay an additional interest of 1 percent for the loan amount of Rs.100 million.	That the unspent amount from the loan was re-invested in short-term investments in order to get it again when needed and that the contractor could not make payments without getting the loan amount and that the additional interest paid on the loan was an expense of the trust that was not a loss.	The trust should be managed in such a way as to generate income and minimize losses.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 29,620,704 and the corresponding surplus in the preceding year amounted to Rs.40,748,886. Therefore a deterioration amounting to Rs.70,369,590 of the financial result was observed. This deterioration was mainly due to decrease in income by Rs.52,186,792 and increase in administrative expenses by Rs. 11,399,504.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Management Comment	Recommendation
(a) The land on which the market complex is established is 3.1776 hectares worth Rs. 375,141,765 and acquired from the State Engineering Corporation under the Land Acquisition Act and although the decision to acquire the land was approved by the Cabinet of Ministers on 03 June 2010, The land had not been acquired.	That this land has been taken into custody.	Arrangements should be made to take over the land and the relevant written evidence should be submitted to the audit.
(b) Although it has been almost 6 years since the staff was approved, recruitment was not done after getting the recruitment procedure approved by 31 December 2021 for the posts of Manager, Accountant and Internal Auditor of the trust.	It is possible to provide experienced and efficient service and the Trust has been able to provide the relevant services at a low cost and the internal audit work of the Trust is carried out by the internal auditor of the Ministry.	Recruitment should be done after getting the recruitment procedure approved.
(c) According to the agreement signed for leasing the restaurant, if the due rent is not paid within 3 months, the lessee should be evicted, it was not possible to recover the amount of Rs. 54,500,000 that should be recovered for almost a year and no action was taken to remove the lessee.	That this matter will be investigated further.	The agreement should be followed.
(d) According to the agreement made regarding the establishment of the trust, although one stall can be given to each person, 05 retail stalls numbered 123,124,125,126, and 127 of the market complex were given to Agro Lanka on lease basis from the year 2013 without the approval of the board of trustees.	That three have been allotted stalls and have paid deposits.	It should be done according to the agreement made in relation to the establishment of the trust.

- (e) Due to non-operation and non-maintenance of the waste water treatment plant which was built at a cost of Rs.34 million in the year 2011, according to Section 23A of the National Environment Act No. 47 of 1980 as amended by Extraordinary Gazette No. 1534/18 dated 01 February 2008, the market complex has exceeding the limit of industrial wastewater that can be released into a fresh water stream, and had been released 297,997 cubic liters of wastewater into water sources against the standards only in 2019, 2020 and 2021.
- In this regard, information will be obtained from the relevant officers and departments and the answers will be submitted promptly.
- It should be done as per the section of the National Environment Act.

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
64 retail outlets out of 128 retail outlets' complex were converted into wholesale outlets in 2012 at a cost of Rs. 9,625,540. As at the audit date of 31 December 2021, all retail and wholesale stores in the complex had not been used for sales and a business plan had not been prepared.	Several attempts were made to start business in these stores. Although the last trading activity was started in December 2021, it also failed. Due to less number of customers coming to this area, businessmen are reluctant to do business and once again they have been advised to start business before 05 July 2022.	A business plan should also be prepared to use all the stores for marketing activities.

4. Accountability and Good Governance

4.1.1 Budgetary Control

Audit Observation	Management Comment	Recommendation
According to the paragraph of F.R 877 (1)(c) inserted in paragraph 15.1 of the Public Finance Circular No. 01/2020 dated 28 August 2020, which was issued amending the provisions of the 1992 Financial Regulation Code, the administration should annually submit the next year's budget document to the Director General of National Budget for the approval of the Treasury before September 30 of the current year after obtaining the approval of the Secretary of the Ministry and the	That the purchase of maintenance equipment and stationery for Peliyagoda Central Fish Market Complex has been done with the approval of the Chairman of the Management Trust and all other activities have been done with the approval of the Management Trust.	The provisions of the Financial Regulation Code shall be followed.

Minister and a copy of it should be forwarded to the Director General of Public Finance. Even so, it was not dealt with accordingly and contrary to the paragraph F.R. 877 (1) (d) the Trust had incurred expenditure amounting to Rs.89,239,510 during the year under review without an approved budget.