

Peliyagoda Central Fish Market Complex Management Trust – 2017

The audit of the financial statements of the Peliyagoda Central Fish Market Complex Management Trust for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the comprehensive income statement, statement of changes in net assets and cash flow statement and a summary of significant accounting policies and other explanatory information for the year then ended, 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 the approval of the Cabinet of Ministers, No.අම/10/0958/438/001 of 03 June 2010. My comments and observations on the above financial statements appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 -1810).

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraphs 2.2.4 and 2.2.5 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements making up the statement of financial position, statement of comprehensive income, statement of changes in equity and cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the matters described in paragraph 2.2.4 and 2.2.5 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on financial statements

2.2.1 Sri Lanka Public Sector Accounting Standards

The following observations are made.

- (a) The values of electrical bulbs and T-shirts amounting to Rs.156,800 and Rs.16,300 respectively existed as stock of the trust as at 31 December 2017 had been disclosed under debtors and other receipts instead of being shown as stock in the financial

statements in terms of paragraph 70 of the standard 01. Even though, it was informed the audit that the stock of T-shirts valued at Rs.16,300 which had not been established by the Board of Survey report as at 31 December 2017 was sold during the year 2016, it was still shown as closing stock in the financial statements of the year under review.

(b) The cash flow statement had not been prepared in terms of paragraph 18 of standard 02.

(c) **Standard No.07**

(i) Without being separately recognized plant and machinery and buildings of the refinery, the total cost of which amounting to Rs.38,598,438, five per cent had been depreciated, contrary to paragraph 57 of the standard.

(ii) The three-wheeler, CCTV Camera System and the Accounting package and other assets had been revalued at Rs.3,491,175, effective from 31 December 2016. However, required disclosures had not been made in terms of paragraph 90 of the standard.

(d) After considering the Cabinet of Ministers that the Minister of Finance had agreed to pay a sum of Rs.216 million for the plot of land belongs to the State Engineering Corporation and used by the Trust by cabinet paper No.අමප/16/2461/725/034-1 of 07 December 2016 it had been decided to grant approval to transfer this land to the Ministry of Lands, Fisheries and Water Resources Development. However, action had not been taken to take over the plot of land by the Ministry and to transfer the legal ownership thereof to the Trust even up to the date of this report and brief description of the nature of that contingent asset at the reporting date had not been disclosed in the financial statements in terms of paragraph 105 of the standard No.08.

2.2.2 Accounting Policies

The following observation is made.

The three-wheeler valued at Rs.365,000 and the CCTV Camera System valued at Rs.2,000,000 existed in the Management Trust as at 01 January 2017 had been depreciated at the rate of 33.33 per cent annually but such rates of depreciation had not been disclosed in the financial statements.

2.2.3 Accounting Deficiencies

The following observations are made.

(a) Rent revenue of Rs.60,000 received during the year under review and the rent receivable income of Rs.37,500 had been understated in the financial statements.

(b) A stock of T-Shirts valued at Rs.130,240 distributed among the staff had been brought to accounts as revenue receivable instead of being accounted as an expense of the year under review.

2.2.4 Unreconciled Control Accounts

The following observations are made.

- (a) Total sums of Rs.6,635,956 and Rs.15,597,240 in 2 accounts and 12 accounts between the closing balance of the previous year in the financial statements and the opening balance of the ledger accounts of the year under review had been overstated and understated respectively.
- (b) In the preparation of financial statements of the year under review a total sum of Rs.3,156,890 in 8 ledger accounts and a sum totalling Rs.53,036,351 in 27 accounts had been overstated and understated respectively.

2.2.5 Lack of Evidence for audit

- (a) Due to non-availability of sufficient documents in respect of the following accounts balances shown in the statement of financial position as at 31 December 2017, the accuracy of those balances could not be established in audit.
 - i. Information to identify what types of buildings costing Rs.1,688,947,900 existed as at 31 December 2017 was not made available to audit.
 - ii. Suspended refundable deposit of Rs.5,550,000 brought forward prior to the year 2014.
 - iii. Balances of creditors totalling Rs.4,825,704.
 - iv. A sum of Rs.17,163,422 shown under the debtors and other receivable balances in the name of Ceylon Fisheries Corporation and the festival and other special advance balance of Rs.250,250.
- (b) Details relating to the incorrect balance of Rs.18,900 in the previous year shown in the cash flow statement were not made available to audit.

2.3 Establishment of the Management Trust

The approval of the Cabinet of Ministers had been granted on 03 June 2010 to the Cabinet Memorandum for the establishment of Peliyagoda Central Fish Market Complex Management Trust presented on 14 May 2010 by the Minister of Fisheries and Aquatic Resources Development. Even though, the Management Trust had been established in terms of the said decision necessary action had not been taken to incorporate as a statutory entity even up to 10 October 2019.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed in audit.

Reference to Laws, Rules etc.	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka (F.R) i F.R.226(1)	The appropriate authority had not been quoted on payment vouchers of the Fund.
ii F.R.757	The steps taken in respect of excesses and shortages observed by the Board of Survey reports had not been reported.
(b) Treasury Circular No.842 of 19 December 1978.	A register of fixed assets had not been maintained.
(c) Paragraph 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003.	Even though, the financial statements and the draft annual report need to be presented to the Auditor General within 60 days after the closure of the year of accounts, the financial statements of the year under review had been presented on 27 December 2018 after a delay of 9 months. Action had been taken to return the financial statements to the Ministry on 14 May 2019 asking to resubmit revised accounts after being rectified the continuous deficiencies existed in the financial statements. However, without doing any error correction, the same financial statement presented to audit on 27 December 2018 had been presented again on 23 September 2019. Further, a copy of the draft annual report had also not been presented by even 10 October 2019.
(d) Item No.04 of the Management Trust Decision No.33 of the Meeting held on 17 May 2016.	Even though, it was stated that the agreement be revised so as to receive the income of 50 per cent receivable from the net income of vehicle yard to the Fund, action had not been taken to revise that agreement even by the end of September 2018.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Trust for the year under review had been a deficit of Rs.18,620,437 as compared with the deficit of Rs.12,728,485 for the preceding year thus indicating a deterioration of Rs.5,891,952 in the financial results as compared with the preceding year. Deprivation of the revenue of vehicle yard by the Trust had mainly attributed to the deterioration.

In the analysis of financial results of the year under review and previous 5 years, the deficit of Rs.863,735 in the year 2012 had improved up to the year 2017. However, in readjusting the employees remuneration and depreciation on non-current assets to the financial results, the contribution of Rs.63,908,465 in the year 2012 had become Rs.53,862,414 in the year 2017.

4. Operating Review

4.1 Management Activities

The following observations are made.

- (a) Action had not been taken to obtain the rent income of Rs.5,860,000 for the year 2017 from 47 wholesale stalls of the Market Complex. Action had also not been taken to extend the period of agreement before the completion of the period agreed at the time of entering into the agreement and to get the maximum economic benefits by letting such stalls to some other party when lease rents are not paid.
- (b) Without following the guidelines 1.2, 2.11, 2.14.1, 4.2 and 4.3 of the government procurement guidelines, a total sum of Rs.11,095,089 had been paid to the private sector in respect of service contracts entered into for the disposal of waste in the trade complex, supply of security services, cleaning and maintenance services and insect calamity control.
- (c) Of the rent recoverable as at 31 December 2017 amounting to Rs.65 million, Rs.26 million or 40 per cent had been brought forward from more than 5 years and action had not been taken to recover same.

5. Systems and Controls

Weaknesses observed in audit were brought to the attention of the Secretary to the Ministry from time to time. Special attention is needed in respect of the following areas of control.

- (a) Renting trade stalls
- (b) Recovery of the income of vehicles yard
- (c) Procurement of Service Contracts
- (d) Assets Management
- (e) Maintenance of books and records