

Peliyagoda Central Fish Market Complex Management Trust - 2022

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 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of changes in equity 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(1) 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 accompanying financial statements give a true and fair view of the financial position of the Trust as at 31 December 2022, 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

My opinion is qualified based 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 ability 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 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 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 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 Trust 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

The following observations are made.

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) Even though it was stated that in accordance with the paragraph 48 of the Sri Lanka Public Sector Accounting Standards No.01 assets and liabilities and revenue and expenses shall not be offset unless required or permitted, an amount of Rs. 232,791 of rent had paid in advance had been offset to the debtors. Accordingly the balance of debtors as at the end of the year and the rent paid in advance had been under stated by that amount.	Agreed with the report of the Auditor General and action is taken to correct when preparing the accounts in 2023.	Rent paid in advance should be accounted as received in advance without offsetting.
(b) Value of Rs. 1,347,223 of furniture and fittings and the value of Rs. 139,942 of office equipment had been fully depreciated in the last year. Even though in accordance with the paragraph 65 of the Sri Lanka Public Sector Accounting Standards No.07 although the residual value and the useful life of an asset shall be reviewed at least at each reporting date, without taking actions as per the standard the assets which are fully depreciated are consumed further by the Trust.	Since revaluating office equipment is not practical, those items are not revalued.	Even if fully depreciated, the assets used up to now should be revalued and adjusted to the accounts.
(c) In accordance with the Sri Lanka Public Sector Accounting Standards No.17 due to non- maintaining of separate ledger accounts for each of the income sources the accuracy of each of the income balances valued Rs. 144,197,265 of the Trust consist of 8 income sources could not be checked in audit.	Agreed with the report of the Auditor General. The ledger has been corrected preparing separate ledger accounts for 8 income sources that was stated.	Should be maintained separate ledger accounts regarding each of the income sources.

1.5.2 Accounting Policies

The following observations are made.

Audit Observation	Management Comment	Recommendation
In accordance with the paragraph 69 of the Sri Lanka Public Sector Accounting Standards No.07 even though the depreciation of an asset begins when it is available for use, it was stated that the depreciation is calculated based on the value of the asset as at the date of 01 January in each year as a depreciation policy for the all assets of the Trust. However depreciation had been calculated for the items of development of premises Property Plant on the balance as at 31 December in the year under review with the additions during the year amounting to Rs. 7,671,757. Accordingly it was observed that the depreciation policy and that calculating of depreciation of the Trust are not complied with the requirements of the Standard.	Basis of depreciation of fixed assets has been stated in the annual financial statements and in accordance with the Standard No. 07 depreciation is done as per the Straight- line method.	Depreciation of an asset begins when it is available for use and calculating the depreciation should be done as per the depreciation policy.

1.5.3 Accounting Deficiencies

The following observations are made

Audit Observation	Management Comment	Recommendation
(a) Although the interest receivable for the No. 89738653 of fixed deposit amounted to Rs. 29,592,973 as at 31 December 2022 was Rs. 320,253 the correct receivable interest income as at that date was Rs.1,339,426 and the receivable interest income had been shown understated by Rs.1,019,173 and the loss had been overstated by that amount.	Agreed with the report of the Auditor General. Entering percentage of interest less has happened this due to the typing mistake and action is taken to correct by prior year adjustments when preparing accounts in 2023.	The interest relating to the fixed deposits should be accurately accounted for.

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| (b) | Although the interest received as per the financial statements during the year under review regarding short term fixed deposits No. 87978159, 87978188 and 87978207 was a Rs. 129,459, Rs. 4,592,973 and a Rs.959,969 respectively accordingly the renewal notices of fixed deposits the interest had received during the year was Rs. 61,877, Rs. 3,414,959 and Rs. 195,584 an amount of Rs. 2,009,981 of interest had been accounted for less. | Not agreed with the report of the Auditor General. These temporary fixed deposits are invested time to time from the date of 01. 01. 2022 and the total interest of that is accounted for. Accordingly the amount accounted was correct. | Interest that stated in the fixed deposits renewal notices accounted for. |
| (c) | A balance has directly received to the bank account of the Trust from the year 2011 totaling to Rs. 5,642,410 instead of accounting as unidentified receipts, as it had been deducted from the debtors the debtors had been understated by that amount. | Agreed with the report of the Auditor General. Action is taken to correct when preparing the accounts in 2023. | Without offsetting unidentified receipts should be disclosed as unidentified receipts. Identifying this balance without delay in that account should be closed. |
| (d) | Since the security expenses payable amounting to Rs. 1,406,833 relating to the month of December during the year under review omission from the accounts the security expenses during the year under review and current liabilities had been accounted for less and the loss of the year had been under stated by that amount. | Agreed with the report of the Auditor General. Action is taken to correct under the prior year adjustments when preparing the accounts in 2023. | Security expenses relating to the year under review should be accounted for accurately calculating. |
| (e) | The CCTV accessories which cost of Rs.1,054,400 were removed and placed in storage due to inactivity, however no action was taken to write off from the books by disposing of those. | Inactivated depreciated accessories that have been removed are placed in storage. Instructions are given to the officer in charge of the subject to take action to write off this amount from the accounts after disposing in the future. | Action should be taken to write off by disposing the CCTV accessories that have been removed and are not in use. |

- (f) For the software system that have been purchased in the year 2021 for a value of Rs. 1,436,130 which is used to control the vehicle yard due to non-calculating the value of depreciation of Rs. 287,226 to a percentage of 20 percent even the loss of the year had been under calculated. Agreed with the report of the Auditor General. Action is taken to correct by the prior year adjustments when preparing the accounts in 2023. The depreciation should be accounted for by accurately calculating it.
- (g) The cash in hand at the beginning and at the end of the year is stated as balance of Rs. 22,623 in the statement of financial position as at 31 December 2022 was observed as a balance not in physically. This balance as at 31 January 2022 was Rs. 22,623. due to no any in flows or outflows to the annual cash flow and however no any effect form this balance as at 31 December 2022. Accurately identifying this balance steps should be taken to remove from the accounts.

1.5.4 Unreconciled Control Accounts or Records

The following observations are made.

Item	Value as per financial statements Rs.	Value as per Corresponding reports Rs.	Difference (decrease)/ increase Rs.	Management comment	Recommendation
(a) Receivable outlets' rent income	9,395,660	11,450,099	2,054,439	The ledger is accurate. The total of the ledger is equal with the final total of the age analysis. Comparisons are made after making prior year adjustments to rental income.	Action should be taken to settle the examining the reasons for the difference between the balances.
(b) Balance receivable from Ceylon Fisheries Corporation	17,402,781	6,480,459	10,922,322	As per the information of the Trust the balance receivable from	Action should be taken to correct the examining the differences between the

for vehicles
parking

the Ceylon balances.
Fisheries
Corporation is
Rs. 17,402,781.
Instructions
have been
given to the
relevant subject
officers to be
taken to have
confirmations
of balances
regarding this
in future.

(c)	The balance payable to Central Engineering Consultation Bureau for the contract relevant to the renovation of the office of the Trust.	6,964,161	10,427,586	3,463,425	Not agreed with the report of the Auditor General. Payment is made for the institute of CECB only the amount recommended by the engineer. Therefore the amount recommended has been accounted for.	Should accurately examine the differences between the	be accounted the balances.
(d)	Lands	382,429,934	375,141,765	7,288,169	The ledger is correct. This has happened due to when adjusting prior expense of premises development added to the lands by typing mistake. There is no any effect for the final balance.	Should accurately compare the financial statements with the corresponding reports and examining reasons for the difference.	be value the

(e)	Development of premises	113,749,963	106,078,206	7,671,757	The ledger is correct. This has happened due to when adjusting prior expense of premises development added to the lands by typing mistake. There is no any effect for the final balance.	Should be accounted accurate value comparing the financial statements with the corresponding reports and examining reasons for the difference.
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1.5.5 Documentary Evidences not made available for Audit

The following observations are made.

	Item	Amount Rs.	Evidence not available	Management Comment	Recommendation
(a)	Arrears outlet's rent	81,141,044	The register of arrears outlet's rent/ ledger accounts	Separate files have been maintained for each outlet.	Should be maintained a register of arrears outlet's rent and ledger account for each outlet.
(b)	Distress Loan	87,352	Ledger Accounts.	Accuracy of these institutions could be confirmed by examining the pay slips. If information regarding the recovering it could have been forwarded.	Ledger Accounts should be prepared regarding distress loans.
(c)	Retention	28,670,857	Ledger Accounts.	Agreed with the report of the Auditor General. Instructions have been given to the relevant subject officers to update accurately the Ledger Accounts.	Should be maintained the Ledger Accounts accurately updated.
(d)	Refundable deposits	5,500,000	Documents of confirming the existence and accuracy of the balance	The approval has been taken in the 59th meeting of the Management Trust to account this amount to the government revenue and it is accounted in future.	Documents of confirming the receiving money should be submitted.
(e)	Adjustments relating to 5	80,138,884	Journal entries	Agreed with the report of the Auditor General. Instructions have	Journal entries should be

Accounts of depreciation at the end of the year, interest receivable etc.

been given to the relevant subject officer to prepare the Journal entries submitted to the audit. correctly in the year 2023.

1.6.1 Accounts Receivable and Payable
1.6.1 Receivables

The following observations are made.

Audit Observation	Management Comment	Recommendation
Provisions had not been made for doubtful debts for debtors amounting to Rs. 81,141,044 and amounting to Rs.55,152,854 out of the debtors were lapsed 3 years that is 68 percent out of the debtors.	Provision for doubtful debtors there should be thoroughly study about these debtors. A Committee has been appointed regarding this action is taken as per the decisions of that.	Action should be taken to recover the outstanding balances and Provisions should be made for doubtful debts for lapsed debtors.

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	Management Comment	Recommendation
(a) Democratic Socialist Republic of Sri Lanka Establishment Code Chapter VII Paragraph 12 Section 12.2.1	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, Chief Accountant and a Additional Secretary had been appointed to act as the Accountant and the Manager which are the two post of lower rank than their permanent posts. An amount of Rs. 4,017,403 had been paid as acting allowance for that from 19 February 2016 to 31 December year under review.	The Appointing Authority for all the posts of the Market complex is the Management Trust of the Peliyagoda Central Fish Market Complex and these appointments has been done as per the approval of that Trust.	When appointing to act in a post that it should be the post is of a higher rank or equivalent to that post held by that officer.

(b) Financial Regulation	(i) F.R. 137	Contrary to the Regulation an amount of Rs. 1,140,000 had been paid in 12 instances during the year under review without an approval of an officer for the post of Chairman, Manager and Accountant of the Trust.	These payments have been done as per the F.R.35 delegation of authority and the approval has been obtained from the relevant officer who has the authority to approve the payments.	Payment should be done only the proper approval.
	(ii) F.R. 225(2)	An amount of Rs. 6,290,612 had been paid as Over time allowances during the year under review by a payment voucher of the Trust instead of vouchers of Form General 35 (a) for Over time.	The Over time of the Peliyagoda Central Fish Market Complex is paid according to the format prepared by the Ceylon Fisheries Corporation.	Form General should be used for Over time.
	(iii) F.R 502(2)	A Fixed Assets Register had not been maintained and therefore a Board of Survey also had not been done for the year 2022 and the accuracy of fixed assets of Rs. 2,341,721,086 could not be verified.	A Fixed Assets Register is maintained by the Trust. Instructions are given to take actions to update that register further taking into consideration the facts that has shown by the audit. The Board of Survey is done for the year 2022.	A Fixed Assets Register should be maintained and those assets should be surveyed.
(c) Financial Regulation	876(2) (a) as included in the Public Finance Circular No. 1/2020 of 28 August 2020.	Even though it was stated that if there are fair reasons for maintaining the Fund further, that fund should be legalized by an Act of Parliament an approval had not been taken up to the date of this audit report.	A draft has been prepared to legalize by an Act and the activities of that are in final phase.	Action should be taken to legalize the Fund by an Act of Parliament.

(d) Deed of Trust
dated 10 August
2010

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| (i) Section
6 (a)(i) | 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. 284,724,181 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 it has done under the special authority that have to the Trustees. | When investing contrary to the agreement the prior written concurrence of the Treasury should have to be obtained. |
| (ii) Section
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, the rent of Rs.40,000 and Rs.10,000 had been charged on the decision of the Management contrary to the said rule, and also action had not been taken to revise that rent even 12 years have been passed. | An assessment of rent is requested from the Department of Valuation revise the rent amount and necessary future actions to be taken after receiving it. | Rent should be charged from outlets on the basis of an assessment of the government valuer. |
| (iii) Section
7 (c) | It is stated that steps should be taken to ensure that handling of fish in the Complex carried out in a hygienic manner to ensure that the health and quality of fish food being traded is maintained to a specific standard since no required guidelines or laws has been introduced a methodology could not be identified to check those activities. | Awareness needed to handling of fish in the Complex in a hygienic manner is being done constantly with such institutes of the department of fisheries, Peliyagoda Municipal Council, Medical Health Office, NARA institute. In addition to that sample checking is done by the Municipal Council and the NARA institute. | Guidelines or laws should be introduced to handling of fish in a hygienic manner. |

(iv) Section 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 without a transparency from the year 2011 to 2022 without preparing such criteria.	Action is taken in future regarding this.	Should be introduced written criteria to lease outlets in the manner of transparency.
(v) Section 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, due the action had not been taken to keep enough evidence in the institute to file a lawsuit to recover the arrears of Rs.81,141,044 for 282 retail shops leased from the year 2011. no lawsuits have been filed to recover that money and no any action had been taken regarding the officers who should responsible for it.	These loan balances have been remaining loan balances from more than 10 years and if file lawsuits there has been a difficult to find the agreements relating to it. But action is taken to minimize arising of this type of situation by this time.	Arrears lease of the outlets should be recovered taking actions by way of law. Disciplinary actions should be taken against the officers who should responsible for of the Trust.
(vi) Section 8(a)	The meeting of Trustees could be held any terms needed for fulfilling of the activity and task of trustees. Accordingly at least that meeting should be held once in two months however the terms of the meeting held was two. Accordingly even minimum terms of meeting had not been held.	It was impossible to hold properly the meetings of Trustees due the instability and the fuel crisis had prevailed in the country in the year 2022.Action to be taken as necessary avoiding that in the year 2023.	Meetings of Trustees should be held at least minimum once in two months.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 17,851,060 and the corresponding deficit in the preceding year amounted to Rs.29,620,704. Therefore, a deterioration of deficit amounting to Rs.11,769,644 of the financial result was observed. This deterioration of the deficit was mainly attribute to increase in income by Rs.24,584,909 and decrease in other expenses by Rs.935,387.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Management Comment	Recommendation
(a)	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 2022 for the posts of Manager, Accountant and Internal Auditor of the trust.	After getting the cadre approved by the Department of Management Service recruitments has been done a part out of it. Action is taken to recruit the rest of officers in the future.	Recruitments for the approved posts on the permanent basis should be done after getting the recruitment procedure approved.
(b)	Although an Audit and Management Committee had appointed consist of 6 members for Peliyagoda Central Fish Market Complex Trust by the Board paper No.2022/BM/410 of 57 th Board of Trustees meeting was held on the date of 08 March 2022, the audit and Management Committee was not held. As per the 4.2 (g) of the Guideline on administration for Government Owned Enterprises No. 01/2021 dated 16 November 2021, however it was stated that the Audit and Management Committee should be held at least once in 3 months the Audit and Management Committee of the Trust had not followed that Guideline.	It was impossible to hold these Committee meetings due the instability and the fuel crisis had prevailed in the country in the year 2022.Action to be taken to hold in the future.	Appointing an Audit and Management Committee and holding of meetings should be done.
(c)	Since the total of monthly service charge amounting to Rs. 512,500 had been defaulted more than 2 years by the people who is maintaining the Galvanized hand cart service in the Peliyagoda Central Fish Market Complex by the Board paper No.2022/BM/418 dated 01 September 2022, ending of their service, and although it has decided to prepare a proper method to have that service in the future, had not winded up that service or prepared a proper method by the management even by the date of 31 May 2023.	It is being in proper in the future the issues had been arisen about this hand cart service.	A method should be prepared for maintaining the Galvanized hand cart service.
(d)	The following facts were observed in audit test checks regarding the contract supplying of Ice Cubes.		

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| (i) | Although the Notional Competitive Bidding Method should be followed as per the 3.2.1 of the Procurement Guideline 2006, The supplier of ice cubes had been selected through limited bidding procurement method from 01 May 2021 to 30 April 2022 for a period of one year. | Procurement method is decided on the rent income received to the Trust and action is taken accordingly. | Procurement should be done through Notional Competitive Bidding Method. |
| (ii) | It was observed to the audit that the 03 Companies that biddings had submitted was at the same address same board of directors and with the same shareholders. | The information of these 08 institutes is found through internet and there have been stated separate addresses to those institutes. Bidding documents are referred by registered post not for the same address and for the addresses having through the internet. As well the separate business registration certificates relating to those institutes are subject to evaluated by the Technical Evaluation Committee. | The evaluation of the bids have been submitted should accurately don by the Technical Evaluation Committee |
| (iii) | On request made by the contractor on the date of 01 March 2022 for supply of cubed ice without calling for bids this service to the same entity at the same price without calling for bids had been extended the contract again for a period from the date of 01 May 2022 to the date of 30 April 2023 contrary to the Guideline 8.9.1 (a) of the Procurement Guideline. | Action is taken to aware of the all bidders in future procurement activities considering this situation. | Relevant contract should be awarded by calling a new bidding. |

3.2 Operational Inefficiencies

Audit Observation

64 retail outlets out of 128 retail outlets of the complex were converted into wholesale outlets in the year 2012 incurring of Rs. 9,625,540. As at the date of audited 31 December 2022, action had not been taken to use 35 number of retail outlets and 9 number of converted wholesale outlets in the complex for sales activities.

Management Comment

No comment had been made.

Recommendation

Outlets not used for sales activities should be used for operational activities.