Peliyagoda Central Fish Market Complex Management Trust - 2024

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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 2024 comprising the statement of financial position as at 31 December 2024 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 summary of significant accounting policy information, 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 and . 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 2024, 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 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 Responsibility for the Audit of the Financial Statement

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 skepticism 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 Company'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 Company'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 Company 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 the Sri Lanka Public Sector Accounting Standards

The following observations are made

	Non-compliance with reference to particular standard	Management Comment	Recommendation
(a)	Contrary to Sections 80 and 82 of Sri Lanka Public Sector Accounting Standard 01, outstanding loan balance of Rs. 14,285,712, payable within the next 12 months, had been mentioned as non-current liabilities.	Agreed. It was noted, in preparing the financial statements for the next year, the amount of the Bank of Ceylon loan balance payable within 12 months should be mentioned under current liabilities, and the amount payable after 12 months should be mentioned under non-current liabilities.	As per the standards, financial liabilities should be classified and reported as current and non-current liabilities.
(b)	Contrary to Paragraph 69 of Sri Lanka Public Sector Accounting Standard No. 07, depreciated had been calculated by the Trust on the basis of the value of assets as at 01 January of each year. As a result, office equipment valued at Rs. 1,245,967, purchased during the year under review, had not been depreciated from the date it was put into use in accordance with the accounting standard.	Agreed. The depreciation policy of the institution is to depreciate assets based on their value as at January 01 each year, using the straight-line method. It is kindly informed that action will be taken to present this matter at the forthcoming 66th Management Committee meeting in order to obtain approval to amend the depreciation policy so that depreciation can be charged in compliance with Sri Lanka Public Sector Accounting Standard No. 07.	In accordance with the standards, depreciation should be charged from the date the assets are put into use.

(c)	Although wooden furniture, fittings, and office equipment valued at Rs. 1,487,165, which had been fully depreciated as at the year under review, continued to be in use, their gross carrying value had not been disclosed in the financial statements in terms of Paragraph 92(a) of Sri Lanka Public Sector Accounting Standard No. 07.	Agreed. Action will be taken to obtain the approval of the Management Committee to disclose the gross carrying value of property, plant, and equipment in the financial statements. It is kindly informed that , arrangements will be made to revalue those assets and present them in the financial statements	In accordance with the standards, the carrying value of fully depreciated but still in-use property, plant, and equipment should be disclosed in the financial statements

1.5.2 Accounting Deficiencies

Following observations are made

	Audit Issue	Management comments	Recommendation
(a)	As at 31 December 2024, inactive CCTV cameras, costing Rs. 1,051,400, were kept in the store for disposal. Since their cost had been included under property, plant, and equipment, their carrying value had not been correctly disclosed in the financial statements.	Agreed. It is kindly informed that action will be taken to disclose the CCTV cameras, costing Rs. 1,051,400, which are kept inactive in the store for disposal, in the forthcoming financial statements in accordance with Paragraph 92(a) of Sri Lanka Public Sector Accounting Standard No. 07.	The carrying value of assets kept for disposal should be disclosed in the financial statements
(b)	The vehicle parking area management software system, purchased in 2021 for Rs. 1,436,130, had not been depreciated from 2022 to 2024. As a result, the profit for the year under review was overstated by Rs. 287,226, while accumulated depreciation and total loss were understated by Rs. 861,678	Agreed. I will make adjustments to this through the QB system by June 30th and submit a copy of the software for audit.	Depreciation should be accurately calculated and make adjustments with the profit.

(c)	Six capital items, valued at Rs. 3,006,422, which were purchased and installed during 2023, had been accounted as repair and maintenance expenses for the year instead of being capitalized under property, plant, and equipment. As a result, property, plant, and equipment was understated by Rs.3,006,422, while accumulated loss was overstated by the same amount.	Agreed. An amount of Rs. 2,894,922, paid through Voucher No. 4509, has been recorded under fixed assets for accounting. I kindly inform that action will also be taken to capitalize an electric fan worth Rs. 52,500 and a computer monitor worth Rs. 59,000 under fixed assets. And these corrections are currently being implemented through the QB system, and a soft copy of the document will be submitted for audit.	Capital expenses and accrual expenses should be clearly identified and appropriately recorded in the accounts.
(d)	Eight capital items, valued at Rs. 3,576,089, purchased and installed during the year under review, had been recorded as repair and maintenance expenses instead of being capitalized under property, plant, and equipment. As a result, profit for the year under review was understated by Rs. 3,520,477, property, plant, and equipment was understated by Rs. 3,576,089, and accumulated depreciation was understated by Rs. 55,612.	Agreed. An amount of Rs. 6,676,252 had been correctly recorded in the previous years as payments to creditors. The amount of Rs. 6,676,252 relates to a cancelled voucher, and no payments have been made in this regard. Action will be taken to capitalize amounts of Rs. 1,908,874 and Rs. 1,669,465 under fixed assets as part of the water pipe system. These corrections are currently being implemented through the QB system, and a soft copy will be submitted for audit.	Capital expenses and accrual expenses should be clearly identified and properly recorded in the accounts.
(e)	Although interest of Rs. 13,742,621 was due as at 31 December 2024 on three fixed deposits, total of Rs. 237,737,841, maintained by the Management Committee, it had been recognized in the financial statements as Rs. 13,421,991. As a result, profit for the year under	Agreed. It has been noted to correct this in the preparation of accounts for the next year	Interest income should be accurately recognized and adjustments should do properly. .

	review was understated by Rs.320,630."		
(f)	A balance of Rs. 17,402,781, due from the Lanka Fisheries Corporation for vehicle parking had remained uncollected for over 08 years. No provision for doubtful debts had been made, despite considering the likelihood of recovery.	The balance of Rs. 17,402,281, due from the Lanka Fisheries Corporation, has been repeatedly mentioned. But, due to its poor financial condition, recovery of this balance has been further delayed.	Action should be taken to recover the amounts due from the Fisheries Corporation, and a provision for doubtful debts should be made until such recovery is effected
(g)	An inactive balance of Rs. 80,248,447, included as rent debtors had remained uncollected for several years, and its recovery is uncertain. However, no provision for doubtful debts had been made in this regard.	Agreed. Action will be taken to make a provision for doubtful debts, subject to approval at the Management Committee meeting.	A specific provision for doubtful debts should be made for inactive debtors, while a general provision should be made for the remaining debtors based on a common ratio.
(h)	A vehicle parking fee of Rs.2,018,875 receivable from a private company during the year under review, had not been recognized as income. As a result, both profit for the year and the receivable vehicle parking income were understated by Rs. 2,018,875."	Agreed. Action will be taken to recognize the vehicle parking income as receivable income.	Revenue receivable for the relevant period should be accurately recognized and appropriately reflected in the financial statements.
(i)	During December of the year under review, rent income of Rs.987,060, directly deposited by 22 shop owners to the bank, had not been recorded as rent income and was instead shown as unidentified receipts in the bank reconciliation. As a result, both profit and rent income were understated by the same amount.	Agreed. Action will be taken to correct this under the prior year item reconciliation.	Direct bank transfers should be properly identified relevant to the time period and accurately recorded in the financial statements.
(j)	An amount of Rs. 305,064, due to the Trust as an income for the installation of a solar panel system on the Trust's roof, had not been	Agreed. In this regard, guidance will be obtained from the legal officer, and action will be taken to	Income receivable for the relevant period should be accurately recognized and properly recorded in the

recognized as receivable income during the year under review. As a result, both profit for the year and the receivable solar panel income were understated by the same amount.	recover the amounts due in accordance with the agreements.	accounts.

1.6 Accounts Receivable and Payable

1.6.1 Receivable

Audit Issue	Management comments	Recommendation
According to the debtor aging analysis, Rs. 80,248,446, or 75percent of the total defaulted debtor balance of Rs. 107,264,505 for the year under review, relates to balances overdue by more than three years. The Management Trust had not taken adequate action to recover these long-outstanding balances..	Already a committee has been appointed to recover the outstanding balances, and based on its recommendations , action will be taken to promptly collect the overdue amounts. As an initial step, letters are being issued under registered cover to the debtors for immediate payment of the arrears.	The Management Committee should take appropriate action to recover the long-outstanding balances.

1.6.2 Payables

Audit Issue	Management Comment	Recommendation
Balances of Rs. 6,964,161 payable to the Central Engineering Consultancy Bureau (CECB) and Rs. 7,538,491 payable to a private institution had remained outstanding since 2021. No action had been taken during the year under review to settle these amounts.	Agreed. Payment of Rs. 6,964,161 was delayed due to deficiencies in the documents to be submitted by the Central Engineering Consultancy Bureau (CECB). Action will be taken to submit the required documents and make the payment.”	Action should be taken to settle the outstanding balances without any delay.

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

Following observations are made

	Reference to Laws, Rules Regulations etc.	Non-compliances	Management comments	Recommendation
(a)	Financial Regulation 876(3), as amended by Circular 01/2020 dated 28 August 2020	Non-statutory funds should have been immediately cancelled and their balances transferred to the consolidated fund. If there were valid reasons to continue such funds, they should have been legalized through an Act of Parliament. But, no action had been taken in this regard	Agreed. A draft has now been prepared to continue the fund as a statutory institution and will be submitted to the Attorney General. Approval of the Management Committee will be sought, and it is intended to present the matter at the 66th Management Committee meeting	The fund should be legalized through an Act of Parliament.
(b)	Deed of Trust dated10 August 2010			
	(i) Section No 6 (a) 1	Although prior written approval from the Treasury should have been obtained before investing any surplus funds of the Trust, other than in Treasury bills or Government securities, a total of Rs. 248,640,220 was invested in fixed deposits with two state banks based on the decisions of the Board of Trustees, without such approval.	Agreed. These fixed deposits will be maintained only with state banks, and action will be taken to obtain Treasury approval for any new fixed deposits in the future.	In terms of Paragraph 6(a)(1) of the Trust Deed, prior written approval from the Treasury should be obtained before investing the Trust's surplus funds..
	(ii) Section No 7 (c)	It was noted that measures should be taken to ensure that people are handled hygienically within the complex and that the fish sold comply with the prescribed standards of safety and quality. However, since the necessary guidelines or legislation had not been introduced, no procedure could be identified to verify these activities.	Agreed. Already the criteria and guidelines have been obtained from the Director General of Health, and action will be taken to implement these guidelines upon obtaining approval at the forthcoming Management Committee meeting.	In terms of Paragraph 7(c) of the Trust Deed, legislation and guidelines should be introduced to ensure that fish sold maintain the prescribed standards of safety and quality.

(iii)	Section No 7 (e)	Although the Board of Trustees should have prepared written criteria to levy taxes on 154 wholesale and 128 retail shops under the Trust, no such criteria were established, and taxes had been levied from 2011 to 2024 without them.	Criteria have been introduced for newly issued shops. In cases where shops become vacant under the old system, re-levying of taxes will be carried out in accordance with the new criteria.	In terms of Paragraph 7(e) of the Trust Deed, written criteria should be prepared for levying taxes on shops.
(iv)	Section No 7 (n)	Although it was indicated that legal action could be taken or pleadings presented in court to protect the Trust's assets, no action had been taken to retain sufficient evidence within the institution to initiate legal proceedings for the recovery of outstanding amounts from 282 taxed shops, total of Rs. 107,264,505 since 2011. Consequently, no legal action was taken to recover these arrears, and no action was taken against the responsible officers.	Agreed. A committee has now been appointed to recover the outstanding balances, and based on its recommendations, action will be taken to promptly collect the arrears. As an initial step, letters are being issued under registered cover to the shop tenants to immediately make the payments due.	In terms of Paragraph 7(n) of the Trust Deed, sufficient evidence should be maintained within the institution to initiate legal action, and formal action should be taken against officers who fail to take steps to recover outstanding balances.
(v)	Section No 8(a)	Meetings of the Trustees may be held as frequently as necessary to carry out the functions and duties of the Trust. Accordingly, such meetings should have been held at least once every two months; however, only 03 meetings were held during the year under review. Therefore, even the minimum required number of meetings was not maintained.	Agreed. Due to frequent changes in the Secretary to the Ministry in the last year, it was not possible to maintain the minimum number of meetings. Nevertheless, action will be taken to ensure that the minimum number of meetings is held during the current year.	In terms of Paragraph 8(a) of the Trust Deed, action should be taken to hold Trust meetings.

(vi)	Section No 8 (f)	Trustees are not entitled to any remuneration, allowances, or agreed payments and may only be reimbursed for expenses actually incurred. Nevertheless, a total of Rs. 385,000 was paid during the year under review as allowances to 14 members of the Board of Trustees, including the Chairman, who were appointed as the first Board, for attending meetings and as remuneration.	Only sufficient amounts were paid to cover expenses, including fuel costs, incurred by members of the Board of Trustees, including the Chairman, for attending the meetings. No salaries were paid.	In terms of Paragraph 8(f) of the Trust Deed, Trustees should not be paid any remuneration and action should be taken only to reimburse expenses actually incurred.

2. Financial Review

2.1 Financial result

The operating result of the year under review amounted to a surplus of Rs.11,599,659 and the corresponding deficit in the preceding year amounted to Rs.8,063,877. Therefore an improvement amounting to Rs. 19,663,536 of the financial result was observed. The main reason for the improvement was the increase in income by Rs. 26,204,530.

3. Operational Review

3.1Management Inefficiencies

	Audit Issue	Management Comments	Recommendation
(a)	Although the Trust's staff had been approved for approximately seven years, as at 31 December 2023, the recruitment procedures for the positions of Manager, Accountant, and Internal Auditor had not been approved, and no appointments had been made to these positions.	Due to the adverse financial situation, these positions were disclosed by Ministry officials to manage expenditures. The duties of these positions were performed by Ministry officials, which enabled financial management to be maintained at an acceptable level. In the future, permanent officers are to be appointed to these positions.	Action should be taken to approve the recruitment procedures and carry out the appointments.

(b)	Although the monthly rents for wholesale shops should have been revised every 05 years based on the valuation by the Valuation Department in accordance with agreements by the Management Committee, the revision of rents due from 1 January 2024 was only implemented from 1 June 2024. As a result, rental income of Rs. 11,550,000, at Rs. 15,000 per shop for 154 shops for five months, was lost.	As the Valuation Department did not submit the valuation report by the stipulated date this issue arose. Although the valuation reports should have been received in time to be effective from 01 January 2024, we received the report late. Therefore, fees were charged based on the valuation only from June 1, after obtaining approval at the management meeting held on May 17.	The relevant valuation work should be provided to the Valuation Department in a manner that enables the valuation reports to be received by the stipulated date.

3.2 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
Out of a retail commercial complex consisting of 128 shops, 64 shops were converted into wholesale shops in 2012 at a cost of Rs. 9,625,540. As of the audit date, 05 June, 2025, 8 of these converted wholesale shops and 3 retail shops remained idle and were not utilized for sales activities.	At present, only 11 of these shops remain, and after obtaining approval at the next management meeting, these shops are scheduled to be leased out and rent collected after the procurement process..	Action should be taken to utilize the idle retail shops for sales activities.