

Peliyagoda Central Fish Market Complex Management Trust - 2020

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Peliyagoda Central Fish Market Complex Management Trust for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 and as per paragraph 10 (d) of the Management Trust Deed signed on 10 August 2010. My comments and observations which I consider should be report to Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Trust. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of 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 disclaimer of 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 Statements

My responsibility is to conduct an audit of the Trust's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient appropriate audit evidences to provide a basis for an audit opinion on these financial statements.

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
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(a) Contrary to paragraph 50 of Standard No. 7, Rs. 105,450,026 spent on the construction of the internal road system in the year 2020 adding to the value of land and development was shown in the financial statements.	Not received the answers.	That the assets of the same nature and the same usage should be accounted for according to the standards.
(b) The machinery and buildings of the refinery at a total cost of Rs. 38,598,438, contrary to paragraph 57 of Standard 07, were depreciated by 5 per cent without being identified separately.	Not received the answers.	That machinery and buildings should be identified separately and depreciated in accordance with the standards.
(c) The cumulative depreciation provision was Rs. 1,348,065 due to depreciation exceeding the cost of furniture and equipment which was valued at Rs. 1,347,223 as at 31 December 2020. Further, although the assets completely depreciated but used need to be identified and revalued as per paragraph 65 of Standard 07, they had not been acted upon accordingly.	Not received the answers.	Those assets that have been completely depreciated but are being used should be identified and re-calculated in accordance with the standards.

1.5.2 Accounting Deficiencies

----- Audit Observation -----	----- Management Comment -----	----- Recommendation -----
Necessary allocations had not been made despite the submission of audit fee bills amounting to Rs.828,000 for the years 2017 and 2018.	Not received the answers.	That the Provisions should be made for audit fees.

1.5.3 Unreconciled Control Accounts or Records

The following observations are made.

----- Item -----	----- As per Financial Statements ----- Rs.	----- As per Corresponding Record ----- Rs.	----- Difference ----- Rs.	----- Management Comment -----	----- Recommendation -----
(a) 4 Ledger Accounts	114,180,185	18,370,975	95,809,210	Not received the answers.	Compare values between financial statements and reports and examine the reasons for the difference and the correct value should be taken into account.
(b) 3 Ledger Account Balances	3,961,776	1,214,646,919	1,210,685,143	Not received the answers.	Compare values between financial statements and reports and examine the reasons for the difference and the correct value should be taken into account.
(c) 18 Ledger Account Balances	346,406,831	0	346,406,831	Not received the answers.	Compare values between financial statements and reports and examine the reasons for the difference and the correct value should be taken into account.

(d)	24 Ledger Account Balances	2,289,828,473	0	2,289,828,473	Not received the answers.	Compare values between financial statements and reports and examine the reasons for the difference and the correct value should be taken into account.
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1.5.4 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)	Buildings	1,688,741,540	Information related to the identification of buildings	Not received the answers.	That information should be maintained so that they can be identified separately.
(b)	Receivable interest income for fixed deposits	22,484,737	Renewal Announcements	Not received the answers.	That renewal notices should be submitted.
(c)	Petty cash payments	347,273	Bills	Not received the answers.	Bills related to petty cash payments should be submitted with the voucher.
(d)	Suspended Refund Deposit Balance	5,550,000	Balance confirmation	Not received the answers.	Documents proving the balance should be submitted.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

The following observations are made.

Audit Observation	Management Comment	Recommendation
(a) No action had been taken to recover the balance of Rs.17,402,781 due from the Fisheries Corporation for more than 5 years.	Not received the answers.	That action should be taken to recover the amount due over a long period of time.
(b) Out of the rent arrears of Rs.74,943,431 as at 31st December 2020, no action had been taken to recover the arrears for a period of 10 years and it was not possible to identify the amount of arrears for each year from 2011 to 2020 as a formal age analysis had not been submitted. Further, no action had been taken to identify the individual debtors who had a total balance of Rs.3,605,683 deducted from rent arrears from 2013 to 2020.	Not received the answers.	That action should be taken to recover the amount due over a long period of 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	Management Comment	Recommendation
	Rs.		
(a) Deed of Trust dated 10 August 2010			
(i) According to paragraph 6 (a) paragraph 1, all savings in the trust must be invested in two State Banks only on the decisions of the Board of Trustees without such agreement, although the prior written consent of the Treasury is required to invest the excess funds in treasury bills other than government securities.	208,108,367	Not received the answers.	That compliance with paragraph 6 (a) 1 of the Agreement on the Establishment of the Trust shall be exercised.

<p>(ii) Although it is stated that the trustees are not entitled to any salary, allowance or standard amount as per paragraph 8 (e), the Chairman of the Board of Trustees who was nominated as the first to the Board of Trustees irrespective of that to the Secretary to the Ministry of Fisheries, had been paid as monthly allowances for a period of 9 months in the year 2020</p>	<p>315,000</p>	<p>Not received the answers.</p>	<p>That compliance with paragraph 8 (e) of the agreement concluded on the establishment of the trust.</p>
<p>(b) The cash book and vouchers had not been prepared in accordance with the Financial Regulations 261 (1) of the Democratic Socialist Republic of Sri Lanka and the cash book notes and balances had not been so confirmed as corrected in accordance with the Financial Regulations 446 (2).</p>		<p>Not received the answers.</p>	<p>That Financial regulation must be complied with.</p>
<p>(c) A register of fixed assets had not been prepared and maintained in accordance with the Treasury Circular No. 842 of 19 December 1978.</p>		<p>Not received the answers.</p>	<p>That a fixed asset register should be prepared and maintained.</p>
<p>(d) If there are reasonable grounds for maintaining any non-statutory fund in accordance with paragraph 876 (3) of the Financial Regulations included in paragraph 15.1 of Part I of the Public Finance Circular No. 01/2020 dated 28 August 2020, such funds should have been reported to the Department of Public Finance stating the relevant reasons so that such funds can be legislated by an Act of Parliament, but the Management Trust had not yet been transformed into a statutory body by an Act of Parliament as at 31 December 2020.</p>		<p>Not received the answers.</p>	<p>That action should be taken to make it a statutory body by an Act of Parliament in accordance with the Monetary Regulation.</p>
<p>(e) No action had been taken to register for VAT on rent income in the year under review as per Section 10 of the Value Added Tax Act No. 14 of 2002 as amended by Act No. 17 of 2013.</p>	<p>84,829,967</p>	<p>Not received the answers.</p>	<p>That the action should be taken to register for payment of value added tax as per the Act.</p>

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs. 40,748,885 and the corresponding profit in the preceding year amounted to Rs. 1,603,164. Therefore an improvement amounting to Rs. 39,145,721 of the financial result was observed. This improvement was mainly due to the transfer of funds of Rs. 50,000,000 from the Treasury had to be accounted for as revenue.

2.2 Trend Analysis of major Income and Expenditure items

Income Tendency	2020	2019	Percentage	Observation
Transfer of funds from the treasury	50,000,000	-	-	Increase in revenue due to accounting for a transfer of funds from the Treasury as revenue.
Tax rental income	84,829,967	99,946,000	15%	Income collection is not done properly.
Parking income	5,326,509	4,085,961	30%	Determined a method of charging for the length of time parked in the vehicle premises and took action to change the computer software accordingly.
Cost Reductions				
Water charges	5,814,229	8,017,435	27%	Decreased water consumption due to closure due to Covid epidemic.
Maintenance costs	3,187,040	3,762,635	15%	Lower maintenance costs than last year.
Cost of cleaning and maintenance	20,340,856	22,878,366	11%	Closed for several months due to the Covid epidemic.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Management Comment	Recommendation
(a) Although it has been nearly 6 years since the staff was approved, the recruitment for the posts of Manager of the Trust, Accountant and Internal Auditor had not been done as at 31 December 2020 with the approval of the recruitment procedure.	Not received the answers.	Recruitment should be done with the approval of the recruitment procedure.
(b) According to paragraph 120 of Chapter IX of Part 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. 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.	Not received the answers.	That he should be appointed to act or to perform the duties of a post only if he is of a equivalent post or of a higher rank than the present post.
(c) The 3.1776 hectare land on which the shopping complex is located was acquired from the State Engineering Corporation under the Land Acquisition Act. A total of Rs. 1,847,911,969 was spent as a Rs.1,742,461,943 for the construction of buildings on the aforesaid land up to 31 December 2020, and as a cost of Rs. 105,450,026 on the construction of the road network in the year 2020. No action had been taken to acquire the land which had been approved by a Cabinet decision.	Not received the answers.	The land where the shopping complex is located should be taken over to the Trust as per the decision of the Cabinet of Ministers.
(d) At the meeting of the Management Trust held on 17 May 2016, it was decided that the revenue receivable to the Trust from the vehicle parking lot should be revised and 50 per cent of the net income should be received to the Trust, but the Trust had not taken action to amend the agreement.	Not received the answers.	That the agreement should be amended and 50 per cent of the net income should be taken into the Trust.

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| (e) | The vehicle parking income collection company employed between 18 and 21 employees for the parking lot and had deducted a large amount of salary from the salary when calculating the yard income as there were employees who were paid between Rs.100,000 and Rs.50,000 per month. However, no supervision had been carried out to ensure that the relevant employees were on duty at the premises. | It has been informed that the operations of the relevant company were supervised after the audit pointed out. | Evidence that operational supervision was carried out should be submitted to the audit. |
| (f) | At the meeting of the Management Trust on 17 October 2019, it was decided that an agreement should be drawn up for the next five years regarding the contract for the repair and maintenance of three cold storages and a crucible ice plant and the construction of a new ice plant, but no such agreement had been prepared. | Not received the answers. | That an agreement should be prepared. |
| (g) | Although a Treatment Plant was constructed in the year 2010 at a cost of Rs. 38,598,438 and the application for the Environmental Protection License was submitted on 18 March 2014, no action had been taken to obtain the Environmental Protection License until the year under review due to failure to conduct a feasibility study and construct with proper planning according to the relevant capacity and the wastewater treatment and discharge process not being carried out properly. | Construction of a new treatment plant has commenced and is scheduled to be completed on 15 June 2021. Accordingly, action has been taken to obtain the relevant protection license. | The construction work of the new treatment plant should be expedited and action should be taken to obtain a protection license. |

3.2 Operational Inefficiencies

----- Audit Observation -----	Management Comment -----	Recommendation -----
In addition to the wholesale mall that had 154 stores, there was also a retail mall with 128 stores. 64 retail outlets out of those were converted into wholesale outlets in 2012 at a cost of Rs. 9,625,540. As at the audit date of 31 December 2020, all retail and wholesale stores in the complex had not been used for sales and a business plan had not been prepared.	Not received the answers.	That all stores should be used for marketing and a business plan should be prepared.

3.3 Procurement Management

Audit Observation -----	Management Comment -----	Recommendation -----
The trust had deviated from guidelines 1.2.1 (a), (b) and (c) of the 2006 Procurement Guidelines for failure to take formal action on the grounds that the outlets had been handed over to other parties in breach of the lease agreement by the lessee.	Not received the answers.	That the guidelines should be followed.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation -----	Management Comment -----	Recommendation -----
Pursuant to paragraph 877 (2) (d) of the Financial Regulations, a performance report along with the financial statements must be submitted to the Auditor General with a copy to the Director General of Public Finance within two months after the end of the financial year. However, the financial statements for the year under review were submitted with a four months late to the Auditor General on 19 July 2021, but no performance report was submitted.	Not received the answers.	That a performance report should be submitted along with the financial statements in accordance with the Financial regulations.