

The Marine Environment Protection Authority

1. Financial Statements

1:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Marine Environment Protection Authority as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1:2 Comments on Financial Statements

1.2.1 Non- compliance with Sri Lanka Accounting Standards

The policy on provision for gratuity had not been disclosed in terms of Sri Lanka Accounting Standard No. 03

1:2:2 Accounting Deficiencies

The following deficiencies were observed.

- (a) Provision for depreciation on 2 motor vehicles for the year had been overstated by Rs. 159,241
- (b) Provision for gratuity in respect of 32 officers and 13 officers had been over stated and under stated by Rs. 296,742 and Rs. 110,791 respectively.

1.2.3 Unreconciled Control Accounts

The following accounts balances had not been tallied with relevant registers/ schedules

Particulars	Balance as per Accounts	Balance as per Register / Schedule	Difference
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	Rs.	Rs.	Rs.
Travelling expenses	1,116,258	1,143,421	27,163
Other expenses	1,656,091	1,696,634	40,543

1.2.4 Lack of Evidence for Audit

Evidence such as ledger accounts performance reports, GRNS etc. in respect of balances totalling Rs. 279,005,389 relating to 7 instances were not made available for audit.

1.2.5 Non- compliance with Laws, Rules, Regulation and Management Decisions

Non- Compliances with the following Laws, rules regulations etc. were observed.

Reference to Laws, Rules, Regulation etc	Non- Compliance
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(a) Financial Regulation 757	The Board of survey reports for the year under review had not been presented to audit.
(b) Public Enterprises circular No. PED/12 of 02 June 2003	(i) paragraph 6.5.1 The draft annual report for the year 2011 had not been presented along with the accounts. (ii) paragraph 6.5.3 Annual reports for the year 2009 and 2010 had not been tabled in Parliament.

2. Financial Review

2:1 Financial Results

The operations of the Authority for the year under review had resulted in a surplus of Rs.142,233 as against the deficit of Rs. 45,870 for the preceding year thus observing a favorable variance of Rs. 188,003 in the financial result. as compared with the deficit for the preceding year.

2:2 Analytical Financial Review

Increase in Government grant by Rs. 5,162,777 and income of the Authority by Rs. 5,393,043 during the year under review had been the reason for the above favorable variance.

(a) (i) In the comparison of estimated income prepared by the Authority for the year 2011 with the actual income, the Registration fees of waste reception service, the licensee fees and application fees had decreased by Rs. 209,500, Rs. 161,000 and Rs. 11,000 respectively.

(ii) Actual income earning of both bunkering and others (Fine/ penalties) included in the estimated income had dropped by 100%

(b) Income from operating activities received in the year under review amounted to Rs. 9.2 million, representing 14.5% of the total income. Income from operating activities received in the preceding year amounted to Rs. 4.8 million, representing 9% of the total income.

3. Operating Review

3.1 Action Plan

According to the Action Plan in the year 2011 of the Marine Environment Protection Authority, the total provision amounted to Rs. 35,000,000 whereas according to the

progress report of the year, the actual expenditure amounted to Rs. 25,098,320 The following matters were observed in audit in this regard.

- (a) A sum of Rs. 2,052,230 had been spent in excess of the provision in respect of 8 activities
- (b) The total provision of Rs. 1,100,000 in 3 activities had been saved.
- (c) Out of the total provision in 8 activities 50% or more had been saved. The Chairman Stated in this regard that a sum of Rs. 12.32 million out of capital provision in the year 2011 had not been released to the Authority by the Treasury.
- (d) Officers to whom the responsibility of activities was fixed had not been named in the action plan.
- (e) Even though provisions for signing international conventions amounting to Rs. 30,000 and Rs. 450,000 had been made in the years 2010 and 2011 respectively these 2 activities had not been carried out during the 2 years.

3.2 Staff Salary Loans

The approval of the Treasury had not been obtained for the salary / distress loan scheme initiated for the employees by utilizing a sum of Rs. 6.176 million retained from income of the Authority. Loans of Rs. 4,939,000 had been paid during the year 2011. Each officer had been paid 12 months salary loan. The salary loan balance of this fund as at 31 December 2011 amounted to Rs. 6,257,776.

3.3 Commemoration of International Marine Environmental Day

A Board paper had not been presented for the approved programme and the financial expenses of the International Marine Environmental Day celebration commemorated on 08 June 2011 at the Jet Line Vessel held by the marine Environment Protection Authority

The amount allocated in the action plan for this year amounted to Rs. 600,000 but the actual expenditure incurred was Rs. 1,234,351 by exceeding the allocated amount by Rs. 634,351 or 106% The Treasury approval to incur this expenditure had not been obtained. A sum of Rs. 183,000 had been paid on 13 June 2011 for the printing of 1000

Copies of “Sathsamudra” Magazine for this occasion and the balance undistributed number of books by 29 December 2011 was 165.

3.4 Stores Control

Stock book had not been reconciled at the end of the year 2011 in terms of F.R. 754. Goods to the value of Rs. 6,035,071 had been received by the stores during the year under review but Good Received Notes (GRN) had not been issued.

3.5 Idle and Underutilized Assets

At a test check carried out in respect of purchase of equipment for the laboratory observed that purchases valued at Rs. 2,501,100 had been made during the month of December 2010. Such equipment had been kept idle in the stores without being utilized for any purpose for one year. Further, it was planned to conduct 12 tests in the Laboratory but such tests had not been conducted even by the date of audit in December 2011. As such as it was observed in audit that the equipment and raw material purchases for those tests had been idle.

3.6 Resources of the Authority given to other Public Institutions

Contrary to paragraph 8.3.9 of the Treasury Circular No. PED/12 of 02 June 2003 a motor vehicle belonging to the Authority had been released to the Ministry of Environment but it was not available in the Ministry as well. However a sum of Rs. 31,184 had been spent by the Authority to maintain this vehicle.

3.7 Personnel Control

The following matters were observed.

- (a) The approved cadre of the Authority as at 31 December 2011 amounted to 143 and the approved in terms of F.R 71 had not been obtained for 3 posts. The actual cadre was 107. 36 vacancies had existed in the year 2011 and action had not been taken to fill those posts by the Authority. 21 officers had been recruited during the year under review

- (b) According to the Cabinet paper No. 09/1483/360/049 dated 20 August. 2009 the service of the General Manager of the Authority should be renewed annually from 01 October 2009 to 16 March 2013, subject to a renewal of one year. Nevertheless it had not been so done.

It was observed that a sum of Rs. 668,310 had been paid as salaries to him without being given an extension of service for one year up to the date of audit on 09 December 2011 from 01 October 2010. In this regard the Chairman had repaid that a written request had been made in may 2012 for the covering approval of the Secretary.

3.8 Vehicles Utilization

The following matters were observed.

- (a) There were 8 Motor vehicles belonging to the Authority as at 31 December 2011 consisting of 2 allocated vehicles and 6 pool vehicles. Even though a sum of Rs. 817,535 for fuel and a sum of Rs. 870,474 for maintenance had been spent during the year running charts and log books were not made available for audit.
- (b) One vehicle of the Authority had been in idle since the year 2007 and sum of Rs. 865,030 had been spent for repairs on 26 November 2010. The Engineer's assurance had not been obtained stating that the repairs had been properly carried out. Repairs of this vehicle had not been completed to a running condition even by 15 May 2012. It was further observed in the examination of the registration book of this vehicle that it belonged to the Ministry and acquired by the Authority on 27 May 2007 and refereed for repairs.

4. Accountability and Good Governance

4.1 Procurement plan

A Procurement Plan had not been prepared for the year 2011.

4.2 Internal Audit

Even though the internal audit plan for the year 2011 had been presented audit works had not been carried out accordingly. An Internal Auditor had not been recruited up to 09 December 2011 and only one officer had been attached to Internal Audit Unit. 12 Internal audit queries had been issued.

5. Systems and Controls

Weaknesses in systems and controls were brought to the attention of the Chairman. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Recruitments
- (c) Budgetary Control
- (d) Assets Control