

Marine Environmental Protection Authority - 2013

The audit of financial statements of the Marine Environmental Protection Authority comprising the statement of financial position as at 31 December 2013 and the statement of financial position, the statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13(1) of the Finance Act No.38 of 1971 and Section 20 of the Marine Pollution Prevention Act, No.35 of 2008. My comments and observations which I consider should be published with the annual report of the Authority in terms of Section 14(2)(c) of the Finance Act 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 Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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 Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of the Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Marine Environmental Protection Authority as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Non Compliance with Laws, Rules, Regulations and Management Decisions

Non-compliance with the following laws, rules and regulation were observed

Reference to Law, Rules, Regulations

Financial Regulations of the Democratic
Socialist Republic
of Sri Lanka

Non-compliance

- | | |
|---------------------------------|--|
| i. Financial Regulation 757 | The Board of Survey Reports had not been furnished to the Auditor General. |
| ii. Financial Regulation 104(i) | Although it was reported that the advance of Rs.17,700 given for awareness programmes had been defrauded, action had not been taken to determine the officers responsible thereto. |

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Authority for the year under review amounted to a deficit of Rs.2,804,789 as compared with the corresponding deficit of Rs.1,814,711. for the preceding year. Thus, a deterioration of Rs.990,078 in financial results as compared with the preceding year was observed. The deficit as compared with the preceding year had increased by 54.56 per cent. The increase in total income by Rs.1.17 million and the increase in operating expenses by Rs.2.16 million had mainly attributed to this.

3.2 Working Capital Management

The current ratio and the quick assets ratio had shown significant increase as compared with to the previous year. The increase in cash balance and the stock balance had mainly attributed to this.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) According to the Action Plan of the Marine Environmental Protection Authority for the year under review, the provision amounted to Rs.45,000,000. This Action Plan had been revised during the year under review and according to the progress reports the actual expenditure of the year amounted to Rs.17,094,096.
- (b) Two out of 46 activities included in the Action Plan for which a sum of Rs.6,800,000 had been allocated had been cancelled and the entire provision of Rs.12,440,000 relating to 10 activities had been saved. Over 50 per cent of the provision for 20 activities amounting to Rs.21,617,000 had been saved. Accordingly, it was observed that the activities planned according to the Action Plan had not been executed.
- (c) The Action Plan had been revised during September 2013 and the provision made for 8 activities included in the Action Plan had been reduced and the provision concerned had been transferred to 4 activities. Of this, provision for 3 activities amounting to Rs.14,069,700 had been saved.

4.2 Management Inefficiencies

According to the provisions in order No.01 of 2012 made in terms of the provisions in the Act for avoidance of marine pollution, the emergency plan for the provision of Marine Pollution from oil slick should have been approved by the Sri Lanka Ports Authority. However, such an action had not been taken accordingly. The Institutional responsibility for an emergency oil slick remained outside the Marine Environmental Protection Authority. The management had not paid its attention to this matter.

4.3 Operating Inefficiencies

The following observations are made.

- (a) The Cabinet of Ministers had informed that all expenditure incurred with regard of the oil leakage from vessel named MV. Thermopylae Sierra on 23 August 2012 should be recovered from the owners of the vessel. However, the expenditure of Rs.11,551,133 incurred in this connection had not been recovered up to dated. Further, compensation relating to the marine pollution caused by the vessel could not be recovered in terms of Section 26 of the marine pollution Act although 2 years had elapsed.
- (b) Although 3 years had elapsed since the environmental damage caused by the leakage of oil from the vessel named MT Chahat in the Colombo Port on 13 November 2010, the compensation related thereto had not been recovered.

- (c) According to Section 51(4) of the Prevention of Marine Pollution Act, all orders made by the Minister should be published in the Gazette and laid before Parliament for approved. However, such action had not been taken with regard to 2 Gazette Notifications.
- (d) Even though a sum of Rs.6,507,297 had been spent on awareness programmes with the objective of making awareness about prevention of marine pollution, the Marine pollution continues to increase. As such, the contribution made for the prevention of marine pollution by conducting these workshops could not be ascertained in audit.
- (e) Although a sum of Rs.3,000,000 had been allocated for assessment of risk of alien invasive species introduction through ballast included in the Project for Management of Introduction of Invasive of Alien Species into Sri Lanka waters through ship's Ballast water, the Programme concerned had not been implemented.

4.4 Idle and Underutilised Assets

In addition to the floors of the building occupied by the Authority, 2 additional floors had been obtained on rent from December 2013 at Rs.240,000 per month. Even though a sum of Rs.1,200,000 had been spent up to April 2014, those two floors had not been occupied up to April 2014.

4.5 Resources of the Authority made available to other Government Institutions

A microscope camera valued at Rs.873,750 had been purchased for a survey of establishing primary data system in the vicinity of harbour. As there was no space available in the laboratory of the Authority it had been handed over for institution in the University Sri Jayawardenapura on a request made by a lecturer of the who participated in the survey.

4.6 Staff Administration

The following observations are made.

- (a) The approve staff of the Authority as at 31 December 2013 had been 183 whereas the actual cadre had been 110 thus resulting in 73 vacancies.
- (b) Even though the General Manager is the Chief Executive Officer of the Authority in terms of Section 16(2) of the Marine Environmental Protection Act, a permanent officer had not been appointed for that post and the Manager (Legal) had been appointed to cover the duties. Meanwhile, the existence of 7 vacancies in the Senior Management Level had affected the administrative and operative activities of the Authority.
- (c) The authenticity of educational qualifications had not been confirmed through the relevant institutions at the time of recruiting officers.

- (d) Even though a sum of Rs.303,744 had been spent during the year under review for newspaper advertisements relating to recruitment for posts of General Manager, Deputy General Manager (Operations), Secretary, Assistant Manager, (Planning) and Assistant Manager (Legal). However, these recruitments had not been made up to August 2014.

5. Accountability and Good Governance

5.1 Non-achievement of objectives of the Act

Action had not been taken to draft legal provision relating to 7 directives prescribed under Section 51(1) of the protection of Maritime pollution Act for the introduction of methodologies for minimization of marine pollution.

5.2 Audit Committee

The following decisions made at meetings of Audit Committee had not been implemented.

- (a) Although it was decided to prepare proper procedure for waste management existing in fishery harbours, action had not been taken accordingly.
- (b) Although it was decided to make aware the Local Authorities work regard to latrines constructed in a manner to floor sewage within a limit of 300 metres from the maritime limit to the mainland and disposal of waste to the sea without recycling and to hold discussions with the Director General of Sri Lanka Tourism Board Development Board regarding problems that may adversely affect to tourist industry as a result of allowing disposal of waste materials to sea without recycling them and for future action and to prepare a report accordingly, that had not been done.
- (c) Preparation of a report pertaining to overall tests (fecal coliform, total coliform etc.) conducted at the laboratory and expending the range of existing tests in order to successfully and effectively conduct laboratory activities had been delayed.

5.3 Unsettled Audit Paragraphs

Action had not been taken up to date to establish a Marine Environmental Council in terms of Protection of Marine Pollution Act.

6. Systems and Controls

The deficiencies in systems and controls observed in audit were brought to the notice of the Chairman of the Authority from time to time. Special attention is needed in respect of the following areas of control.

- (a) Budgetary Control
(b) Staff Management
(c) Project Administration
(d) Planning and Implementation of Plans.

