

## **Central Environment Authority - 2011**

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### 1. Financial Statements

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#### 1:1 Qualified Opinion

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In my of 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 Central Environment 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

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##### 1:2:1 Accounting Deficiencies

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The following deficiencies were observed.

- (a) As under provision for depreciation for the previous year had been made the value of furniture and fittings and the depreciation thereon had been overstated and understated by Rs. 5,452,045 respectively.
- (b) According to the register of fixed assets, purchase of furniture and fittings for the year under review amounted to Rs. 1,354,887 but it was stated in the financial statements for the year under review as Rs. 169,247.
- (c) The building rent for the year under review in respect of operating the Authority at Maligawatta building had not been paid but the provision for such rent amounting to Rs. 11,790,000 had not been made in the accounts.

1.2.2 Unexplained Differences

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Although the provision for gratuities relating to the year under review shown in the accounts amounted to Rs. 110,125,260, according to the computation it should have been Rs. 109,606,316 and as such an over provision of Rs. 518,944 had been made.

1.2.3 Accounts Receivable and Payable

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The following observations are made.

- (a) An age analysis for debtors amounting to Rs. 57,626,955 shown in the financial statements was not made available. Three trade and other receivable balances totalling Rs. 413,738 had remained outstanding for 2 to 4 years.
- (b) An age analysis of creditors totaling Rs. 37,108,281 as per balance sheet was not made available. Five payable balances valued at Rs. 312,320 had remained unsettled for 2 to 4 years.
- (c) An age analysis for the payable security expenses of Rs. 830,610 existed since the period during which the Maligawatta office complex was operated was not made available.
- (d) An overprovision of accrued expenses amounting to Rs. 1,710,938 had been made in the year 2010 and furniture and equipment had been purchased in the year 2012 out of that by incurring a sum of Rs. 166,448 without following the tender procedure. Even though such furniture and equipment had been received during the year under review it had not been recorded. Accordingly over provision of accrued expenses had been used to settle unapproved expenses in the year under review and subsequent years. The Director General had replied that “accrued expenses could not be specifically estimated”.
- (e) Action had not been taken to recover the court fines of Rs. 339,333 receivable.

1.3 Lack of Evidence for Audit

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Transactions totalling Rs. 8,585,101 relating to 3 instances could not be satisfactorily vouched in audit due to non – availability of relevant evidence.

1.4 Non-compliance with Laws, Rules, Regulating and Management Decisions

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The following non - compliances with laws, rules and regulations and management decisions were observed in audit.

Reference to Laws Rules Regulations  
etc.

Non- compliance

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(a) Treasury Circlers

(i) Circlers No 842 of 19 December 1978

Although a register of fixed assets was available it had not been properly up dated.

(ii) Circlers No. I/A/I/2002/02 of 28 November 2002

A computer register had not been maintain as per circular instructions.

(b) Establishments Code section 1.1 of chapter xv

An incidental allowance of US \$ 50 per day had been paid to 19 officers who proceeded abroad for activities within the definition of academic and training Accordingly a sum of Rs. 251,247 had been over paid.

(c) Circlers No. 01/2010/01 dated 11 October 2010 of the Ministry of Financial and Planning

Instead of paying combined allowance payable to the second category officers an overpayment of Rs. 72,107 had been made to a female officer It had not been recovered even up to the end of the year under review.

- (d) Chapter III of the Establishments Code as amended by Public Administration Circular No. 06/97 of 03 February 1997. Acting appointments can be made only for the period of 3 months Nevertheless 08 officers of the Authority had been working in the acting posts of this period and in excess of this period and for the period ranging form 3 months to 3 years.
- (e) Financial Regulations
- (i) F.R. 371 (2)(c) There was an advance balance Rs. 189,450 remained for more than 16 years. Action had not been taken to recover the money by implementing the writ of execution in terms of court case No. 25161 filed by the Authority. The General Manager had informal that this dependent now deceased.
- (ii) F.R. 757 Board of survey had not been carried out in 06 Regional Offices.

1.5 Transactions of Contentious Nature

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The following observations are made.

- (a) A sum of Rs. 47,541 paid to the Director of previous Project in the previsions year for foreign travel had not been reimbursed from the project up to 31 July 2012.
- (b) A sum of Rs. 1,709,312 had been shown in the accounts as stamp fees payable for the year under review. Only a sum 801,425 had been paid in January 2012 and the balance of Rs. 907,887 had been retained. The reason for such retention had not been explained.

2. Financial Review

2.1 Financial Results

According to the financial statements presented the operation of the Authority for the year ended 31 December 2011 had resulted a surplus of Rs. 6,305,261 as compared with the surplus of Rs. 8,871,112 in the proceeding year. Accordingly, the surplus for the year had decreased by Rs. 2,565,851 as compared with that of the preceding year. Increase in the operating expenditure in the year under review by Rs. 51,496,538 had been the main reason for this increase.

2:2 Analytical Financial Review

The following observations are made.

Significant finial data as compared with the previous years data is given below.

	2011 ----- Rs. (000)	2010 ----- Rs. (000)
Recurrent grants	275,997	260,000
Other grants	53,596	57,804
Other income	142,354	111,087
Total operating expenditure	507,594	456,097
Surplus	6,305	8,871

2:3 Working Capital Management

Liquidity Ratios -----	Standard Ratio -----	year -----		
		2011 -----	2010 -----	2009 -----
Current Ratio	2:1	1.7:1	1.56:1	1.54:1
Liquid assets Ratio	1:1	1.6:1	1.48:1	1.44:1

Working capital ratios had been at a favorable position as compared with the preceding year.

3. Operating Review

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3.1 Performance  
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The following observations are made.

- (a) Financial performance in the Environmental Management Evaluation Division, Environment Pollution Control Division and Environmental Education Operating Division had been below the level of 50% .
- (b) Out of a provision of Rs. 100,000,000 made for the Post Usage Plastic Waste Management National Project, the expenditure incurred up to the end of the year under review was amounted to Rs. 44,700,000. 22% out of it had been spent on salaries and wages. The under utilization of this provision amounted to Rs. 55,300,000 representing 55% .
- (c) The physical and financial performance of the following activities stated in the Action plan to be achieved during the year under review in the Post – Usage Plastic Waste Management National Project is given below.
  - (i) According to the performance report a sum of Rs. 3,155,000 had been spent on the activity No. C.1.12 waste Management Activities in Public and Private Institutions which had not been included in the Action Plan.
  - (ii) The entire provision of Rs. 8,920,000 or 100% made for the activity No. 20 which had not been implemented had been saved.
  - (iii) Number of Activities in which provisions had been saved between 99% to 50% amounted to 14 and the value of savings amounted to Rs. 35,919,000.

### 3.2 Operating Inefficiencies

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Even though an advance of Rs. 300,000 had been paid out of a cost of Rs. 600,000 agreed in the year 2009 for the installation of a software system in the Regional offices and the Complaints Division of the Authority it had not been installed even up to the end of the year under review.

### 3.3 Vehicles utilization

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There was a motor vehicle fleet of 50 belonging to the Authority in the year under review comprising 21 assigned vehicles. 13 pool vehicles and 13 vehicles attached to Regional Offices. While there were 50 motor vehicles a sum of Rs. 6,462,813 had been spent for hired vehicles.

### 3.4 Personal Management

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The following observations are made.

- (a) The approved and actual cadre of the Authority as at 31 December 2011 amounted to 802 and 683 respectively and as such there were 119 vacancies.
- (b) Acting allowance of Rs. 439,121 and the fuel allowance of Rs. 216,000 had been paid for the period, exceeding the acting period of 3 months up to 31 December 2011 to 08 officers.
- (c) In terms of Public Enterprises Circular No. 52 of 25 November 2008. An officer who is completed 60 years of age could not be re-employed. Nevertheless the Director General of the Authority had been sent on retirement after completion of 60 years but she had been serving in that post furthermore without any authority.

4. Accountability and Good Governance

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4.1 Action Plan

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Targets had not been determined in the progress review report prepared for the year under review by the Authority. Further, the Officers who were responsible to achieve goals and targets had not been named in the action plan in terms of Section 5.1.2 of Chapter 5 of the PED/12 Circular dated 02 June 2003.

4.2 Internal Audit

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The following observations are made.

- (a) The Internal Audit Assistant post had been in vacant position in the year under review as well.
- (b) Internal audit reports had not been presented to the Auditor General in terms of Section 13 (5)(d) of the Finance Act No. 38 of 1971

4.3 Procurement Plan

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Although a summarized procurement plan had been prepared for the year under review the file, which includes detailed information was not made available for audit. Therefore it could not be satisfied whether the procurement plan was realistic, was reviewed and had been utilized as a instrument of procurement control.

4.4 Budgetary Control

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The Board of Directors had approved the budget at the beginning of the year under review and it had been revised at the end of the year under review and the approval of the Board of Directors had been obtained. As the actual expenditure in respect of 7 items had varied from the budget ranging from 95% to 957% the budget had not been made use as an instrument of management control.

4.5 Tabling the Annual Report

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The annual report for the year 2007 had been tabled in parliament on 12 June 2009. Reports for the years 2008 and 2009 had not been presented to parliament even up to the beginning of the year under review.

4.6 Fulfilling the Environmental and Social Responsibilities

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The following observations are made.

(a) Issue of Spray Painting Licenses

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- (i) In doing spray painting emission is released to the atmosphere but the Authority had not taken any action thereon.
- (ii) The Security License had been issued despite the application was not completed.
- (iii) In doing tinkering the Authority had not ensured whether they maintain the soundness less than 63 decibel in terms of Regulation No. 02 of the schedule 1 of 924/12 dated 21 May 1996.
- (iv) Although the License for spray painting works had been issued, it was not revealed at least in 3 times of field tests whether spray painting had been done inside the cottage.
- (v) In terms of condition No. 1:4 of the Environment Protection License a soundness measurement report, and a report on action of the air emission control system in terms of condition No. 2.3 should be obtained from an institution approved by the Central Environment Authority and submit by the industrialist within 06 months after issuing the license. Nevertheless such conditions of the license had not been fulfilled.

- (vi) One complain had been received several times within the period of 5 years from 12 March 2007 to 11 October 2011 and the Authority had not established the purpose for which the Environment protection License had been issued in respect of that complain.

(b) Amendment to the National Environment Act. No. 47 of 1980

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- (i) The approval of the Cabinet of Ministers had been granted to amend the National Environment Act No. 47 of 1980 and to instruct the Legal Draftsmen to draft the required amendments in a manner inclusion of requirements stated in the paragraphs 22 and 23 of the Cabinet Memorandum dated 21 July 2006 submitted by the Hon. Minister of Environment referred as amendment.
- (ii) The Cabinet of Ministers had directed the Legal Draftsman to draft a bill to amend the National Environment Act No. 47 of 1980 Accordingly 18 items had been identified for improvements. Those amendments had not been made up to 31 July 2012.
- (iii) Although it was directed by the Parliamentary Series No. 119 dated 15 November 2011 that the National Environment Act should be amend alluding to the Corporate Plan for the period of 2008-2012 under identified major issues, such amendments had not been made even by 24 May 2012.

(c) Examination of Environment Complains

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- (i) The total Complains received by the Authority relating to the year 2011 amounted to 1974 out of which 371 complain from Colombo District and 234 from Gampaha District. 02 and 15 complaints had related to the industries registered with the Board of Investments respectively. Those 17

Complains had been referred to the Board of Investments but no follow up action had been taken.

- (ii) As there is no system of obtain a reference number from the Head Office in respect of complains received by Regional Offices, the Head Office could not clearly identify whether all complains received by regional offices have been resolved and how many complains have been received.
- (iii) According to the progress reports of the complains called for by 30 March 2012, at the sample test in the Western Province office 233 complains, Comprising 70, 84 and 79 complaints for the Kalutara, Southern and North Central Provincial offices had been received. 28 Complains out of them had been referred to the Provincial Offices and 22 of the balance complains had not been followed up and 31 had not been resolved 10 complains had not been even examined.
- (iv) In the examination of complains received by the Western Provincial office, 18 complains against the industries, out of 371 complains received from industries which obtained environment protection licenses had been received. Despite the licenses had been issued to those industries it was stated in the complains that those Industries had acted in a manner, nuisances to the environment. Accordingly attention had not been drawn industries whether in compliance with the license and the environmental nuisances by the Authority and the local Authorities.
- (v) Of the complains received to the Authority by July 2011, 31 Complains had been referred to the Environment Pollution Control Division for solutions. Of them, 12 had been in respect of installation of Telecommunication towers. Although all those complains had been referred to the Communication Regulatory Commission those had not been resolved.

5. Systems and Controls

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Weaknesses in systems and controls observed in audit had been brought to the attention of the Chairman of the Authority from time to time. Special attention is needed in respect of the following areas of control.

- (a) Budget
- (b) Fixed assets
- (c) Maintenance of records
- (d) Foreign travels
- (e) Procurement procedure
- (f) Recurrent grants
- (g) Provision for gratuity