

Marine Environment Protection Authority - 2012

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 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Comments on Financial Statements

1.2.1. Accounting Deficiencies

The under mentioned observations are made.

- (a) The cost of 100 name boards amounting to Rs.3,287,500 had been written-off as expenditure without being accounted for as fixed assets
- (b) Library books valued at Rs.188,888 purchased during the year 2012 had been written-off as expenditure without being accounted for as assets.
- (c) Action had not been taken to include the value of research reports and stock of library books into asset accounts which existed before the year under review
- (d) The value of 5,800 litre of oil solvent valued at Rs. 3,858,584 as at the end of the year under review had not been brought to account.

1.2.2 Non-compliance with Laws, Rules, Regulations and Management Decisions

Under mentioned non-compliances with Laws, Rules, Regulations and Management Decisions were observed.

	<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a)	Public Enterprise circular No.PED/12 dated 2 June 2003.	
	(i) Paragraph 5.2.1	Estimated Financial Statements had not been prepared.
	(ii) Paragraph 6.5.1	Draft Annual Report had not been furnished along with the accounts.
(b)	Public Administration circular No. 13/2008 dated 26 June 2008.	Pool vehicles had been utilized by the General Manger of the Authority for 5,890 kilometres in 80 instances.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the results of the operations of the Authority during the year under review had been a deficit amounting to Rs. 1,814,711 as against the excess of Rs. 142,233 for the previous year thus a deterioration amounting to Rs. 1,956,944 in the financial results had been observed. The increase in operational expenditure by Rs. 29 million in the year had been the main reason for this deterioration.

2.2. Analytical Financial Review

The under mentioned variations had been the reason for the deterioration in the financial results amounting to Rs. 1.956 million during the year under review in excess of the previous year.

<u>Item</u>	<u>2012</u>	<u>2011</u>	<u>Variance</u>	
	Rs. Miliion	Rs. Miliion	Rs. Miliion	Percentage
				%
Total Recurrent Grant	79.902	53.327	26.575	49.83
Operational Income	10.034	9.242	0.792	8.56
Total Income	91.031	63.538	27.493	43.27
Total Operational Expenditure	92.846	63.396	29.450	46.45

When compared the income during the year under review with the income for the previous year, although the income had increased by Rs. 8.56 per cent, the operational expenditure relating to this for the year under review had increased by 43.45 per cent more than that of the expenditure for the previous year. When the operational income and the expenditure are compared, operational expenditure amounting to Rs. 92.846 million had been incurred exceeding the operational income of Rs. 82.812 million . The deficit amounting to Rs. 1.814 million during the year under review had been affected by the total Recurrent Grant amounting to Rs. 72.902 million. The increase of other expenditure by 1,577 per cent, fuel expenditure by 63 per cent and the vehicle maintenance expenditure by 76 per cent had influenced the increase of operational expenditure during the year under review more than that of the previous year.

3. **Operational Review**

3.1 **Performance**

According to the Action Plan of Marine Environment Protection Authority for the year 2012, the total provision amounted to Rs. 36,400,000 while the actual expenditure according to the progress reports amounted to Rs. 18,391,390. In this regard, the following observations are made.

- (a) The entire provision amounting to Rs. 6,100,000 made for 12 activities during the year had been saved.
- (b) Three activities which were not included in the original Action Plan had been included in the amended Action Plan and the provision made for those three activities had been saved even as at the end of the year.
- (c) More than 75 per cent of the provision for 5 activities in the Action Plan had been saved.
- (d) The Action Plan prepared for the year 2012 had been amended during the month of December 2012. Therefore, it was observed that the Action Plan had not been made used of as controlling instrument.

3.2 Management Inefficiencies

Advances amounting to Rs. 90,500 obtained in 9 instances had been fully refunded. Accordingly, it was observed that the money had been kept in hand by the Officers without any purpose. Further, there were 25 instances where more than 50 per cent out of the advances obtained had been returned. Attention had not been made by the management towards handling the State Fund without misuse.

3.3 Operational Inefficiencies

Following observations are made

- (a) It was observed that the action taken under Section 26(a) of Marine Pollution Prevention Act No. 35 of 2008 to recover the compensation had been weak regarding the marine pollution due to oil spilling occurred at the Colombo harbor on 13 November 2010.
- (b) Although it was planned to carry out 12 types of laboratory tests, only 5 tests had been carried out. Although it was observed during the tests that the sea water had been in impure level, any action had not been taken in this regard except awareness programmes.

(c) According to Section 34(1) of the Marine Pollution Prevention Act, persons and institutions are bound for liabilities and as arrangements had not been made for orders under Section 54 (2)(c) and (o) to obtain compensation for the damages to the environment or to take action to minimize the damages to the environment, the purpose of the establishment of a laboratory had not been accomplished.

3.4 Matters in Contentious Nature

Following observations are made.

- (a) Prior approval of the Board of Directors had not been obtained for Rs. 4,931,250 spent for erecting 150 notice boards implemented as an awareness programme by the Marine Environment Protection Authority during the year 2011.
- (b) A sum of Rs. 112,500 had been overpaid as a result of purchase of 100 notice boards contrary to the decision of the Technical Evaluation Committee. Further, it could not be ascertained as to whether the notice boards had been erected according to proper plan in the absence of a plan regarding the places of erection of name boards.

3.5 Idle and Underutilised Assets

It was observed that the undermentioned assets had been idle.

<u>Item</u>	<u>Quantity</u>	<u>Value</u>	<u>Date</u>	<u>of</u>	<u>Period of Idling (as at</u>
			<u>Purchase</u>		<u>31.3.2013)</u>
		Rs.			
Boat Engine	01	510,000	27.04.2012		11 months
Dingi Boat	01	672,000	14.05.2012		10 months
Bunk Beds	03	29,550	27.09.2010		2 years and 6 months
Mattresses (single)	09	28,800	27.09.2010		2 years and 6 months
Conference Tables	02	29,747	28.04.2011		1 year and 6 months

Colony counter complete with PC software	01	131,404	28.12.2010	2 years and 3 months
Vaccum manifold system with vacuum pump	01	352,800	28.12.2010	2 years and 3 months

3.6 Staff Administration

The staff of the Authority as at 31 December 2012 was as follows.

<u>Post</u>	<u>No. Approved</u>	<u>Actual No.</u>	<u>No. of Vacancies</u>
Senior level	08	01	07
Tertiary level	12	10	02
Secondary level	43	30	13
Primary level	82	61	21
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	<u>145</u>	<u>102</u>	<u>43</u>

In this regard the following observations are made.

- (a) Vacancies existed even as at 31 March 2013 for 7 posts in the Senior level including the General Manger. Thus, administration activities of the Authority had been weakened.
- (b) Applications called during the month of February 2012 for the recruitment for 6 Management and Assistant Management posts for which vacancies existed in the Authority and in this, recruitment had been made only for the post of Manager (Legal) and action had not been taken to fill the vacancies for the rest of the posts.
- (c) The female Officer acted in the post of Assistant Manager (Legal) had applied as a private candidate for the post of Manager (Legal) and although the Post Graduate Degree in Marine Law which qualification is needed for this post was the Degree obtained from the foreign scholarship offered by the Authority, it was not considered in

the interview. This female Officer was the one who had been accused of negligence of duty and had unsatisfactory service period due to the frauds taken place when she was on scholarship abroad for the Post Graduate Degree and the post of Manger (Legal) had been given without taking these facts into consideration when she had applied as a private candidate.

- (d) The General Manger of the Authority had left the service from 16 March 2013 and the Manager (Legal) had been appointed to cover the duties of this post from that date.

3.7 Vehicle Utilisation

A Cab vehicle belongs to the Authority had been released to the Ministry of Environment on 25 October 2010, had been utilised for private purposes apart from the Ministry and handed over back to the Authority on 18 May 2012 in an unserviceable condition. It was observed that this vehicle was idling for 10 months from this date.

4. Accountability and Good Governance

4.1 Corporate Plan

4.1.1 Preparation of Corporate Plan contrary to the Objectives of the Act

Following observations are made.

- (a) Although 38 programmes to be achieved during the year 2012 had been included in the Corporate Plan prepared for 2012-2016 to achieve the objectives of the Marine Environment Protection Act No. 35 of 2008, the targets could not be achieved as these programmes had not been incorporated in the Action Plan for the year 2012.
- (b) Action had not been taken up to the date of this report to establish Marine Environment Council in terms of Marine Environment Protection Act No. 35 of 2008.

4.1.2 Non Achievement of the Objectives of the Act

The Authority had not taken action to achieve the objectives of the Act by preparing and gazetting the drafts of Laws and Procedures regarding 11 orders made under Section 51(1) of the Marine Environment Protection Act No. 35 of 2008.

4.2 Budgetary Control

It was observed that differences ranging from 54 per cent to 99 per cent between budgeted and actual income and expenditure in respect of 20 items for the year under review had existed. Accordingly, it was observed that the Budget had not been utilised as a tool of control.

4.3 Tabling of Annual Report

The Annual Report for the year 2011 had not been tabled in Parliament.

4.4 Achievement of Environmental and Social Responsibilities

Following observations are made.

- (a) It was informed that there was a risk for marine environmental pollution due to oil spilling by a ship anchored in the sea near Panadura area outside the harbour from the year 2007 and although permission had been granted by Court to take necessary action to prevent environmental pollution, as the Authority had not taken action in this regard, environmental damage had occurred as the ship had sunk in Panaduara sea. Although the Disaster Management Centre had reported that there was disaster, the oil in the ship had not been correctly measured or a technical report had not been obtained by the Authority.
- (b) Although quotations had been called for taking the oil in the ship out to minimize the risk of marine environmental pollution by tender, and according to tender documents, quotations had been invited to take out 800 metric tons of oil in the ship, this activity had not been completed as suitable supplier could not be selected.

- (c) Although proposals had to be arranged and action to be prepared in terms of Section 6 (b) and (d) of Marine Environmental Pollution Protection Act to prevent, reduce, control and manage the pollution by ship-based activities in territorial waters of Sri Lanka , any other maritime zones or fore-shore and coastal zones of Sri Lanka , no such plans had been with the Authority.
- (d) A sum of Rs. 11,874,652 had been spent by the Authority regarding minimization of damages to environment due to oil spilling by the ship.
- (e) Although the controlling of sea oil transport activities and bunkering operations being carried out in the coastal belt of Sri Lanka and any other maritime zones or the fore-shore and maritime zones of Sri Lanka could be done under Section 7 (d) of the Act regarding the prevention of pollution , such controlling had not been done by the Authority.
- (f) According to Section 26 of Part viii of Criminal Liability regarding the prevention of pollution under Marine Environment Protection Act, if pollutants were discharged or have escaped in the territorial waters of Sri Lanka or any other maritime zone from any ship and convicted under this Act, shall be liable for a fine not less than Rs. 4 million and not exceeding Rs. 15 million.

The Authority had not taken action to prepare necessary Laws and Rules, drafts and gazettes for the criminal liability regarding the prevention of pollutions relevant to the Act.

- (g) Due to these reasons, necessary actions to prevent marine pollution according to the objectives of the Act by taking legal action against the convictors and to subject to punishments regarding the marine pollution had not been possible.

- (h) Proper preliminary and final investigations had not been carried out regarding the public complaints made against various industries and individuals regarding marine pollution. Likewise, the necessary instructions only had been given to them to take necessary actions to prevent marine pollution and in this regard steps had not been taken by taking follow up actions.

5. Systems and Controls

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

- (a) Accounting
- (b) Staff Administration
- (c) Assets Control
- (d) Budgetary Control
- (e) Vehicles Control