

Marine Environment Protection Authority

1. Financial Statements

1.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Marine Environment Protection Authority (MEPA) had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1.2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards give a true and fair view of the state of affairs of the Marine Environment Protection Authority (MEPA) as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1.2 Comments of Financial Statements

1.2.1 Accounting Deficiencies

- (a) A fine of Rs.15.6 million received from a court case had not been disclosed in the accounts as a note in terms of SLAS 03 and sums of Rs.11.6 million and Rs.4 million had been credited to the Marine Environment Protection Fund and to a employees distress fund respectively.

- (b) Even though the depreciation on assets should be commenced since the asset is ready for use in terms of SLAS 18, it had not been complied with in respect of assets valued at Rs.8,021,851 by the Authority.

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

Instances of non compliance with the following laws, rules, regulations and management decisions were observed.

Reference to laws, rules and regulations

Non-compliance

Public Enterprises Circular
No. PED/12 of 02 June 2003

(i) Section 5.2.5

The Budget relating to the year under review approved by the Board of Directors should be presented to the relevant Ministry, Treasury and the Auditor General before 15 days of the commencement of the relevant year it had been presented on in January 2011.

(ii) Section 6.5.3

The annual report for the year 2009 had not been tabled in Parliament.

(iii) Section 7.4.1

In terms of the Circular, 4 meetings per annum at least one meeting per quarter should be held only 01 meeting of the audit and management committee had been held for the year 2010.

2. Financial and Operating Review

2.1 Financial Review

2.1.1 Financial Results

According to the financial statements the operation of the Authority for the year under review had resulted in a deficit of Rs.45,870 as against the surplus of

Rs.1,809,829 for the preceding year, thus indicating an adverse variance of Rs.1,855,699 in the financial results.

2.1.2 Analytical Financial Review

The following observations are made.

- (a) Even though the income of the year under review had increased by Rs.4,286,157, salaries and personnel emoluments, other revenue, expenditure, grants and other transfer payments had increased by Rs.1,157,076, Rs.1,735,776 and Rs.3,249,004 respectively and the increase in total expenditure by Rs.6,141,856 had been the reason for the above adverse variance.
- (b) The current assets and the non-current liabilities of the Authority had increased by Rs.16.2 million and Rs.16.3 million respectively as compared with that of the previous year. This increase had represented 276 per cent and 373 per cent respectively. It was observed that the investment of penalties received during the year under review had been the main reason for the increase.

2.2 Operating Review

2.2.1 Performance

The physical performance had not been periodically evaluated by the Authority during the year 2010. The following matters were observed in that connection.

- (a) A sum of Rs.3,868,640 or 45.68 per cent had been spent for 9 activities in excess of provisions made for each activity in the year.

- (b) The total provision of 3 activities made in the year under review and 70 per cent of the provision of another 4 activities had been saved.

2.2.2 Operating Inefficiencies

the income from operating activities in the year under review amounted to Rs.4.8 million, representing 9 per cent of the total income. The government grants amounted to Rs.48.1 million, representing 91 per cent of the total income. A sum of Rs.42 million or 79 per cent had been spent on recurrent expenditure and only a sum of Rs.11 million or 21 per cent of the total income had been spent for the capital expenditure of the Marine Environment Protection Authority.

2.2.3 Idle and Underutilized Assets

A sum of Rs.10 million out of fines received on 11 June 2010 on account of court case filed against Mt. Granba incident vessel in respect of Marine pollution had been retained idle in a bank current account for the period of 5 months up to 11 November 2010

2.2.4 Cost of Personnel

Post	Approved Cadre	Actual Cadre	No. of Vacancies
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General Manager	01	01	-
Assistant Manager - Operation	01	01	-
Assistant Manager (Provincial)	03	02	01
Manager	03	03	-
Assistant Manager	10	10	-
Marine Environment Officer	11	06	05

Marine Environment Assistant	12	04	08
Marine Pollution Protection	64	47	17
Field Assistant			
Divers	06	05	01
Cleaners	09	07	02
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	120	86	34
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The approved and actual cadre of the Authority as at 31 December 2010 were 120 and 86 respectively as mentioned above. Although there were 34 vacancies, action had not been taken to fill the vacancies by the Authority. The following matters were observed in this connection.

- (a) According to the letter No. DMS/E2/58/5/375/2 dated 24 November 2008 of the Department of Management Services, the approval had been granted to fill 16 posts with effect from 01 July 2008 approved for the implementation of provisions in management services circular No. 30 dated 22 September 2006. Nevertheless, action had not been taken to fill those posts even up to the date of audit.
- (b) The internal auditor post of the Authority is held by the officer of the Management Assistant grade an action had not been taken to fill the Internal Auditor's post.
- (c) Coastal and marine environment protection activities in the western coastal areas from Hambanthota to Puttalam are carried out by the Marine Environment Protection Authority and those areas have been divided into 7 zones and the activities of those areas are carried by Regional offices. In the audit of the utilization of human resources for the regional offices, the following matters were observed.

- (i) Two Management Assistant had been attached only to the Galle and Kalutara Regional offices and the nature of duties to be carried out by those officers in those small regional offices were not explained in audit.
- (ii) Accordingly it was observed that a correct procedure in respect of attachment of officers to each office was not made available for audit.

2.2.5 Corporate Plan

The corporate plan prepared for the period 2008 - 2013 had not been submitted for the approval of the Board of Directors. The updated Corporate Plan prepared for the year 2010 had not been presented to the Auditor General in terms of paragraph 5.1.3 of the Treasury Circular No. PED/12 of 03 June 2003.

3. Systems and Controls

Weaknesses in systems and controls observed during the course of audit were 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) Accounting
- (b) Recruitments and Personal Cost
- (c) Financial Control
- (d) Budget
- (e) Assets
- (f) Settlement of Advances