

Marine Environment Protection Authority – 2018

1.1 Qualified Opinion

The audit of the financial statements of the Marine Environment Protection Authority for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 in conjunction with provisions of the National Audit Act No.19 of 2018 and Finance Act No.38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

As per Section 16(1) of the National Audit Act No.19 of 2018, the Authority is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Institute.

1.4 Auditor's responsibilities for the audit of Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following:

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Authority and

whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Institute.
- Whether the Authority has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to relevant standards	Management's Comment	Recommendation
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In contrary to the Sri Lanka Public Sector Accounting Standard 02, the Treasury grants of Rs.1,519,552 returned back to the Treasury had been shown in the cash flow statement as cash outflows under investing activities.	Action will be taken to rectify in the year 2019.	Act in accordance with Accounting Standards.

1.5.2 Accounting Deficiencies

Audit Observation	Management's Comment	Recommendation
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(a) Good costing Rs.1,097,500 not distributed among tourist guides and facilitators and the capital goods valued at Rs.252,350 had been shown in the financial statements as expenses.	Unable to include under closing stock.	Cost of goods needs to be identified being properly valued the stock and capital goods need to be accounted as assets.

(b) Even though, the new building constructed at Dadalla area and the equipment fixed into it are being using since 16 September 2018, depreciation for the year under review related to those assets valued at Rs.66,661,502 had not been stated in the financial statements.	Necessary adjustments will be done in the final accounts of the year 2019.	Depreciation relevant to the year needs to be correctly calculated since the date of use of assets.
(c) Interest income of Rs.1,450,372 relates to the year under review had not been shown in the statement of financial performance.	Will be accounted after being realised.	Interest relates to the year needs to recognised on accrual basis.
(d) Natural resources exploration licence fee of Rs.369,662 relates to the ensuing year had been shown as an income of the year under review.	Will be rectified by the financial accounts of the year 2019.	Income relates to the year under review needs to be correctly recognised and shown in the financial statements.
(e) As repair expenses of Rs.3,765,107 carried out in the year under review and the previous years are shown as vehicles acquisitions, cost of assets by that amount and depreciation expense of Rs.1,807,248 thereon had been overstated in the financial statements.	Will be rectified by the final accounts of the year 2019.	Revenue and capital expenditure need to be correctly identified and accounted accordingly.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Management's Comment	Recommendation
(a) Section 6(d) of the Prevention of Marine Pollution Act No.35 of 2008.	Diviating from the main functions of the Act, without being ensured after testing the collected waste, it had	Reaching the expected targets were delayed on the grand that corporation of the relevant entities was not given.	By performing functions state in the Act, these activities need to be controlled.

been discharged to the sea and clinical waste which is hazardous waste had been discharged direct to the sea through long pipes.

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| <p>(b) Joint cabinet Decision No.MFAR/AD/2/10/01/01/(28) dated 29 April 2018.</p> | <p>(i) Establishment of a waste management committee in the coastal zone, representing all related entities for the waste management of the coastal zone.</p> | <p>Committees at district and provincial levels will be established in future and take action accordingly.</p> | <p>Action needs to be taken in terms of cabinet decision.</p> |
| | <p>(ii) Provisions in the National Environmental Act and Prevention of Marine Pollution Act had not been executed against the owners of buildings and equipment maintain places generate dengue mosquito worms, being identified as environmental ravishers.</p> | <p>Made aware how to act at National District and Local Authorities levels.</p> | <p>Action needs to be taken in terms of cabinet decision.</p> |
| <p>(c) Cabinet Decision No.අමප/18/0863/7/25/028 dated 06 June 2018.</p> | <p>Even though, it was stated that by considering due diligence on the matter observed by the Minister of Finance and Mass Media in respect of taking suitable action for the sustainable maintenance of operations relate to</p> | <p>Action will be taken by setting up District level and Local government level committees in future.</p> | <p>Action needs to be taken to direct provincial councils and local authorities to perform the functions stated therein.</p> |

waste management within the coastal zones including ports, it was not directed to the Secretary to the Ministry of Provincial Councils, Local Government and Sports to take action accordingly.

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| (d) | Gazette extra-ordinary No.37/1816 of 28 June 2013. | Action has not been taken in accordance with section 2 of the gazette notification relates to emit waste to the sea from Modara and Wellawatta areas. | Is being performed. | Expedite necessary action to minimise pollution as pollutions exists greatly in these areas. |
| (e) | Section 15 of chapter 11 of the Establishments Code of the Democratic Socialist Republic of Sri Lanka. | Without holding efficiently bar examinations within a specific time, salary increments have been approved and paid, continuously. | Responsibility is taken to offer salary increments only on passing examinations. | In paying salary increments, relevant examinations need to be held within the specific periods. |
| (f) | Financial Regulation 396(d) of the Democratic Socialist Republic of Sri Lanka. | Action in terms of this financial Regulation has not been taken in respect of 14 cheques not presented for payments valued at Rs.665,553 lapsed for more than 6 months. | Action will be taken accordingly in future. | Action needs to be taken in terms of financial regulations. |

2. **Financial Review**

2.1 **Financial Results**

The operation of the year under review had resulted a surplus of Rs.27,476,884 as against the deficit of Rs.35,611,914 in the financial result of the preceding year. Accordingly, an improvement of Rs.63,088,798 in the financial result of the year was observed. The increase of total income by Rs.67,001,741 had mainly attributed to this improvement.

3. Operating Review

3.1 Identified Losses

Audit Observation	Management's Comment	Recommendation
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Flame and Furnace combined AAS, Laboratory equipment, received on 31 January 2017 from the Bhoomi Tech (pvt) Ltd. valued at Rs.5,800,000 has been eaten by rats and could not be used gain after being repaired and the equipment had not been used by the Authority even once. Accordingly, it was observed that public money was misused as this valuable laboratory equipment has stacked unprotectively.	Necessary steps are being taken to restore it.	Management is responsible for the safety of assets. More attention is needed for the safety of assets.

3.2 Operating Inefficiencies

Audit Observation	Management's Comment	Recommendation
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(a) According to the Action Plan, under the coastal management programme conducted by the Divisional Secretariat, Negombo for the collection of plastic bottles from Kalani river mouth to Maoya had not been implemented.	It was decided to call for fresh quotations.	Action needs to be taken in accordance with action plan.
(b) Even though, the Authority has drafted the National Strategic and Action Plan for the minimisation of Marine Environmental Pollution connected with fisheries industry by identifying how it happens, next step of it is carried out slowly.	Necessary action is being taken.	Necessary steps need to be expedited.
(c) Due to weaknesses in the identification of number of institutions by which licences need to be obtained in the zones cover the areas by regional offices of the Marine Pollution Protection Authority, the issue of licenses to the entities situated near the ocean is minimised.	Action has been taken to make the method of checking licences efficiently.	Necessary steps need to be expedited.

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| (d) Even though, a laptop computer and 7 tourist chairs have been identified as scrapped materials, action had not been taken to dispose of them. | Action will be taken in future in this connection. | Expedite to dispose of materials identified as scraps. |
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3.3 Operating Inefficiencies

Audit Observation	Management's Comment	Recommendation
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(a) GPS equipment requires to identify the coastal areas of 320 kilometres need to be covered by the Puttalam Regional Office had not been provided.	Action will be taken to purchase GPS equipment from the provisions of the year 2019.	Basic-needs of sub-officers need to be fulfilled.
(b) Number of hostels at a level that need to obtain waste water disposal licenses, around the Island amounts to 473 out of which 257 hotels had not been obtained relevant licenses.	Action has been taken to make the method of checking licenses efficiently.	Action needs to be taken to monitor the process by issuing licenses after carrying out relevant checking's.
(c) The regional offices jointly with relevant local authorities had identified drains and canals through which waste water was discharged to the sea, but that project had not been implemented as further action had not been taken by those local authorities in that connection.	Action will be taken in due course.	Future action needs to be taken expeditiously being carried out relevant testings.
(d) Even though, 34 industries had been identified that need to be obtained licenses for the disposal of waste water, future action in this connection had not been taken.	The authority expects to take future action.	Expedite the issue of licenses and monitor the future activities.
(e) Even though, dumping licenses need to be obtained for the discharge of water (Dumping) within the jurisdiction of each regional office, future action had not been taken against the entities do not obtain such licenses by the	The Authority expects to take action in future.	Expedite future action being attached officers to the Legal Division.

Legal Division having being called for reports on these entities.

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| (f) | As a result of temperature of water emitted from the Norochhole Coal Power Station is very hot and coal is dropped into the sea when unloading coal, environment and the sea is polluted but any course of action to minimize it had not been taken by the Authority. | The Authority hopes to take action in future. | Expedite to take action to minimise environmental and sea pollution. |
| (g) | Attention of the management was not drawn in respect of the environmental pollution caused as a result of discharging waste to the ocean by a hotel at Kahandamodara, Tangalle and the common sewage purification system of Warahena is not properly functioning. | The Authority hopes to take action in due course. | Expedite to take action to minimize Environmental and Sea Pollution. |
| (h) | A proper methodology for the waste management of fishery harbours had not been formulated. | The Authority hopes to take action in due course. | Action will be taken in future for the waste management that treats as a prime responsibility of the Authority. |
| (i) | Even though, it was decided to prepare a report having being discussed with the Director General of the Tourism Development Board and make aware of the Local Authorities on the matter in respect of discharging toilet and waste put up in a manner discharges waste into the sea within 300 meters from coastal limit to the land and other waste without being recycled and the special impact causes to Tourist Industry due to disposal of waste to the ocean, it was not so done. | Action will be taken to make aware of Local Authorities. | The relevant report needs to taken and take further action soon. |

3.4 Transactions of Contentious Nature

	Audit Observation	Management's Comment	Recommendation
(a)	A GSP machine at chillaw sub-office valued at Rs.28,000 had been untreatable but future action in this connection had not been taken.	A committee of inquiry has been appointed.	Preliminary and final enquiries need to be conducted expeditiously.
(b)	A sum of Rs.1,017,045 had been paid to the Lanka Foundation for capacity building training programmes, not included in an annual training programme or action plan. Attention of the authority had not been paid to get this done considering the training requirement, anticipated cost, selection of a resource person and favourable to the government with a minimum cost.	This programme has been conducted according the decision of the Board of Directors.	Training programmes need to be conducted on the requirement of the Authority.
(c)	As the trained officer for the affairs of the Laboratory put up by incurring an expenditure of Rs.2,197,998 at Galle office has not been attached to that office, the objective of the establishment of the laboratory could not be achieved.	A marine environmental officer with similar qualification is attached.	More attention needs to be drawn in respect of achieving objectives.
(d)	Even though, new Marine Environmental Officers posts had got approved by the Department of Management Services in terms of Financial Regulation 71 in order to maintain marine pollution at a minimum level by protecting marine environment and to increase the number of offices in the Regional Offices by increasing their quality, it was observed in audit that attachment of officers to those officers had been at a weak level.	Being recruited approved cadre, they will be attached to Regional officers in future.	Action needs to be taken to attach recruited officers to Regional Offices soon.

3.5 Procurement Management

Audit Observation	Management's Comment	Recommendation
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(a) Even though, a procurement plan and an action plan related thereto had been prepared, a revised procurement plan including procurements of Rs.44.451 million comprising major procurement of Rs.41.166 million and minor procurements of Rs.3,285 million had been prepared. Even though, it was planned to purchase 42 major procurements and 29 minor procurements thereof, an action plan for the revised procurement plan had not been prepared. According to the original procurement plan, all major procurements need to be completed by August 2018, such procurements had not been carried out as per information received in audit.	Instructions have already been given to the responsible officers.	Action needs to be taken in accordance with the procurement plan.
(b) As the Authority had not provided information as a response to a request made by audit on the progress of purchases made up to 11 September 2018 under the procurement plan, it was unable to establish whether expected targets had been achieved.	Instructions have already been given to the responsible officers.	Progress needs to be presented in a manner that achieved expected targets.

3.6 Human Resources Management

Audit Observation	Management's Comment	Recommendation
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Five posts in executive managerial level had fallen vacant for more than 2 years out of which 2 of them had been recruited on contract basis.	No recruitments have been made up to now.	Permanent staff needs to be recruited soon.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation

According to the approved cadre 2 audit officers need to be attached to the Internal Audit Division, but action had not been taken accordingly.

Management's Comment

Approval not given up to now.

Recommendation

As there are 9 Regional Offices belong to the Authority, staff of the Internal Audit Division needs to be increased.

4.2 Audit Committee

Audit Observation

Even though, 4 meetings of audit and management committee have been held, implementation of decisions made by the committee had shown a slackness.

Management's Comment

No comments.

Recommendation

Decision taken by the Audit and Management Committee need to be implemented soon.

4.3 Environmental Issues

Audit Observation

- (a) Due to discharge of waste to a coastal area at Kurusapaduwa by the Chillaw Urban Council improperly and without a systematic manner and being set fired, damages had caused to the mangrow layer and biological system.

Management's Comment

A committee has been appointed to take necessary action in this connection and the relevant report is being prepared.

Recommendation

Action needs to be taken to minimise damages cause to the mangrow environmental system and ecological system.

- (b) Make decisions to prevent Marine Pollution in maintaining a correct data system on marine pollution causes as a result of various activities carried out in connection with land and sea and to prevent pollution and action needs to be taken to minimise environmental pollution. According to the performance report of the Ministry of Mahaweli Development and Environment in the year

There is a difficulty in taking legal action.

Having being identified the weak instances, action needs to be taken in accordance with the provisions in the Act.

2017 water quality of the bathing ferry has been ranked by BSW Q1 classification at quarterly basis. Under that ranking 01 very weak occasion and 06 weak occasions were observed. The relevant report observed that mostly water quality of Wellawatta and Mount Lavinia sea-belt had been at a very low level.

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| (c) | Only the PH value of few bowsers transport sewage and waste water of the outside entities to the Madampitiya purification pump house is tested. Only one officer had been attached to the laboratory as a staff. | As necessary corporation of the Colombo Municipal Council was not given, it was not implemented. | Having being identified weaknesses necessary action needs to be taken. |
| (d) | The Authority has drafted the National Strategic and action plan to minimise marine pollution related to fisheries industry by identifying the method of pollution. Even though it was informed on 22 June 2018 to hold a meeting in order to prepare it effectively with the discussion of the Department of Fisheries and Water Resources no future steps thereof was observed. | The waste management plan of fishery harbours is being prepared. | Being identified weaknesses relevant action needs to be taken. |
| (e) | There are 25 fishery harbours around the Island and waste and waste water is discharged to the sea water in a grand scale. It was observed that due to non-availability of water purification systems, repairs and painting of fishing boats carry out within the fishery harbour premises and abandoned fishing tools, the ocean is subjected to severe pollution | Action had been taken to get it done through the secretary to the Ministry. | Action needs to be taken to minimize pollution soon. |

4.4 Sustainable Development Goals

Audit Observation

Five indices have been identified to reach Sustainable Development Goals and it has been referred to the United Nations for its attention. Instructions thereon have not been received by the Authority even up to the end of the year under review.

Management's Comment

Necessary plans are being formulated.

Recommendation

It is a foremost necessity to act all government entities to reach Sustainable Development Goals and as such steps to be taken soon.