

1.1 Qualified Opinion

The audit of the financial statements of the Marine Environment Protection Authority for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 2019, 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 Internal Control over the preparation of financial statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

1.5.2 Accounting Deficiencies

Audit Observation	Management’s Comment	Recommendation
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(a) Expenditure incurred on the repair of fixed Assets Rs.1,215,299, it was stated in the Financial statement as an acquisition of the Assets	This accounting has been done as it is possible to maintain the lifetime of the assets and to able of obtaining economic benefits for several years.	It should be considered as an expenses of the year as it is a recurrent expenses
(b) Sound Wave Equipment valued at Rs.2,092,540 had been purchased from the Authority Funds and given to an external entity it had been accounted as an assets in the financial statements.	Action has been taken to rectify this by 2020 financial statements	Assets must be properly accounted for.

- (c) Intangible assets the net value of Rs.1,747,535 was disclosed in the financial statements and the accounting policies followed for the amortization of such assets were not disclosed in the financial statements
- Replies had not been made.
- Accounting policies should be disclosed in the financial statements.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Management's Comment	Recommendation
(a) Section 6(d) of the provision of Marine Pollution Act No 35 of 2008	Deviating from the main functions of the Act. without being ensured after testing the collected waste, it had been discharged to the sea and clinical waste which is hazardous waste had been discharged direct to the sea through long pipes	This methodology had been adopted for the year 2020	Should be done accordance with Act.
(b) Section 6(E) of the prevention of Marine Pollution Act No 35 of 2008	Although all service providers registered under the category of burning oil waste have to made a an initial deposits Rs.300,000, apart from that Rs.150,000 each was deposited for burning oil and Rs.20,000 each for garbage and sewage.	-do-	-do-

(c) Gazette extra-ordinary No 37/1816 of 28 June 2013	Action has not been taken in accordance with section 2 of gazette notification relates to emit waste to the sea from Modara and Wellawatta areas.	Necessary action has not been taken by the government agencies that should have taken action for this.	Expedite necessary action to minimise pollution as pollutions exists greatly in these areas.
(d) Financial Regulation of the Democratic Socialist Republic of Sri Lanka -----			
(i) Financial Regulation 396 (d)	Action in terms of the Financial Regulation has not been taken in respect of 15 cheques not presented for payment valued at Rs 321,394 lapsed for more than 6 months.	Action had been done as Financial Regulation	Action should to be taken in terms of Financial Regulations.
(ii) Financial Regulation 110 (d)	The Financial Regulation had not been complied in connection with 4 vehicles were involved in the accident.	A committee of inquiry has already been appointed.	Action should to be taken in terms of Financial Regulations.
(iii) Financial Regulation 756	Board of surveyed had not been done for the year under review	Necessary works is being done at present.	Action should 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.2,952,703 as compared with the corresponding surplus of Rs.27,476,884 in the financial result of the preceding

year. Accordingly, deterioration of Rs.24,524,180 in the financial result of the year was observed. The increase of salary, wages, Employees benefit and other recurrent expenditure Rs.27,506,018 had mainly attributed to this deterioration.

3. Operating Review

3.1 Identified Losses

Audit Observation	Management's Comment	Recommendation
During the under review, Rs 131,075 was spent to install 10 substandard concrete benches which were destroyed due to non-standard construction.	A committee of inquiry had been appointed and investigations underway.	Prior to payment make sure it is done according to the standard.

3.2 Management Inefficiencies

Audit Observation	Management's Comment	Recommendation
Eventhough, 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.

3.3 Transactions of Contentious Nature

Audit Observation	Management's Comment	Recommendation
(a) As the trained officer for the affairs of the Laboratory put up by incurring an expenditure of Rs.2,197,998 at the Galle Office, was detained at the head	A marine environment officer with similar qualification is attached	More attention needs to be drawn in respect of achieving objectives

office without being attached to that officer. Due to this, the purpose of establishing the laboratory could not be achieved.

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| <p>(b) Atomic extraction spectrum double dimension value at Rs. 5,700,000 has been inactive in the laboratory for more than three years without any use end. mean wile, an agreement had been reached with an agency to repair the equipment at a cost of Rs. 1,212,299 due to its inability to use it.</p> | <p>Necessary steps will be taken to expedite this process</p> | <p>Assets should be use to the maximum</p> |
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3.4 Human Resources Management

----- Audit Observation -----	----- Management's Comment -----	----- Recommendation -----
<p>(a) Five posts in executive managerial level had fallen vacant for more than 2 years out of which one of them had been recruited on contract basis in the year 2018.</p>	<p>No recruitments have been made up to now.</p>	<p>Permanent staff needs to be recruited soon.</p>
<p>(b) An applicant who had not completed the basic qualifications outside the recruitment procedure had been recruited for the post of financial officer</p>	<p>A committee of inquiry has been appointed and investigations are underway.</p>	<p>Recruitment of an officer who has completed the basic qualifications should be done</p>

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Management's Comment	Recommendation
According to the approved cadre 2 audit officers need to be attached to the Internal Audit Division except Internal Auditor, but action had not been taken accordingly.	Approval not given up to now.	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	Management's Comment	Recommendation
Even though, 4 meetings of audit and management committee have been held, implementation of decisions made by the committee had shown a slackness.	No comments.	Decision taken by the Audit and Management Committee need to be implemented soon.

4.3 Environmental Issues

Audit Observation	Management's Comment	Recommendation
(a) Only a few samples taken from bowsers transport sewage and waste water from outside institutions to the Madampitiya purification pump house are being tested in the laboratory set up at that location, where it was observed that only the value of PH of waste water is tested. This laboratory, which employs only one testing officer without adequate staff, has been conducting tests without any results, and it was difficult to prevent sea water pollution due to the inability to identify bowsers with substandard waste water before entering the pumping house.	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.

<p>(b) The Authority has drafted the National Strategic and action plan to minimise marine pollution related to fisheries industry by identifying the method of pollution. Although a meeting was held to take the draft plan into action and discuss it with the Department of Fisheries and Aquatic Resources to prepare it more effectively, no action had been taken to determine and implement the plan.</p>	<p>The waste management plan of fishery harbours is being prepared.</p>	<p>Being identified weaknesses relevant action needs to be taken.</p>
<p>(c) 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</p>	<p>Action had been taken to get it done through the secretary to the Ministry.</p>	<p>Action needs to be taken to minimize pollution soon.</p>

4.4 Sustainable Development Goals

<p>----- Audit Observation -----</p>	<p>----- Management's Comment -----</p>	<p>----- Recommendation -----</p>
<p>Five indices have been identified to reach Sustainable Development Goals and it has been referred to the United Nations for is attention. Instructions thereon have not been received by the Authority even up to the end of the year under review.</p>	<p>Necessary plans are being formulated.</p>	<p>It is a foremost necessity to act all government entities to reach Sustainable Development Goals and as such steps to be taken soon.</p>