

**“Towards Sustainable
Development
in the Caresses
of the Blue Seas ”**

**ANNUAL REPORT
2014**

**MARINE ENVIRONMENT
PROTECTION AUTHORITY**

**MINISTRY OF ENVIRONMENT AND
RENEWABLE ENERGY**

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The Marine Environment Protection Authority was established under the former Marine Pollution Prevention Act No. 59 of 1981. The new Marine Pollution Prevention Act No. 35 of 2008 was enacted for strengthening the legal powers vested in the Marine Environment Protection Authority for acting to prevent, mitigate and control marine pollution and for implementing international Conventions on marine pollution applicable to Sri Lanka and it was brought into effect on 01 January 2009.

Corporate Information

Name of the Authority:

MARINE ENVIRONMENT PROTECTION AUTHORITY

Legal Statues

A regulatory authority established under the Marine Pollution Prevention Act No. 35 of 2008

Registered Address and Head Office

Marine Environment Protection Authority
No. 758 Baseline Road,
Colombo 09.

TP: 011 2687520/011 2690604/ 011 2690605;

Fax: 011 2687451/011 4615960

E-mail :(info@mepa.gov.lk Web: mepa.gov.lk

Board of Directors

Chairman

T.N. Wijegunawardana (Retired DIG)
(Appointed on 15.04.2014)

Mr. H.C.B.M. Herath,
Additional Secretary, Ministry of
Fisheries

Directors

Mr. R.R.R.A. Rupasinghe
Additional Secretary, Minister of
Mahaweli Development and Environment

Mr. A.W. Seneviratne
Director General, Department of
Merchant Shipping

Commodore N.P. Attygalle
Director Operations, Sri Lanka Navy

Mr. Mahesh Katulanda, AAL
(Member appointed by the Minister)

Ms. S.N. Mayadunne Bandara
Legal Advisor, Ministry of Foreign
Affairs

Mr. J.A.A. Ranasinghe
(Member appointed by the Minister)

Mr. P.S.M. Jayathilaka
Assistant Director -
Department of Planning

Dr. P.B. Turney Pradeep Kumara
General Manager
(Appointed on 04.08.2014)

Access to the Marine Environment Protection Authority

Head Office

Marine Environment Protection Authority
758 Baseline Road, Colombo 09
TP: 011 2687520/011 2690604/ 011 2690605
Fax: 011 2687451/011 4615960
E-mail : info@mepa.gov.lk Web: mepa.gov.lk

1 Western and North-Western Provincial Office and Colombo District Office

758 Baseline Road, Colombo 09.
TP: 011 2687520/011 2690604
Fax: 011 2687451/011 4615960

2 District Office – Kalutara District

Marine Environment Protection Authority,
187/3 Galle Road, Beruwala.
TP: 034 2298407/071 8100821
Fax: 034 2298407

3 Southern Provincial Office and District Office, Galle

Marine Environment Protection Authority,
04 Clausenberg Road, Magalle, Galle.
TP: 091 2233547/071 8214184
Fax: 091 2233547

4 District Office – Matara District

Marine Environment Protection Authority,
18 Wilmott Balasuriya Avenue, Nupe, Matara.
TP: 041-2234250/071 4926849
Fax: 041 2234250

5 District Office – Hambantota District

Marine Environment Protection Authority,
46 Second Floor, Administrative Complex,
Siribopura, Hambantota.
TP: 047 2256372/071 3624651
Fax: 047 2256372

6 District Office – Ampara District

Marine Environment Protection Authority,
Pradeshiya Sabha Building, Village Council Road, Thambiluvil
TP: 067 2265416
Fax: 067 2265416

7 Eastern Provincial Office and District Office, Trincomalee District

Marine Environment Protection Authority,
4th Mile Post, Trincomalee.
TP: 026 2050805/071 8383363
Fax: 026 2050805

8 District Office – Jaffna District

Marine Environment Protection Authority,
District Secretariat, Jaffna.
TP: 021 2212663
Fax: 021 2212663

9 District Office – Puttalam Marine

Environment Protection Authority,
23 Ebert Silva Gardens, Colombo Road, Chilaw.
TP: 031 2222865/071 8099899
Fax: 032 2222865

10 District Office – Gampaha District

Marine Environment Protection Authority,
704/9A Second Kurana, Colombo Road,
Negombo.
TP: 031 2228606/071 8325678
Fax: 031 2228606

CHAIRPERSON'S MESSAGE

The Marine Environment Protection Authority established by the Marine Pollution Prevention Act No. 35 of 2008 acts to prevent, mitigate and control marine pollution occurring in the marine region of Sri Lanka. Action has been taken to achieve the objectives intended in establishing the Marine Environment Protection Authority under the Marine Pollution Prevention Act No. 35 of 2008 by formulating and implementing 4 regulations under section 51 of the Marine Pollution Prevention Act in order to formulate and implement efficiently and effectively the legal provisions necessary to achieve those objectives.

Since appointment to the post of Chairperson, measures necessary to introduce and implement internal controls and reporting methodologies were discussed with the Board of Directors and put into action. During the year, Dr. Turney Pradeep Kumara of the University of Ruhuna was appointed as the General Manager of the Authority by a Cabinet Memorandum. With the appointment of the new General Manager, I expect that the future path and evolving of the Authority will be more fruitful on account of his knowledge, skills and vision.

In the year 2014, the activities implemented according to the Action Plan of the Authority were implemented as usual. At the same time, the Authority commenced and implemented two projects under Treasury provisions.

The project to identify alien and aggressive organism species that may arrive through ballast water was completed in the year 2014. Experts on the field from Universities of Sri Jayewardenepura, Ruhuna, Kelaniya and Vayamba participated in the implementation of the projects. Survey activities were carried out in the harbours of Trincomalee, Galle and Hambantota in the year 2014. At present, the final report of the survey is being prepared. This will enable to check whether there are alien organisms and hostile organisms arriving at Sri Lankan ports and a key database associated with the harbour has also been established.

The Authority commenced the Green Harbour Project in collaboration with the Fishery Harbours Corporation focusing on the Mirissa Fishery Harbour under Treasury allocations for the purpose of promoting green harbours concept in Sri Lanka and this Project will be implemented in 2014-2016. This will aim at building the Mirissa Fishery Harbour as a green fishery harbour.

Finally, I extend my thanks to the Board of Directors and the General Manager and staff for their unstinted cooperation in achieving the objectives of the Marine Pollution Prevention Act No. 35 of 2008 during the year 2014.

T.N. Wijegunawardana
Chairperson



Vision

"Creating a pollution free marine environment around Sri Lanka for the sustainable development and the well being of its people and the economy"

Mission

"Be an agency with skills, competence, organizational structure and infrastructure framework necessary to prevent, control and manage marine pollution in Sri Lanka's environment through effective enforcement of regulations, implementation of relevant International Conventions, and coordination and mobilization of stakeholders and other resources, for sustainable management of marine environment for present and future generations."

1. Background

1.1 Introduction

As an island, Sri Lanka is located at a strategically important place in the Indian Ocean. According to the international laws, Sri Lanka is entitled to tap resources in a vast marine region eight times the size of its land area. International shipping routes linking the orient and the occident run along the ocean region belonging to our country. The territorial waters belonging to Sri Lanka is rich with many resources, which are gradually polluted due to navigation of ships and human activities on land.

As such, the Marine Pollution Prevention Authority was established in terms of the Marine Pollution Prevention Act No. 59 of 1981 in order to maintain our oceanic resources free of pollution. The new Marine Pollution Prevention Act No. 35 of 2008 was enacted for strengthening the legal powers vested in the Marine Environment Protection Authority for acting to prevent, mitigate and control marine pollution and for implementing international Conventions on marine pollution applicable to the Government of Sri Lanka and it was implemented with effect from 01 January 2009. According to this Act, the name of the Authority was changed as Marine Environment Protection Authority.

According to the Mahinda Chintana Vision for the Future, developing Sri Lanka as a naval hub is one of the main objectives. In the presence of this objective, construction

of new harbours and improvement of existing harbours is also done. In addition, programmes are being formulated to tap the marine resources. Therefore, the contribution on the part of this Authority is necessary for minimizing the pollution that can occur through development measures and for maintaining the sustainability of these industries.

Accordingly, this Authority has been implementing many programmes as the institution assigned to minimize, mitigate and management of pollution of marine natural resources.

1.2 Responsibilities and Functions of the Authority

Functions of the Authority

- (a) To effectively and efficiently administer and implement the provisions of the Act and the Regulations made thereunder.
- (b) To formulate and execute a scheme of work for the prevention, reduction, control and management of pollution arising out of ship-based activity and shore based maritime related activity in the territorial waters of Sri Lanka or its foreshore or the coastal zone of Sri Lanka.
- (c) To conduct research in collaboration with other departments, agencies and institutions in both government and private sector for the purpose of prevention, reduction, control and management of pollution arising from any

ship-based activity or shore-based maritime related activity in the territorial waters or any other maritime zones of Sri Lanka or its foreshore or the coastal zone of Sri Lanka.

(d) To take measures to manage, safeguard and preserve the territorial waters or any other maritime zone of Sri Lanka its foreshore and the coastal zone of Sri Lanka from being polluted by oil, harmful substances or any other pollutant.

(e) To provide adequate and effective reception facilities for oil, harmful substances or any other pollutant.

(f) To recognize and recommend adherence to all international conventions and relevant protocols dealing with marine pollution which the government of Sri Lanka has or may ratify, accept, accede or approve.

(g) To formulate and implement the national oil spill contingency plan.

(h) To oversee, regulate and monitor the conduct of the contractors service sub-contractors, and other persons conducting or engaged in exploration of natural resources. of natural resources associated with petroleum or other related activities

(i) To create awareness amongst various community groups on the need to preserve the marine environment.

(j) To do all such other acts or things as may be necessary for the discharge of all or any of the above functions.

Powers of the Authority

(a) To effectively safeguard and preserve the territorial waters or any other maritime zone

of Sri Lanka or its foreshore or the coastal zone from any pollution arising out of any ship based activity or shore based maritime-related activity.

(b) To conduct investigations and inquiries and to institute legal action in relation to any pollution, arising out of any ship based activity or shore based maritime-related activity.

(c) To control all sea transport of oil and bunkering operations that are carried out in the territorial waters or any other maritime zone of Sri Lanka or its foreshore or the coastal zone for the purpose of prevention of pollution.

(d) To acquire, hold, take or give on lease or hire, mortgage, pledge, sell or otherwise dispose of any movable or immovable property;

(e) To employ such officers and servants as may be necessary for the purpose of discharging the functions of the Authority;

(f) To enter into and perform directly or through any officer or agent authorized in that behalf, all such contracts as may be necessary for the discharge of the functions of the Authority;

(g) To appoint any person by name or office for the purpose of conferring all or any of the powers conferred on the Authority under the Act;

(h) To open, operate and maintain accounts in any bank or financial institution approved by the Board;

(i) To borrow such sums of money as may be necessary for the purpose of discharging the functions of the Authority;

(j) To accept and receive grants, donations and bequests of property both movable and immovable from sources in Sri Lanka and abroad and utilize them for the purpose of discharging the functions of the Authority;

(k) to make rules in respect of the management of the affairs of the Authority;

(l) To charge fees from any person or body of persons for any services provided by the Authority;

(m) To levy fees or charges in respect of all ships calling at Sri Lankan ports for the services provided by the Authority; and

(n) To do all such other acts or things as are necessary for the proper discharge of the functions of the Authority or are incidental to any of the powers specified in this Act or conferred on or assigned to the Authority;

2. Administration Report

The Board of Directors guided and monitored the operational activities carried out for achieving the objectives expected through the implementation of the Corporate Plan 2012-2016 and the Annual Action Plan that were prepared aiming at the objectives of the Marine Pollution Prevention Act No. 35 of 2008. The Board of Directors further believes that by adopting good governance principles, long lasting benefits can be brought to stakeholders and the authority can be **run** properly. The Board of Directors of the Marine Environment Protection Authority comprises ten (10) members.

The Administration Report has prepared base on the principles of corporate governance and the activities of the year under review in accordance with the guide for good governance published by the Chartered Accountants of Sri Lanka and principles and requirements of other administrative guiding issued by the Treasury and other relevant Authorities.

The attention of the Board of Directors was focused day-by-day towards improving the internal controls where necessary for ensuring that the principles of corporate governance are followed by responsible and transparent manner. The internal control structure is comprised of the Board of Directors, Audit and Management Committee, being its sub-committee, and a qualified senior Management team. The following Administrative Structure shows

the manner in which internal control units are used effectively through restructuring processes and methodologies.



2.1 Responsibility and Role of the Board of Directors

Using the capacities and decision making power that it possesses in the course of policy making and evaluation for the purpose of achieving the objectives specified in the Marine Pollution Prevention Act is one of the main responsibilities of the Board of Directors. The role of the Board of Directors is to implement strategies to achieve the long-term objectives. Technical and consultancy services had to be obtained from the experts in the field when necessary in executing these tasks.

It is the responsibility of the Board of Directors to practice good governance principles in order to achieve the targets expected by the Combined Plan, the Action Plan and the Budget Estimate.

The Board of Directors has appointed the Audit and Management Committee as a sub-committee to independently perform scrutinizing and monitoring to ensure effective and efficient performance of management and operational activities. This Committee mainly comprises non-executive Directors. This report contains the responsibilities and roles of the Audit and Management Committee.

2.2 Composition of the Board of Directors

The Board of Directors was comprised of 10 members as at 31.12.2014. Eight of them are non-executive Directors while the Chairman and the General Manager function as executive Directors

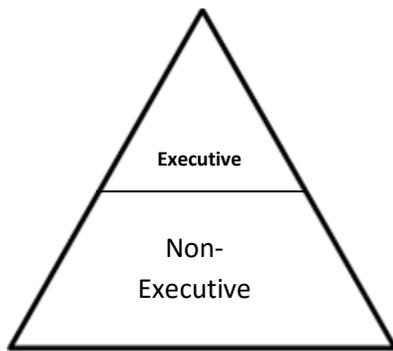


Figure 01

Mr. T.N. Wijegunawardana functioned as the Chairman and he provided facilities and guidance for the proper conduct and smooth operation of the affairs the Board of Directors.

The executive and non-executive composition of the Board of Directors was kept in accordance with the provisions of the Marine Pollution Prevention Act No. 35 of 2008. Six of the non-executive Directors

serving the Board of Directors are those representing four key Ministries, Navy Commander and the Director General of the Merchant Shipping Department. As such, Directors have been appointed to cover all the subject areas relevant to the scope of the Authority and these non-executive Directors perform a great role in bringing about coordination between those institutions.

2.3 Appointments and Retirements in the Board of Directors

During the financial year 2014 that is under review, two appointments were made to the Board of Directors while one retirement took place.

2.3 Meetings of the Board of Directors

During the year 2014, 14 Meetings of the Board of Directors were conducted. Necessary steps had been taken to send to the Board of Directors in time the Board Papers and other information necessary for making effective and efficient decisions.

2.4 Secretary to the Board of Directors

The Manager (Legal) of the Marine Environment Protection Authority functions as the Secretary to the Board of Directors. The Secretary to the Board of Directors provided the Board of Directors with necessary information in time and accurately adapting to the principles of good governance and legal requirements and managing more efficiently, in addition to keeping the records of the Board of Directors.

3. Report of the Audit and Management Committee

The Audit and Management Committee comprises three non-executive Directors. Mr. M.S.P. Jayathilaka, representative of the Treasury, held its chair and Mr. R.R.A.R. Rupasinghe, Additional Secretary to the Ministry of Environment, and Mr. J.A.A.S. Ranasinghe, appointed Member of the Board of Directors, were the Members of the Committee. In addition, Audit Superintendent in charge of the Ministry of Environment and Chief Internal Auditor of the Ministry of Environment attended the Meetings of the Audit and Management Committee as main observers. The General Manager and the Accountant as well as officers holding other relevant positions appeared before the Committee whenever necessary to give clarifications upon being summoned by the Audit and Management Committee.

The internal auditing activities were carried out by the Internal Audit Division. The operations within the purview of audit has been planned to be implemented within the year covering operational, financial, administrative and legal Divisions. In addition, the Auditor General's Department subjected the deficiencies existing in terms of operations, administration and finance as well as shortcomings in internal controls to evaluation, side by side with auditing the Financial Statements.

Measures were adopted to make the necessary rectifications by discussing the internal audit report with the management. The audit was planned and implemented to

obtain an assurance that the affairs of the Authority are conducted in accordance with the internal Circulars of the Authority, the Financial Regulations, the Establishments Code and other regulations. All the financial, administrative and operational activities including the preparation of the Financial Statements of the Authority, preservation and maintenance of the assets of the Authority and maintaining the liquidity of the Authority were subjected to audit in this endeavor. The Audit and Management Committee inspected the Financial Progress Reports prepared by the Accountant and submitted recommendations to the Chairman and the General Manager pertaining to the action that should be taken regarding it.

The Audit and Management Committee discussed with the Auditor General's Department their observations, conclusions and recommendations at its meeting. In addition, the Audit and Management Committee evaluated the facts unveiled by the internal audit reports and the effectiveness of the auditing methodologies and provided the instructions and guidance necessary to minimize the deficiencies. The Audit and Management Committee conducted meeting four times during the year.

**Records on the Meetings of the Board of Directors of the
Marine Environment Protection Authority in 2014**

	Name	Position Held by the Board of Directors	No. of Meetings of the Board
01	Mr. T.N. Gunawardana	Chairman (Member appointed by the Ministry)- Executive Director	-
02	Mr. R.A.R.R. Rupasinghe	Non- Executive Director	8/14
03	Mr. S.N. Mayadunne Bandara	Non- Executive Director	3/14
04	Mr. P.M.S. Jayathilaka	Non- Executive Director	14/14
05	Mr. H.M.B.C. Herath	Non- Executive Director	7/14
06	Mr. A.W. Senevirathna	Non- Executive Director	5/14
07	Commodore N.P. Attigala (Resigned 21.03.2014)	Non- Executive Director	2/14
	Commodore N.P. Wickramasinghe (Appointed - 19.05.2014)	Non- Executive Director	7/14
09	Mr. J.A.A.S. Ranasinghe	Non- Executive Director (Member appointed by the Ministry)	14/14
10	Mr. M. Katulanda	Non- Executive Director (Member appointed by the Ministry)	2/14
11	Miss A. Kariyawasam (Till 04.08.2014)	General Manager (Actg) Executive Director	-
12	Mr. P.B. Turney Pradeep Kumara (Appointed 04.08.2014)	General Manager Executive Director	-
13	Mr. G.S.S.G. Perera	Observer (Audit and Management Committee)	0
14	Mr. L.D.N. Kumarasiri	Observer (Audit and Management	0

**Records on the Meetings of the Audit and Management Committee of the
Marine Environment Protection Authority in 2014**

	Name	Position Held in the Board of Directors	No. of Meetings of the Audit and Management Committee
01	Mr. R.A.R.R. Rupasinghe	Non- Executive Director	3/4
02	Mr. P.M.S. Jayathilaka	Non- Executive Director	4/4
03	Mr. J.A.A.S. Ranasinghe	Non- Executive Director (Member appointed by the Ministry)	4/4
04	Mr. G.S.S.G. Perera	Observer (Audit and Management Committee)	4/4
05	Mr. L.D.N. Kumarasiri	Observer (Audit and Management Committee)	3/4

4. Review of Operations

1. Implementation of the National Oil Spill Plan

The risk of oil infiltrating into the marine environment due to ship accidents is ever increasing due to the escalation of the number of commercial and fishery harbours, development activities associated with ports and the increase in the number of ships arriving in Sri Lankan ports.

It is essential to implement the National Oil Spill Contingency Plan to control oil spills in order to mitigate and minimize the harm caused by a sudden oil spill.

Therefore, it is important to educate all institutions and officers involved in the plan for implementing the plan and take steps according to the plan. The following activities were conducted by the Authority for this purpose in 2014.

- (Conducting Incident Management Team meetings)

It is this team that will be assign the primary responsibility of formulating the Incident Action Plan necessary for implementing in a sudden oil spill, and it is necessary to inform them on how they should act according to the responsibility assigned to them. They were enlightened by conducting five rounds of meetings during the year. At the same time, the responsibility of the institutions to which those officers belong was also subjected to discussion.

- Three-day Training programme for training first respondents in an oil spill.

Three-day workshops were conducted to educate the first respondents on the impact of an oil spill, the techniques to be used to control an oil spill and how to operate the equipment used in controlling an oil spill in order to prepare them to respond to an oil spill.

- Involvement in the action plan to respond to an oil spill in the South Asian Region

A plan has been prepared to respond together if an oil spill which affect south Asian countries, namely India, Bangladesh, Pakistan, the Maldives and Sri Lanka, occurs in the south Asian region and a Memorandum of Understanding has to be signed in order to put it into action in an oil spill. Approval of the Cabinet of Ministers was obtained for signing the Memorandum of Understanding on behalf of Sri Lanka. Once the Minister of Environment signs it, Sri Lanka has to act in accordance with the Memorandum of Understanding.

The International Maritime Organization implements a project to execute the above plan in the South Asian region. Under this project, a two-day workshop was conducted with regard to the implementation of the action plan in a sudden oil spill together with the South Asian Regional Environment Co-operation Programme.

During this workshop, recommendations were submitted to improve the action plan for a national oil spill and to improve the South Asian Plan.

- Introduction of an Oil Spill Contingency Plan at Provincial Level.

A two-day workshop was conducted for commencing the work necessary for formulating a Provincial level plan to be implemented in an oil spill.

- Pollution of Calido coastal belt in Kalutara

An incident of pollution caused by oil in the Calido beach stretch was reported on 01.02.2014 and an area of approximately 2 km had been polluted due to the incident. Officers of our Authority together with officers from the Coast Conservation Department carried out the clearing of oil spilled on the coastal belt and cleaning the beach. The source of the oil spill was also discovered and the necessary action was taken to file legal action against the institution responsible for it.

- Becoming a Signatory to the International Convention for the Prevention of Marine Pollution

Action was taken to draft a situation analysis report on Sri Lanka and discuss with relevant institutions in order to finalize it for determining data for the purpose of making Sri Lanka a party to 1997 OPRC HNS Protocol, which is the organization for the prevention of marine pollution caused by ships based upon the Resolution 1973/78 for the Prevention of Marine Pollution.

- Project to Manage the Proliferation of Invasive Organisms that Arrive through Ballast Water

One of the activities under this Project was to carry out initial research on the situation of the commercial ports of Sri Lanka and during 2014, survey activities on Trincomalee, Galle and Hambantota Ports were completed.

At the same time, in collaboration with the ICTA, a methodology for online notification on the disposal of ballast water was devised for obtaining reports on disposal of ballast water by ships arriving in Sri Lanka.

- Green Fishery Harbour Project

This Project was commenced centering on Mirissa Fishery Harbour as a pilot project to prevent marine pollution occurring due to activities of fishery harbours and to improve the condition of fishery harbours.

The main activities under this Project are: correct collection and disposal of solid wastes that gather in fishery harbours excessively such as fibre-glass, polythene and rigidfoam (Polystyrene foam); correct collection and disposal of wastes that gather in places where fish is sold; and establishing a refining system for correct collection and disposal of waste water.

Under the programme for the prevention of waste gathering in the fish sale area from falling into the fishery harbour and collection such waste, a new fish sale area was established and a waste collection system was commenced in 2014.

- Issuing dumping permits

According to the regulations framed by the Authority, dumping of waste in the sea can only be carried out with a license issued by the Authority. At the same time, disposal of waste in the sea should be done only according to the conditions of the regulations. This can minimize the amount of hazardous waste released to the sea and minimize the impacts on the marine environment as well as ocean-based industries caused by waste dumping.

Providing Reception Facilities for Waste Generated in Ships

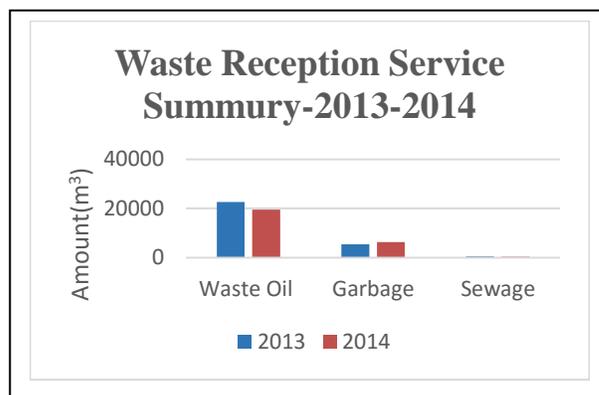
Under these activities, action had been taken to adopt new measures for proper disposal of waste generated in ships. Steps were taken to carry out the waste removal service systematically using Internet facilities. However, the implementation of the new methodology had to be postponed on several occasions considering the requests from service providers to overcome certain problematic situations that had arisen in adopting new measures and services were provided according to the old method in the year 2014.

The following 27 service-provider organizations were registered for 2014:

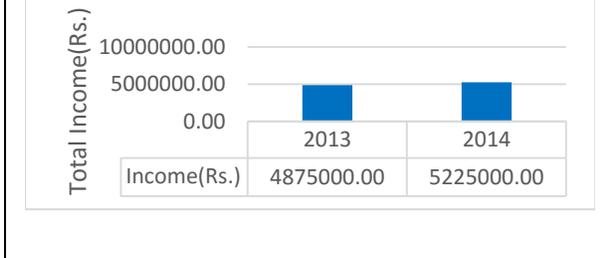
1. Holcim (Lanka) Limited
2. Shanika Marine Company
3. Jaya Marine Company
4. G.M. Line
5. Vismitha Marine Enterprises
6. Prabala Traders Marine Service

7. S.H. Wilson and Company
8. Maria Shipping Service
9. Ocean Marine Service
10. N.G.N Ranjith Marine Service
11. New Colombo Harbour Supplier
12. Malsha Globe Shipping Service
13. Lakshman Traders and Contracts
14. K.L.S. Marine Service
15. United Oceanic Marine Services
16. Marino Lanka
17. Sudesh Enterprises and Exporters
18. Sagara Marine and Engineering Service
19. Tharuni Marine Service
20. Nirosh Marine Services
21. K.L. Gunasiri and Sons
22. Sunchem Industries
23. Sudha Shipping Service
24. Colombo Dockyard PLC
25. Dev Engineering (Private) Limited
26. Canadian Star (Private) Limited
27. Supreme Petro Lanka (Private) Limited

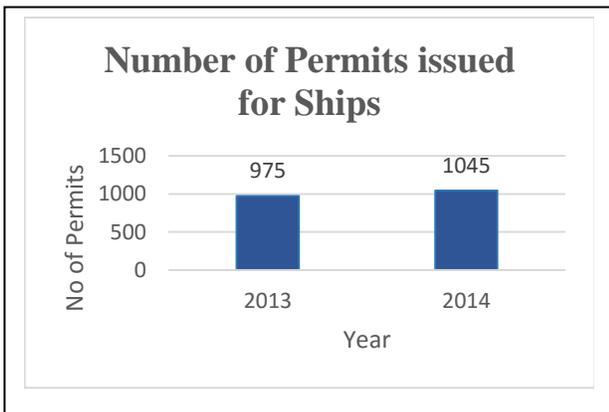
In 2014, waster removal service had been provided to 1159 ships whereby 19,531 metric tonnes of furnace oil and 6645 cubic metres of solid waste were removed and disposed in a proper manner.



Total Income of Waste Reception Service 2013-2014



Number of Permits issued for Ships



The total income generated from registration fees and licence fees was Rs. 9,915,150.00 in 2014.

Issuing Bunkering Licences

Marine Environment Protection Authority issued bunkering licences in 2014 to 10 ships engaged in supplying bunkering oil. Supply of bunkering fuel to ships was mainly carried out in the Colombo port and in addition, licences were issued pertaining to the supply of bunkering fuel at the Magampura Port in Hambantota.

Ships Issued with Bunker Licenses:-

1. MT SHERMAC

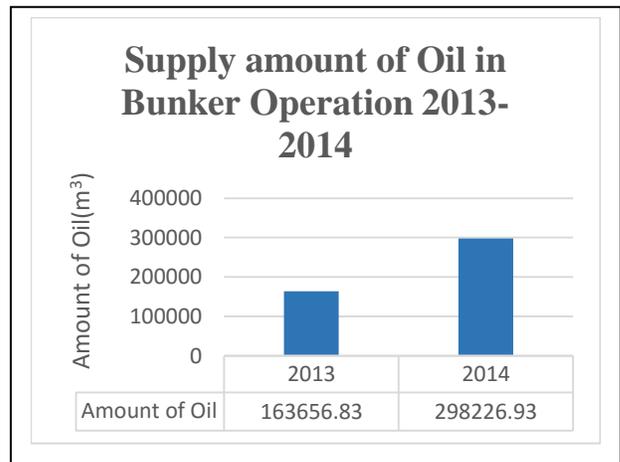
2. MT SEA FALCON
3. MT WEALTHY
4. MT LM KELANI
5. MT MADURU OYA
6. MT LM NILWALA
7. LMS DIYALUMA
8. LSM LAXAPANA
9. LMS DUNHIDA

In addition, bunkering licences were obtained by Lanka IOC in Trincomalee and Port Management Company in Magampura for maintaining oil storage facilities on land.

Similarly, the Jayasundara Motors obtained 10 Road Tanker clearance certificates pertaining to the supply of bunkering oil using Bowser tankers.

The total income generated from the issue of bunkering licences in 2014 was Rs. 1,729,000.00.

Supply amount of Oil in Bunker Operation 2013-2014



Commomorating the World Environment Day and the World Oceans Day - 2014

In 2009 The United Nations first celebrated June 8th as the World Oceans Day with a

view to enlightening the world's community on the importance of the marine environment. The special feature of this year's programme was the simultaneous celebration of the World Oceans Day, which falls on June 8th, and the World Environment Day, which falls on June 5th.

Accordingly, the Marine Environment Protection Authority conducted a series of programmes for the joint World Oceans Day and World Environment Day celebrations. The national programme was conducted at the Auditorium of the District Secretariat of Trincomalee on 16th June 2014 headed by Hon. Susil Premajayantha, Minister of Environment and Renewable Energy. More than 250 persons including public officials, University students, school children, industrialists, hoteliers, businessmen and officers of non-governmental organizations attended the programme.

A series of lectures were conducted on the importance of the marine environment in Trincomalee area, how to maintain it sustainably, and how to keep the marine environment free of environmental pollution. The Keynote Address of this event was delivered by Dr. Mahesh Jayaweera, Senior Lecturer at the University of Moratuwa, and the other lectures were given by Prof. Devaka Weerakoon, Head of the Department of Animal Sciences at the University of Colombo, Dr. Tuerney Pradeep Kumara, Head of the Department of Oceanology and Marine Geology at the University of Ruhunu, and Mr. D.M. Manoj, Biodiversity Secretary at the Ministry of Environment and Renewable Energy.

The launching of the Sath Samudura digest annually by the Marine Environment Protection Authority was also conducted under the patronage of Hon. Susil Premajayantha, Minister of Environment and Renewable Energy.

Parallel to the above programme, Hon. Susil Premajayantha, Minister of Environment and Renewable Energy inaugurated the 2500 Mangrove Saplings Planting Programme on the Salli Beach in Trincomalee by planting the first 500 saplings on that same day. It was attended by around 100 officers, from the Navy, Public institutions and non-governmental organizations.

Side by side with the World Environment Day and the World Oceans Day, a programme was conducted with the participation of 50 divers for cleaning the coral reef associated with the Pigeon Island in two areas on 15th June 2014.

In addition, Regional Offices of the Authority also conducted coastal clean-up programme in Dehiwala and cleaned nine selected fishery harbours in Colombo, Negombo, Kalutara, Chilaw, Galle, Matara, Hambantota, Trincomalee and Ampara Districts side by side with the World Environment Day and the World Oceans Day Programme.

Among the institutions and persons that participated in the fishery harbours cleaning programme were the Navy, the Coast Guard Department, the Coast Conservation Department, the Central Environmental Authority, Fishery Harbours Corporation, the Police, Fishermen, Pradeshiya Sabhas, Sri

Lanka Port Authority, Medical Officers of Health and Non-governmental organizations.

During the programme, non-biodegradable waste such as bottles, vials, polythene, nylon, rubber, iron, plastic, cloth and glass etc. were collected while the Pradeshiya Sabhas and Urban Councils in the respective areas provided necessary assistance in disposing these waste.

The dates, venues and number of participants in the fishery harbours cleaning programme are as follows:

Cleaning of Mirissa Fishery Harbour



District	Date and Venue	Number of participants
Hambantota	20.06.2014 – Kirinda Fishery Harbour	51
Matara	05.06.2014 Mirissa Fishery Harbour	64
Galle	06.06.2014 – Hikkaduwa Fishery Harbour	61
Colombo	19.06.2014 – Dehiwala Fishery Harbour	53
Negombo	10.06.2014 – Dickowita Fishery Harbour	125
Chilaw	24.06.2014 – Kalpitiya Fishery Harbour	50
Kalutara	11.06.2014 – Beruwala Fishery Harbour	50
Trincomalee	22.07.2014 – Cod Fishery Harbour	
Ampara	08.07.2014 – Oluvil Fishery Harbour	70

Cleaning of Kirinda Fishery Harbour



Cleaning of Hikkaduwa Fishery Harbour



Cleaning the Dehiwala Coastal Belt



**International Coastal Clean-up Programme
- 2014**

The largest ecosystem in the Earth's biosphere is the oceans system. The amount of waste gathering in the marine environment due to various activities carried out by man keeps escalating day-by-day. As a result, the impacts exerted on the marine environment, marine organisms and marine ecosystems are also on the increase. As such, the third Saturday of September in each year has been declared as the International Coastal Clean-up Day. Accordingly, waste collected in coastal belts and water sources are collected on this day and data are recorded on such waste before their disposal. Data thus produced in different countries are collated in an international database.

As in the previous years, this Authority implemented programmes to mark the International Coastal Clean-up Day with a view to contributing to the world data by collecting data through coastal clean-ups carried out in selected locations in the Sri Lankan coastal belt of 1700 km and imparting to people the value of the marine environment and the objective of protecting it. Accordingly, the national programme for 2014 was successfully conducted on the coastal belt Mount Lavinia with the participation of officials of state agencies and non-governmental organizations, University students and school children. In addition, selected coastal belts in, Puttalam, Galle, Matara, Hambantota, Trincomalee, Jaffna, Kalutara, Negombo, Mattakkauliya areas were also cleaned under this Programme. Side by side with the International Coastal Clean-up

Day Programme, the Regional Office in Trincomalee conducted a programme for cleaning the coral reefs associated with the Pigeon Island.

5 Service and Responsibility of Administration, Legal, Human Resources Development, Internal Audit and Financial Divisions.

Medical Supplies Division

5.1 Administration Division

Management of the overall personnel of the staff of the Marine Environment Protection Authority from commencement to termination of service and facilitating the functioning of other Divisions are the responsibility of the Administration Division. The Administration Division functions under the guidance of the General Manager, who is the Chief Executive Officer of the Authority.

Vacancies of the Authority as at 31.12.2014:

Category	Approved Cadre	Number of	Number of
Chief Executive Officer	01	01	-
Senior Managers	04	02	02
Middle Managers	12	09	03
Junior Managers	16	09	07
Enforcement Officers	38	26	12
Management Assistants – Technical and Non Technical	40	37	03
Skilled Staff	12	10	02

Semi-Skilled Staff	64	58	06
Non-Skilled Staff	11	10	01
Total	198	162	36

1. Approval of the Management Services Department was obtained for 11 additional Management Assistants with a view to conducting the affairs of the Authority more efficiently. Accordingly, recruitment to 20 of the 21 posts was carried out during the year itself.
2. Approval was received for 26 additional positions for Assistant Marine Environment Officers in the year 2013 and 17 of the positions were filled during the year 2014.
3. Ten motorbikes were purchase spending two million rupees for field work at Regional Offices of the Authority.
4. Two cars worth 9.8 million rupees each were received from the Treasury as a grant for the Chairman and the General Manager of the Authority.
5. The Head Office building, which was confined to three storeys, was expanded to five storeys and refurbished spending nearly four million rupees based on operational

and administrative needs of the Authority.

6. Office equipment was purchased during the year spending eight million rupees while laboratory and water quality testing equipment was purchased spending fifteen million rupees.

5.2 Legal Division

1. Discussions were held with the Attorney General to explore possibilities of taking legal action and recovering the expenditure on the cleaning operation carried out by the Authority pertaining to the marine environment pollution by a private factory which occurred on the Calido Beach in Kalutara on 1 July 2014.
2. Discussions are being held at length with the Attorney General with regard to the legal action under section 26 pertaining to the pollution caused to the marine environment on 23 August 2012 by the ship “Thermophylae Sierra” anchored in outer harbour in Panadura.
3. The five remaining regulations that have been drafted under section 51 of the Act but not published were handed over to the Legal Draughtsman and the relevant discussions are being held continuously for finalizing.
4. Oil Spill Contingency Plan Regulations No. 01 of 2012 published on 15 August 2012 and Marine Environment Protection (Disposal to Sea and Issue of Permits) Regulation No. 01 of 2013 were submitted to Parliament in terms of

section 51 (4) of the Act and approval was obtained.

5. A team of consultants headed by the Secretary to the Ministry of Environment and Renewable Energy was appointed to extensively discuss the deficiencies in the existing Acts with the participation of Legal Divisions of all institutions that are under the Ministry. This initiative was done under a project implemented to obtain ideas and proposals at institutional level pertaining to amendments to Acts titled “Project to review the deficiencies in all the environmental laws that fall under the purview of the Ministry and submit recommendations to the Ministry for taking the necessary steps”. Efforts were made to find solutions to the problems identified by participating in field visits made to various areas throughout the island selected according to the respective needs of the Legal Divisions of all those institutions.

As such, arrangements were made by the Legal Division to hold a workshop with the participation of all stakeholders chaired by a panel of academics comprising of Advisors and a representative from the Attorney General’s Department in order to amend Marine Pollution Prevention Act in the most meaningful way. A discussion headed by the Secretary to the Ministry was held on 04.12.2014 regarding the proposed amendments included in the Final Report prepared pertaining to this Project and action will be taken to submit the proposed amendments to the Cabinet of Ministers for its approval through the line ministry.

6. As certain legal impediments ensued in taking legal action pertaining to the pollution of the marine environment caused by the hotel named Saman Villa in Bentota on which immediate steps were taken according to the complaints from the public and the police received by the Authority, the said hotel was directed to take proper measures to dispose waste / waste water while discussions were held with the Department of Coast Conservation and Coast Resources Management with regard to the installation of the proposed sea outfall systems.

The Legal Division monitors the measures taken by the hotel in this regard and obtains reports continuously in collaboration with the Southern regional office of this Authority and the Central Environmental Authority.

7. The High Court had ordered a compensation of Rs. 40,000/- on 01.04.2014 in the case filed with regard to the pollution of marine environment caused by the ship named M.T. CHAHAT in the Port of Colombo on 13.11.2013 the Attorney General has explained in writing the reason that compensation ordered was lower than the minimum stipulated in the Act based on the circumstances of the case.

5.3 Internal Audit Division

When looking at the other Divisions of the Authority, it can be shown that the Internal Audit Division has a significant position.

The Internal Audit Division has been established to function under the guidance and direct supervision of the Chairman of the Authority. The Internal Audit Division functions according to the Audit Plan and Audit Programme, which are prepared

annually, and conducts surveys on the effective functioning of the Finance, Operations, Administration and Legal Divisions of the Authority. Internal Audit Report prepared based on the observations and finds of these surveys are submitted for the attention and decision of the Chairman.

The following tasks are involved in this regard:

- 1 Scrutinizing the internal control methodology established for the prevention of malpractices and frauds.
- 2 Scrutinizing the financial control methodology for verifying whether any financial activity is carried out in a honest and fair manner.
- 3 Monitoring whether the duties and functions assigned to the employees are carried out efficiently and effectively.
- 4 Monitoring whether the fixed assets of the Authority that are used for operational and administrative activities of the Authority are used efficiently and effectively.
- 5 Monitoring whether the activities are in accordance with the state policies, laws and rules, and the internal rules of the Authority.
- 6 Conducting special investigations where necessary.

According to the Internal Audit Programme, not only the main Divisions but also Regional Offices are subjected to audit. Conducting an audit and management meeting is one of the main functions among the audit activities of this Division. This Committee can be introduced as a

consultative committee of the Board of Directors. The Committee held four meetings during the year 2014 and submitted its minutes to the Chairman, the General Manager and relevant Divisions.

subject to the approval of the General Manager.

6. Conducting staff welfare activities.

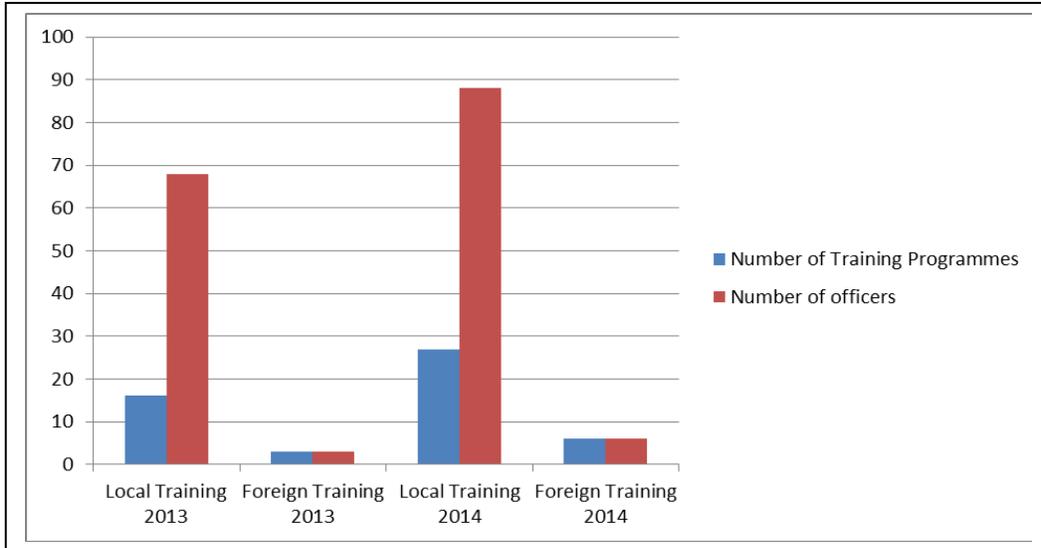
5.4 Human Resources Development Division

The responsibility of the Human Resources Development Division is to train all the members of the staff of the Marine Environment Protection Authority to enhance their capacity and ability and the Division functions under the sole guidance of the General Manager, who is the Chief Executive Officer.

Responsibilities of the Division:

1. Identifying the training needs for the enhancement of the capacity and ability of the staff of the Authority, identifying resource persons for training, preparing the local/foreign training plans and directing members of the staff to the identified training courses.
2. Monitoring whether the members of staff who follow training are obtaining the training properly or there are shortcomings and formulating and implementing strategies to overcome such shortcomings.
3. Evaluating the Annual Progress Reports of the staff.
4. Making arrangements to grade and promote employees.
5. Providing information sought by external parties and the line Ministry on staffs and institutional functions,

The details of the foreign and local trainings attended by officers of this Authority are as follows:



5.5 Financial Division

The Financial Division of the Marine Environment Protection Authority holds the responsibility for its financial management functions. The Financial Division deploys financial resources for all the economic and financial activities that affect the Marine Environment Protection Authority and distributes financial resources for the achievement of all objectives. The main objectives of the Financial Division are to supply of financial services of the Authority in an efficient and effective manner, provide guidance for it, carry out coordination activities and control financial resources of the Authority by constant monitoring.

Activities

1. Preparing annual budget estimates
2. preparing Financial Statements
3. Presenting reports on Financial Statements and reports on monthly budgets
4. Keeping reports for salaries and emoluments and making payments
5. Keeping projects active
6. Making all payments
7. Accounting activities on loans and advances
8. Coordination with banks
9. Coordination with the Auditor General's Department
10. Carrying out management and other activities pertaining to investments .

Special Activities Conducted during the Year

01 The Authority was able to derive an interest income of Rs. 1,521,305.30 by investing balances existing in the current account in one-day call deposits.

5.5.6 Financial Progress Report Recurrent Expenditure for the year 2014

Object Code	Object Description	Estimate for 2014	Actual Expenditure as at 31.12.2014	Balance as at 31.12.2014
	Recurrent Expenditures			
	Personal Emoluments			
1001	Salaries and wages	52,250,000.00	51,879,170.09	370,829.91
1002	Overtime and holiday pay	1,991,000.00	803,045.17	1,187,954.83
1003	Other allowances	1,456,000.00	1,173,350.00	282,650.00
	Total	55,697,000.00	53,855,565.26	1,841,434.74
	Travel Expenses			
1101	Local	3,051,000.00	2,359,713.00	691,287.00
1102	Foreign	1,685,000.00	879,942.97	805,057.03
	Total	4,736,000.00	3,239,655.97	1,496,344.03
	Supplies			
1201	Stationery and office requisites	1,600,000.00	1,345,557.43	254,442.57
1202	Fuel	2,515,000.00	1,787,473.10	727,526.90
1205	Other	250,000.00	64,000.00	186,000.00
	Total	4,365,000.00	3,197,030.53	1,167,969.47
	Maintenance Expenditure			
1301	Vehicles	2,923,000.00	2,669,628.33	253,371.67
1302	Machinery and equipment	1,175,000.00	603,072.69	571,927.31
1303	Buildings and constructions	500,000.00	70,045.00	429,955.00
	Total	4,598,000.00	3,342,746.02	1,255,253.98
	Services			
1401	Transport	-	-	-
1402	Post and communication	2,000,000.00	1,106,650.43	893,349.57
1403	Electricity and water	3,000,000.00	2,168,131.88	831,868.12
1404	Tax, rents and rates to local authorities	10,710,000.00	10,544,620.82	165,379.18
1405	Other recurrent expenditures	6,600,000.00	2,841,405.54	3,758,594.46
	Total	20,310,000.00	16,660,808.67	5,649,191.33
	Grand Total of Recurrent Expenditures	91,706,000.00	80,295,806.45	11,410,193.55

5.5.7 Financial Progress Report – Capital Expenditure for the year 2014

Object	Object Description	Estimte for 2014	Actual Expenditure as at 31.12.2014	Balance as at 31.12.2014
	Rehabilitation and Improvement of Capital Assets			
2001	Buildings and constructions	500,000.00	237,400.00	262,600.00
2002	Plant, machinery and equipment	300,000.00	86,119.65	213,880.35
2003	Vehicles	1,500,000.00	1,396,263.08	103,736.92
	Total	2,300,000.00	1,719,782.73	580,217.27
	Rehabilitation and Improvement of Capital Assets			
2101	Vehicles	18,780,000.00	18,780,000.00	-
2102	Furniture and office equipment	5,310,000.00	1,314,515.23	3,995,484.77
2103	Machinery and equipment	2,000,000.00	-	2,000,000.00
	Total	26,090,000.00	20,094,515.23	5,995,484.77
2502	Other Capital			
	1 NOSCOP capacity building	7,010,000.00	2,182,887.10	4,827,112.90
	2 International laws, regulations and Conventions	220,000.00	246,475.00	(26,475.00)
	3 Identifying sources of pollution and observation activities	1,850,00.00	2,089,704.50	(239,704.50)
	4 Waste reception facilities	3,050,000.00	1,979,899.85	1,070,100.15
	5 Bunkering	-	-	-
	6 Enlightening fishing community on establishing devices to prevent pollution	760,000.00	432,386.00	327,614.00
	7 Improvement of Laboratory facilities	4,200,000.00	3,058,641.12	1,141,358.88
	8 Establishing a national database	3,080,000.00	561,872.25	2,518,127.75
	9 Minimizing marine pollution occurring at field level	6,820,000.00	1,313,521.80	5,506,478.20
	10 National Development Programmes	1,800,000.00	1,126,921.30	673,078.70
	11 Awarness Programmes	1,200,000.00	457,380.00	742,620.00
	12 Sonduru Sayura Programmes (Pleasant Seas Programme)	2,450,000.00	2,355,328.85	94,671.15
	13 Protecting the ecosystems associated with oceans	3,550,000.00	6,240.0	3,543,760.00
	14 Humant resources development	3,650,000.00	1,892,354.00	1,757,646.00
	15 Enhancement of office facilities	2,750,000.00	132,120.12	2,617,879.88
	Total	42,390,000.00	17,835,731.89	24,554,268.11
	Ballast water Project	9,000,000.00	4,462,323.06	4,537,676.94
	Green F H	10,000,000.00	7,362,959.65	2,637,040.35
	Dayata Sewana	600,000.00	358,093.00	241,907.00
	EIA Project	447,043.50	-	447,043.50
	Total of Capital Expenditure	70,780,000.00	39,650,029.85	31,129,970.15
	Total of Capital and Recurrent Expenditure	162,486,000.00	119,945,836.30	42,540,163.70

6 Financial Statements of the Authority

6.1 Accounting Policies

6.1.1 Corporate Information

The Marine Environment Protection Authority has been established as a statutory institution under the Marine Pollution Prevention Act No. 35 of 2008. Its Head Office is located at No. 758, Baseline Road, Colombo 09.

6.1.2 Key Function and Nature of Operations

The key functions of the Marine Environment Protection Authority are to prevent, control and manage marine pollution in Sri Lanka's marine regions in order to manage its marine environment sustainably for the benefit of the present and the future effectively through enforcement of regulations, implementation of the provisions of international Conventions, and coordination and deployment of stakeholders and resources.

6.1.3 General Accounting Policies

6.1.3.1 Basis of Preparation of Financial Reports

The Financial Statements of Marine Environment Protection Authority comprise the Statement of Financial Position, the Statement of Financial Operations, the Statement of Changes in Net Assets and Equity, the Cash Flow Statement, the Accounting Policies and the Notes to the Financial Statements. These statements are

prepared in accordance with Sri Lanka Public Sector Accounting Standards (SLPSAS) laid down by the Institute of Chartered Accountants of Sri Lanka.

Marine Environment Protection Authority has been following the Sri Lanka Public Sector Accounting Standards with effect from the year 2010 for preparation and presentation of its financial statements although SLPSAS took effect only in the year 2011.

The Financial Statements have been presented in accordance with SLPSAS 01 and where public sector standards have not been issued, generally accepted Accounting Standards have been applied for preparation of Financial Statements.

6.1.3.2 The Financial Statements of the Marine Environment Protection Authority for the year 2014 have been prepared on historical cost basis with generally accepted accounting principles.

6.1.3.3 No adjustments have been made for the inflationary factor affecting the accounts.

6.1.3.4 Income and Expenditure have been accounted on accrual basis.

6.1.3.5 Liabilities are recognized in the balance sheet when there is a present

obligation arising as a result of past activities only when the settlement is expected to result in an outflow of resources embodying economic benefits.

6.1.3.6 Obligations payable at the demand of the creditors from the date of the Financial Statement and liabilities payable within one year from such date are treated as current liabilities in the Statement of Financial Position.

6.1.3.7 Obligations not payable at the demand of the creditors or payable in more than one year are treated as noncurrent liabilities in the Statement of Financial Position.

6.1.4 Property, Plant and Machinery

6.1.4.1 Property, plant & machinery are recorded based on their cost. Their depreciation is calculated on straight line basis for the duration of their useful life commencing from the moment of use. The rates used to depreciate them are as follows:

Assets	Rate of Depreciation
Motor Vehicles	20%
Computers and related Equipment	15%
Office Equipment	15%
Furniture and Office Equipment	10%
Lab Instruments & Technical Equipment	10%
Books and Publications	10%

6.1.4.2 Depreciation of properties, plant and equipment begins when they are available for their intended use and depreciate on straight line basis over their useful life.

6.1.5 Revenue

The main income of the authority is grants received from the Government of Sri Lanka. In addition, there is a considerable operational income generated by the authority by issuing licences for the following activities:

1. Providing waste reception facilities for ships,
2. Issue of permits for mineral oil exploration
3. Issue of permits for Bunkering Operations
4. Approving Oil Spill contingency plans.
5. Issue of licences for disposal of waste.

6.1.5.1 Income generated by the Authority

The income generated by the authority is recognized on accrual basis.

6.1.5.2 Grants received from the Government

The authority receives two types of grants, namely capital and recurrent. The accounting policy adopted in respect of grants is given below:.

6.1.5.3 Capital Grants

6.1.5.4 Government grants received for acquisition or construction of property, plant & equipment are recognized as income over the period of useful life of such property plant & equipment.

6.1.5.5 Although grants received for activities connected with prevention of Sri Lankan marine pollution naturally generate intangible assets, it does not meet the criteria for recognizing Intangible Assets and therefore the grants for expenditure in relation to the marine pollution prevention activities are recognized as income in the year in which such activities are performed.

6.1.5.6 Recurrent Grants

Grants received for recurrent expenditure are recognized as income in the same year in which they are received.

6.1.6 Employee Benefits

6.1.6.1 Defined Contribution Plans

Expenses pertaining to the liabilities of the compulsory contribution plan are recognized as expenses in the period in which they incur. The MEPA contributes equivalents to 15% and 3% of gross emoluments of Employees to the Employees' Provident Fund and the Employees' Trust Fund respectively..

6.1.6.2 Defined Benefit Plan

Gratuity is a defined benefit plan. The Statement of Financial Position carries a provision for this liability. The MEPA is liable to pay gratuity in terms of the relevant

statutory provisions. Statement of Financial Position contains a provision for this liability. This amount is calculated by multiplying the sum of half the final basic salary of the employee by the number of years of service. The period of years of service is counted from the first year of the service. Provisions have been made for all employees in terms of Gratuity Payment Act No. 12 of 1983. This provision is shown under non-current liabilities in the Statement of Financial Position.

6.1.7 Comparative information

Where necessary, comparative figures have been rearranged to confirm the current year's presentation.

6.1.8 Events Occurring after the Balance Sheet Date

All material post Balance Sheet events are considered and where adjustments or disclosures are necessary, the relevant information has been made available in the form of notes to the Financial Statements.

6.1.9 Cash flow Statement

Cash Flow Statement has been prepared using the indirect method

6.1.10 Currency of Record and Presentation

The financial Statements are presented in Sri Lankan Rupees, which is also the MEPA's currency of record.

6.1.10.1 Stock (Inventory)

The stock used during the year has been transmitted to the Financial Statement based

on their costs. The yearend stock has been valued at the cost or the net value, whichever is the lower realizable.

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6.1.10.2 Library Books

Library books have been recorded at their cost. They are depreciated based on straight line method over their useful life.

6.1.10.3 Chemicals and Glassware Stocks

The policy followed by the Authority pertaining to chemicals and glass instruments is to transfer the total cost of purchasing the chemicals and glass instruments to the Statement of Financial Operations in the year of purchasing.

The reasons for using this method are the practical difficulty existing in accurately calculating the stocks of chemicals at the end of the year and the glassware having to be removed from use within a very short time. However, the laboratory maintains a separate ledger for chemicals and glass instruments.

6.2 Statement of Financial Position

Marine Environment Protection Authority

Statement of Financial Position

As at 31st December 2014

<u>Assets</u>	Note	2014 Rs.	2013 Rs.
<u>Current Assets</u>			
Cash in hand	10	31,857,634.23	15,553,928.21
Debtors	11	47,257.00	22,250.00
Deposits	12	2,029,500.00	2,014,100.00
Pre-Payments	13	2,071,779.68	602,149.49
Short Term Investment (Treasury Bills)		13,916,147.26	12,979,451.23
Staff loans recoverable	14	5,159,503.18	6,238,964.09
Inventory	23	3,858,594.00	3,858,594.00
<u>Non Current Assets</u>			
Property, Plant & Equipment	09	64,955,616.96	38,211,544.09
Total Assets		123,896,032.31	79,480,981.11
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accrued Payables	15	15,543,605.37	422,894.10
EIA Project Deposits	21	447,043.50	447,043.50
Income pre-received	22	1,453,219.18	2,015,000.00
<u>Non Current Liabilities</u>			
Marine Environment Protection Fund	20	15,516,150.13	14,579,453.20
Distress loan funds	16	6,984,853.28	6,752,928.71
Provision for Gratuity	17	9,135,060.00	7,284,380.00
Total Liabilities		49,079,931.46	31,501,699.51
Net Assets		74,816,100.86	47,979,281.60
<u>Equity</u>			
Government Grants and Capital (Deferred Grants)	18	64,955,616.49	38,211,543.55
Capital Expenditure on work in progress	24	19,530,151.57	14,481,822.55
Capital Input for Stocks	23	3,858,594.00	3,858,594.00
Accumulated Surplus (Deficit)	19	13,492,831.26)	(8,572,678.50)
Total Equity		74,816,100.86	47,979,281.60

6.3 Statement of Financial Performance

Marine Environment Protection Authority Statement of Financial Performance for the Year Ended 31 December 2014

Income	Note	2014 Rs.	2013 Rs.
Treasury Grants	1	100,052,473.75	79,059,481.67
Registration and Licence fees	2	12,038,930.82	11,976,053.17
Other revenue	3	2,619,793.00	1,168,403.50
Total revenue		114,711,197.57	92,203,938.34
Expenditures			
Salaries and wages	4	55,794,565.26	41,797,413.42
Supplies and consumables	5	6,539,776.55	5,297,828.16
Other recurrent expenditure	6	19,865,034.64	14,482,504.22
Grant and other transfers	7	24,906,853.19	23,058,734.95
Financial expenses	8	35,430.00	36,800.00
Depreciation of fixed assets	9	12,525,120.63	10,335,446.79
Total Expenses		119,666,780.27	95,008,727.55
Surplus/ (Deficit) for the period		(4,955,582.70)	(2,804,789.20)

6.4 Statement of Changes in Equity

Marine Environment Protection Authority Statement of Changes in Equity for the Year ended 31st December 2014

	Capital Grants (Rs.)	Grants pertaining to the Stock		Accumulated Surplus / Deficits Rs. Cts.	Total (Rs.)
Balance as at 31/12/2014	38,211,546.13	3,858,594.00	14,481,822.55	(8,572,678.56)	47,979,284.12
Change of Accounting Policies					
Balance adjusted to 01.01.2013	38,211,546.13	3,858,594.00	14,481,822.55	(8,572,678.56)	47,979,284.12
Capital Grants Received	81,567,016.84	-		-	81,567,016.84
Capital Grant transfer to Income	(37,431,973.75)	-	(12,342,641.13)	-	(49,774,614.88)
Surplus / (Deficit) for the year				(4,955,582.70)	(4,955,582.70)
Balance as at 31.12.2014	82,346,589.22	3,858,594.00	2,139,181.42	(13,528,261.26)	74,816,100.85

6.5 Cash Flow Statement

Marine Environment Protection Authority Cash Flow Statement for the year 2014

	2014	2013
Cash Flow Generated from Operational Activities		
Net surplus / (Deficit) for the period	(4,955,582.70)	(2,804,789.20)
Adjustments		
Provision for depreciation for the year	12,525,120.63	10,335,446.79
Adjustments to the Opening Balance		
Transfer to Advance Expense		
Provision for Gratuity	1,939,000.00	1,331,818.00
Gratuity Payments	(88,320.00)	(72,712.50)
Income Recognized (From grants received in previous years)	(37,431,973.75)	(33,394,181.67)
Operating Surplus/Deficit Before working Capital changes	(28,011,755.82)	(24,604,418.58)
Working Capital Changes		
(Increase) / decrease in Deposits	(15,400.00)	(795,000.00)
(Increase) / decrease in Prepayments	(1,469,630.19)	(4,754.68)
(Increase) / decrease from Debtors	(25,007.00)	(8,750.00)
Decrease/ increase in current liabilities	15,120,711.27	(1,949,545.16)
Net Cash flow from operating Activities	(14,401,081.74)	(27,362,468.42)
Investment Activities		
Investment in Treasury Bills	(13,916,147.26)	(12,979,451.23)
Maturity of Treasury Bills	12,979,451.23	11,755,525.00
Acquisition of property plant & Equipment	(20,489,193.50)	(4,952,734.00)
Interest from investment in Treasury Bills	936,696.93	1,223,927.46
Interest from staff loans	231,924.57	188,145.59
(Increase) / decrease in staff loans for the period	1,079,460.91	(605,293.86)
Income Pre-received	(561,780.82)	321,000.00
Net Cash flow generated from Investment Activities	(19,739,587.94)	(5,048,881.04)
Financing Activities		
Government grant for Capital expenditure	50,444,375.71	42,453,344.50
Bank charges – People's Bank	-	(857.10)
Net cash flow generated from Financing Activities	50,444,375.71	42,452,487.40
Net increase/decrease in cash and cash equivalents during the period	16,303,706.03	10,041,137.94
Cash and cash equivalents at the beginning of the year	15,553,928.21	5,512,790.27
Cash and cash equivalents at the end of the year	31,857,634.24	15,553,928.21

6.6 Notes to the Financial Statements

Marine Environment Protection Authority Notes to the Financial Statements

Note 01	Treasury Grants	
	2014	2013
Recurrent Grants	62,620,500.00	45,665,300.00
Capital Grant transfer to income - Current Year	24,906,853.19	23,058,734.95
Capital Grant transfer to income - Differed Grant	12,525,120.56	10,335,446.72
	100,052,473.75	79,059,481.67

Note 02	<u>Fees, Penalties and Permit Fees</u>	
	2014	2013
Waste Reception Service - Registration Fees	4,037,900.00	3,859,000.00
Waste Reception Service - Permit Fees	5,832,250.00	5,249,000.00
Waste Reception Service - Application Fees	45,000.00	52,000.00
Natural Resources Extraction - Permit Fees	-	1,243,617.00
Natural Resources Extraction - Application Fee	-	12,436.17
Bunkering Application Fees	14,000.00	15,000.00
Bunkering Registration-2014	1,715,000.00	1,240,000.00
Road tankers Registration	-	204,000.00
NOSCOP Application Fees		101,000.00
Dumping Income	394,780.82	11,976,053.17
	12,038,930.82	11,976,053.17

Note 03	Other Revenue	
	2014	2013
Registration Fees from Suppliers	276,000.00	-
Other Revenues	819,645.00	106,000.10
Book advance interest	2,842.70	-
Interest Income	1,521,305.30	962,403.40
Cancellation of Cheques	-	100,000.00
	2,619,793.00	1,168,403.50

Note 04	Payment of Wages, Salaries and Employee benefits	
	2014	2013
Salaries & Wages	51,879,170.09	38,527,131.02
Overtime / Holiday Pay	803,045.17	651,364.40
Other Allowances	1,173,350.00	1,287,100.00
Provision for Gratuity	1,939,000.00	1,331,818.00
	55,794,565.26	41,797,413.42

Note 05	<u>Supplies and Consumables Used</u>	
<u>5.01 Supplies</u>	2014	2013
Stationary & Office Requisites	1,345,557.43	831,669.30
Fuel & Lubricants	1,787,473.10	1,390,709.00
Uniforms	64,000.00	67,335.50
	3,197,030.53	2,289,713.80

5.02 Maintenance Expenditure		
Vehicle Maintenance Expenses	2,669,628.33	2,263,944.35
Plant, Machinery & Equipment Maintenance Cost	603,072.69	642,788.02
Office Maintenance Cost	70,045.00	101,382.00
	3,342,746.02	3,008,114.36

Note 06	Other Recurrent Expenditure	
	2014	2013
6.01 Traveling		
Domestic Travelling Expenses	2,359,713.00	1,545,254.17
Foreign Travelling Expenses	879,942.97	491,836.55
	3,239,655.97	2,037,090.72
6.02 Contractual Services		
Telecommunication/Postal Charges	1,106,650.43	956,572.74
Electricity & Water Expenses	2,168,131.88	2,032,155.77
Office Rent	10,544,620.82	7,343,081.94
Other Contractual Services	2,805,975.54	2,113,603.05
	16,625,378.67	12,445,413.50

Note 07	Grants and Other Transfer Payments	
	2014	2013
Grant and Other Transfer Payments	81,567,016.84	42,493,291.50
Less:		
Amount of grant utilized for purchasing capital Assets	(39,269,193.50)	(4,952,734.00)
Capital expenses for work in progress	(17,390,970.15)	(14,481,822.55)
Amount transferred to the statement of Financial operations during the year	24,906,853.19	23,058,734.95

Note 08	Financing Costs	
	2014	2013
Bank Charges	35,430.00	36,800.00
	35,430.00	36,800.00

Note 09 Type of Asset	Depreciation of Property, Plant and Machinery						
	Cost -2014			Depreciation - 2014			Written-off value
	01.01.2014	Additions	31.12.2014	01.01.2014	Additions	31.12.2014	
Motor Vehicles	36,048,912.63	-	36,048,912.63	17,261,417.40	6,069,676.00	23,331,093.40	12,717,819.23
Furniture & Office equipment	21,372,205.07	2,167,186.60	23,539,391.67	10,777,448.79	2,240,580.77	13,018,029.56	10,521,362.11
Technical Equipment	18,534,925.49	2,572,599.40	21,107,524.89	4,512,427.74	1,992,244.72	6,504,672.46	14,602,852.43
Library Books	189,508.50	212,948.00	402,456.50	-	32,945.31	32,945.31	369,511.19
Total	75,956,043.19	12,903,678.52	113,649,579.62	32,551,293.93	10,335,446.79	23,238,054.60	38,211,544.09

Note 10	Cash and Cash Equivalents	
Cash and Cash Equivalents	2014	2013
Bank of Ceylon – 194109	30,007,284.13	15,039,963.59
Peoples Bank	1,825,350.10	513,964.62
Bank of Ceylon -75553755	25,000.00	-
	31,857,634.23	15,553,928.21

Note 11	Debtors	
	2014	2013
Advances not Settled	32,507.00	-
Shehan Kuruneru – Rent Payments	6,000.00	13,500.00
Recurrent Advances	8,750.00	8,750.00
	47,257.00	22,250.00

Note 12	Deposits	
	2014	2013
Deposits for Rent- Regional Office Galle	96,000.00	96,000.00
Deposits for Rent- Head Office	1,890,000.00	1,890,000.00
Deposits for Rent- Regional Office, Trincomalee	7,500.00	7,500.00
Deposits – Internet for Mobile Phones	1,500.00	1,500.00
Deposits – Internet for Mobile Phones	3,000.00	3,000.00
Recoverable Deposits	31,500.00	6,100.00
Refundable Deposits	-	10,000.00
	2,029,500.00	2,014,100.00

Note 13	Pre - payments	
	2014	2013
Rent Pre-payments	719,589.04	117,369.86
Vehicle Maintenance Pre-payments	509,263.40	278,582.03
Maintenance Pre-payments	256,607.91	156,798.68
Other	586,319.34	49,398.92
	2,071,779.68	602,149.49

Note 14	Staff Loans Recoverable	
	2014	2013
Opening Loan Balance 01.01.2014	6,238,964.09	5,633,670.23
Added:		
Loans given during the year	2,115,000.00	3,516,000.00
Total recoverable amount	8,353,964.09	9,149,670.23
Less:		
Loan Amounts Recovered during the Year	3,194,460.91	2,910,706.14
Balance as at 31.12.2014	5,159,503.18	6,238,964.09

Note 15	Current Liabilities	
	2014	2013
Overtime Allowances Payable	49,775.63	2309.69
Other Allowances Payable	35,250.00	7,500.00
Travel Expenses Payable	252,284.72	157,154.75
WRS Receipts	3,750.00	3,000.00
Electricity & Water Bills Payable	159,633.52	139,826.40
Bank Deposits	25,000.00	-
Telephone Charges Payable	70,539.18	61,643.26
Other Expenses Payable	-	51,435.00
Stamp Duty Payable	75.00	25.00
Ceylon Fishery Harbours Corporation	7,000,000.00	-
Hemsons International Private Limited	574,560.00	-
Industry Survey Engineers	794,633.16	-
Beruwala Holiday Resort	21,500.00	-
Nelu Advertizing Private Limited	17,136.00	-
C.W.. Senevirathne – Open Unversity	62,595.00	-
Government Press	100,800.00	-
Analytical Instruments Private Limited	3,712,808.01	-
Hulchem Lanka Private Limited	1,819,209.17	-
SATHOSA Motors Private Limited	340,295.48	-
Hasaranga Motors	138,000.00	-
Sanjeeva Motors Private Limited	99,275.00	-
G.N. Warshavithana	51,460.00	-
Super Cleaning and Janitorial Private Limited	37,584.96	-
Browns and Company Private Limited	16,422.00	-
Nithma IT Solutions	6,875.00	-

Toyota Lanka Private Limited	60,551.54	-
K.M. and Engineers Motors	63,142.00	--
Sanjeewa Motors Private Limited	30,450.00	-
	15,543,605.37	422,894.10

Note 16	Staff Loan Fund	
	2014	2013
Opening Loan Balance as at 01.01.2014	6,752,928.71	6,565,640.22
Added:		
Interest for the Year	231,924.57	188,145.59
Less:		
Bank charges		(857.10)
Balance as at 31.12.2014	6,984,853.28	6,752,928.71

Note 17	Provision for Gratuity	
	2014	2013
Opening Loan Balance as at 01.01.2014	7,284,380.00	4,480,874.50
Revised Balance		1,544,400.00
Provision for the Year	1,939,000.00	1,301,630.50
	9,223,380.00	7,326,905.00
Added :		
Payments during the year	88,320.00	42,525.00
Balance as at 31.12.2014	9,135,060.00	7,284,380.00

Note 18	Government Grants and Capital	
	2014	2013
Opening Balance as at 01.01.2014	38,211,546.13	43,404,750.36
Correction of Errors		189,508.50
Added:		
Capital Grants Received during the year	81,567,016.84	42,493,291.50
Less:		
Recognized as income	37,431,973.75	33,394,181.67
Capital Expenses on work in progress	17,390,970.15	14,481,822.55
Balance as at 31.12.2014	64,955,619.07	38,211,546.13

Note 19	Accumulated Deficit	
	2014	2013
Opening Balance at 01.01.2014	(8,572,678.56)	(4,223,489.36)
Corrections in Deferred Income		-
Correction of Errors		-
Transfer to Deferred Income		-
Revised Balance - Gratuities		(1,544,400.00)
Deficit/Surplus for the Year	(4,920,152.70)	(2,804,789.20)
Balance as at 31.12.2014	(13,492,831.26)	(8,572,678.56)

Note 20	Marine Environment Protection Fund	
	2014	2013
Opening Balance as at 01.01.2014	14,579,453.20	13,355,525.74
Interest Income – Treasury Bills	936,696.93	1,223,927.46
Closing Balance as at 31.12.2014	15,516,150.13	14,579,453.20

Note 21	EIA Deposit	
	2014	2013
Opening Balance as at 01.01.2014	447,043.50	486,990.50
Less:		
Expenditure borne during the year		39,947.00
Balance as at 31.12.2014	447,043.50	447,043.50

Note 22	Income Pre-received	
	2014	2013
Income Pre-received		
Waste Reception Service - registration and permit Fees for 2014	1,081,500.00	1,230,500.00
Bunkering registration and permit Fees for 2014	6,000.00	457,000.00
Waste Disposal Orders Registration 2014	314,719.18	51,500.00
Registration of Suppliers 2014	51,000.00	276,000.00
	1,453,219.18	2,015,000.00

Note 23	Grants Received	
Grants Received	2014	2013
Grants Received During the Year	3,858,594.00	3,858,594.00
Less:		
Transfers to the Income and Expenditure Account	-	-
Balance as at 31.12.2014	3,858,594.00	3,858,594.00

Note 24	Capital Work in Progress Account	
Capital Work in Progress Account	2014	2013
Balance as at 01.01.2014	14,481,822.55	-
Added:		
Transfers During the Year	17,390,970.15	14,481,822.55
	31,872,792.70	14,481,822.55
Less:		
Expenses Borne During the Year	12,342,641.13	-
Balance as at 31.12.2014	19,530,151.57	14,481,822.55

Note 25	Capital Grants Reconciliation	
Capital Grants Reconciliation	2014	2013
Capital Grants for the Year	38,261,000.00	36,875,000.00
Vehicle Pool	18,780,000.00	-
Transfer of EIA Expenditure	-	39,947.00
Grants to Ballast Water Projects	4,462,323.06	5,578,344.50
Green Harbours Development Project	7,362,959.65	-
Deyata Sevana Project	358,093.00	-
Transfers to the Work in Progress Account	12,342,641.13	-
Total Capital Grants Received	81,567,016.84	42,493,291.50
Less:		
Acquisition of Fixed Assets	(39,269,193.50)	(4,952,734.00)
Transfers to the Work in Progress Account	(17,390,970.15)	(14,481,822.55)
	24,906,853.19	23,058,734.95

26 The Authority invested Rs. 12,979,451.23 in Treasury Bills of six-month maturity in November 2013, which matured in the year 2014. That total amount (Principal and Interest) was re-invested. A sum of Rs.

936,696.03 was earned as interest in 2014. The amount re-invested during the year was Rs. 13,916,147.26 and it has been recognized under Current Assets in the Statement of Financial Position.

27 The Authority commenced investing the end-of-day surpluses in current accounts in the purchase of Treasury Bills. This process was continued daily until the end of the year yielding Rs 1,521,305.30 as interest income. This interest income is included in the total income for the year.

28 The Authority acquired fixed assets worth Rs. 39,269,193.50 during the year. These assets included office equipment, furniture, laboratory equipment, technical equipment, computers, motorbikes etc. This value includes Rs. 18,780,000.00 received from the Treasury as vehicle grants (two cars). In addition, Rs. 20,489,195.50 was chipped in for the acquisition of other assets.

29 The Board of Directors decided to charge an administrative fee with effect from 01.01.2012 to cover the expenses that have to be borne in undertaking a feasibility study. As such, Rs. 500,000.00 was received from Crane Lanka in the year 2012. After reducing the expenses pertaining to the environment feasibility study, the balance has been stated as EIA project charges under Current Liabilities in the Statement of Financial Position. The balance by the end of the year 2014 was Rs. 447,043.50.

30 Provision for Gratuities – Change of Policies.

1 The basis of calculating gratuities has been changed as the sum of basic salary and the cost of living (as per the direction of Commissioner of Labour dated 05.11.2013).

2 The retirement age has been increased to 60 years as per the Circular of the Department of Public Enterprises. Accordingly, the

Authority considered 60 years of age as the retirement age.

3 According to Circular of the Department of Public Enterprises, a separate account should exist for gratuities. (A cash value equivalent to allocations) Although an account was expected to be opened in the year 2014, the Authority did not open it as adequate funds were not available. An account will be opened and provisions will be transferred according to the availability of surplus funds.

31 Capital Work in Progress

A sum of 38.261 million rupees was received from the Treasury during the year, of which Rs. 20,870,029.85 was spent for capital activities and the balance of Rs. 17,390,970.15 has been included in Cash Balance. The reason for this state of affairs was the delay on the part of the suppliers in delivering supplies. In addition, a sum of Rs. 2,139,181.42 was brought forward from the previous year. Accordingly, a sum of Rs. 17,390,970.15 has been shown under equities in the Statement of Financial Position.

32 Stock

No adjustment was made for stock during the year. Stock has been shown as a current asset in the Financial Statement.

33 Library Books

The value of the books were entered as Library Books in the Statement of Financial Position and the cost was transferred to the Grants Deferred Account.

The value of the books purchased and the books received as grants before 2012 were not assessed in the year 2014. However, a register was prepared for books and other

publications and it has been entered in the Assets Register.

The General Manager appointed a Committee to assess the value of the books purchased and the books received as grants before 2012. However, this was not successful due to practical difficulties. As such, it was decided not to include the value of the books purchased before 2012 in Statement of Financial Position and instructions were issued to maintain the Register for Books and Publications.

34 Awareness Boards

Informative boards had been installed since 2008 covering the whole island. According to the previous accounts, Rs. 7,197,220 has been spent for installing awareness boards in the period 2008-2012.

The Regional Offices have reported on their physical condition and relevant details as at 31.12.2014. As such, a detailed report was prepared and submitted for the consideration of the Audit and Management Committee.

Every awareness board has been given a number and identifying the location through GPS and capturing photographs of the boards have been done.

According to the reports, some of the boards have been damaged due to natural causes (such as sun radiation and wind), development activities carried out in the areas where they are located, and human and animal acts. At the same time, it was noticed that the awareness boards are beyond the direct control of the Authority. In light of the report submitted to the Audit and Management Committee and the facts mentioned above, instructions were given not to include the value of the informative boards in the fixed assets of the Authority it

was decided to introduce a methodology that will ensure continuous surveillance on the condition of the boards through the Regional Offices.

Accordingly, the value of the awareness boards established from 2008 to 2012 were not included in the Financial Statements for the year 2014.

35 Stock of Chemicals and Glassware

The policy followed by the Authority pertaining to chemicals and glass instruments is to write off the total cost of purchasing the chemicals and glassware to the expenditure of the year of purchasing.

The reasons for using this method are the practical difficulty inherent in accurately counting the stocks of chemicals remaining at the end of the year and the glassware having to be removed from use within a very short time. However, the laboratory maintains a separate ledger for chemicals and glassware.

36 Legal Action pending as at 31.12.2014.

- 1) The Cyprus flagged vessel named Thermopylae Sierra that had been anchored in the out harbour off Panadura beach caused a marine environment pollution on 13 August 2012 and the Attorney General is to file an indictment under section 50 of the Act in respect of the criminal case filed against the ship under section 26 of the Act.

Action will be taken to recover the cost borne during the operation under civil liability and Attorney General's decision is being awaited in this regard.

- 2) The High Court has given the verdict in respect of the case with regard to the marine

pollution caused by a ship called M.T. CHAHAT and as such, that lawsuit has ended.

General is awaited in respect of further action.

- 3) All the documents and information called by the Attorney General have been provided. The decision of the Attorney

6.7 Marine Environment Protection Authority
Statement of Financial Position
From 2010 to 2014 (Rupees)

Assets		2014	2013	2012	2011	2010
Current Assets						
Cash Balance	10	31,857,634.23	15,553,928.21	5,512,790.27	13,619,138.16	7,069,591.12
Debtors	11	47,257.00	22,250.00	13,500.00	16,935.00	98,437.49
Deposits	12	2,029,500.00	2,014,100.00	1,219,100.00	1,137,800.00	480,800.00
Pre-Payments	13	2,071,779.68	602,149.49	597,394.81	370,250.73	533,538.35
Investments (Treasury Bills)		13,916,147.26	12,979,451.23	11,755,525.00	10,709,913.55	9,999,999.75
Staff Loans Recoverable	14	5,159,503.18	6,238,964.09	5,633,670.23	6,257,776.56	3,929,914.76
Stock	23	3,858,594.00	3,858,594.00			
Non-Current Assets						
Property, Plant and Machinery	09	64,955,616.96	38,211,544.09	43,404,750.36	39,814,309.96	22,359,481.89
Total Assets		123,896,032.31	79,480,981.11	68,136,730.67	71,926,123.96	44,471,763.35
Liabilities						
Current Liabilities						
Accrued payment	15	15,543,605.37	422,894.10	2,372,439.26	10,837,615.91	273,840.48
Deposits	21	447,043.50	447,043.50	486,990.50	-	-
Pre-Received Revenues	22	1,453,219.18	2,015,000.00	1,694,000.00	12,309,913.55	11,600,000.00
Non-Current Liabilities						
Marine Environment Protection Fund	20	15,516,150.13	14,579,453.20	13,355,525.74	6,389,200.68	6,204,711.22
Amount for Distress Loans	16	6,984,853.28	6,752,928.71	6,565,640.22	3,756,087.50	2,866,922.50
Provision for Gratuity	17	9,135,060.00	7,284,380.00	4,480,874.50	33,292,817.64	20,945,474.20
Total Liabilities		49,079,931.46	31,501,699.51	28,955,470.22	33,292,817.64	23,526,289.15
Nett Assets		74,816,100.85	47,979,281.60	39,181,261.00	38,633,306.32	22,359,482.03
Equities						
Government Grants and Capital (Deferred Grants)	18	64,955,616.49	38,211,543.55	43,404,750.36	23,526,289.15	19,233,732.64
Accumulated Deficit	19	(13,492,831.26)	(8,572,678.50)	(4,223,489.36)	(1,181,004.78)	1,166,807.12
Capital Expenditure on Work in Progress	24	19,530,151.57	14,481,822.55	-	-	-
Capital grant Inventory	23	3,858,594.00	3,858,594.00	-	-	-
Total Equity		74,816,100.85	47,979,281.60	39,181,261.00	38,633,306.32	23,526,289.15

6.8 Marine Environment Protection Authority Statements of Financial Performance - 2010 to 2014

	Notes	2014	2013	2012	2011	2010
Treasury Grants	1	100,052,473.75	79,059,481.67	79,902,066.62	53,327,215.80	48,164,438.86
Registration and License Fees	2	12,038,930.82	11,976,053.17	10,033,547.94	9,242,201.03	4,438,000.00
Other Incomes	3	2,619,793.00	1,168,403.50	1,095,406.19	969,145.95	380,304.19
Total Income		114,711,197.57	92,203,938.34	91,031,020.75	63,538,562.78	52,982,743.05
Expenditures						
Salaries and Emoluments	4	55,794,565.26	41,797,413.42	39,005,981.99	29,670,533.99	26,341,796.16
Supplies and Consumables	5	6,539,776.55	5,297,828.16	4,329,712.86	2,852,673.76	2,398,219.34
Other Recurrent Expenditures	6	19,865,034.64	14,482,504.22	13,081,247.73	11,975,763.90	9,554,829.06
Grants and Transfers	7	24,906,853.19	23,058,734.95	26,924,095.44	13,031,810.11	11,000,148.32
Financial Expenditures	8	35,430.00	36,800.00	47,162.10	40,142.30	20,195.00
Depreciation of Fixed Assets	9	12,525,120.63	10,335,446.79	9,457,531.25	5,825,405.76	3,713,425.21
Total Expenditures		119,666,780.27	95,008,727.55	92,845,731.37	63,396,329.82	53,028,613.09
Deficit/ Surplus for the period		(4,955,582.70)	(2,804,789.20)	(1,814,710.62)	142,232.96	(45,870.04)

7.7 Report of the Auditor General



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கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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My No. }

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Your No. }

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திகதி }
Date }

9 August 2015

The Chairman,

Marine Environmental Protection Authority

Report of the Auditor General on the Financial Statements of the Marine Environmental Protection Authority for the year ended 31 December 2014 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the Marine Environmental Protection Authority for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provision in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971 and Section 20 of the Marine Pollution Prevention Act, No.35 of 2008. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed Report in terms of Section 13(7)(a) of the Finance Act, was furnished to the Chairman of the Authority in due course.

1.2 Managements Responsibility for the Financial Statements

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



1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards, consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 - 1810). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performance procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of financial statements. Sub sections (3) and (4) of the Section 13 of the Finance Act, No. 38 of 1971 give discretionary any powers to the Auditor General to determine the scope and extent of the Audit.

I believe that audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matter in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Marine Environmental Protection Authority as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.



2.2 Comments of Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

The following observations are made.

- (a) According to Sri Lanka Public Sector Accounting Standards No.01 the Marine Environment Conservation Fund amounting to Rs.15,516,150 shown in financial statement is a reserve belongs to the Authority. However, it had been shown as a non-current liability in the financial statements.
- (b) Even though according to the Sri Lanka Public Sector Accounting Standard No.09, the value of the stocks should be measured at the lower of cost and net realizable value and shown in financial statements without being ascertained the net realizable value of the stock of oil spread disbursing had been shown in the financial statements at its cost of Rs.3,858,954.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) A sum of Rs.158,248 payable to the Department of Buildings for a consultancy service had not been shown in financial statements.
- (b) A sum of Rs.7,362,959 which had been given by the Treasury for construction of a Green Fishery Harbor had been accounted for as recurrent income instead of being accounted for as a donation and a sum of Rs.362,959 had been incurred out of that amount in the relevant year and it had been accounted for as an expenditure of the year. Also, a sum of Rs.7,000,000 retained further had been inappropriately accounted as an expenditure of the year though any transaction was not made.



- (c) Savings from the Capital Provisions amounting to Rs.19,530,152 provided by the Government for the Capital expenditure had been inappropriately shown in financial statement as a credit balance of the work –in –progress.

2.2.3 Lack of Evidence for Audit

Particulars of the expenditure and the detailed schedules of the amount of Rs.24,906,853 which had been written off as the expenditure of the year from the sum received as capital grants had not been furnished to audit.

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

The following non-compliance with Laws, Rules, Regulations and Management Decisions were observed.

Reference to laws, rules, regulations	Non-compliance
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(a) Section 16(3) of the Marine Pollution Prevention Act, No.35 of 2008	Even though it was stated that the officer who is appointed as the Secretary to the Board of Directors should have a considerable experiences and qualifications on the field of law or Secretarial experience as a Company Secretary, the person who appointed as the Secretary had not been fulfilled the said qualifications.





- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
 - (i) Financial Regulations 751(i) Two laboratory equipments valued at Rs.1,782,436 had not been entered in the Stock Register.
 - (ii) Financial Regulations 757(2) Board of Survey Reports of the year under review had not been furnished to the Auditor General.
- (c) Internal Circular of the Authority No.2/2011 of 24 March 2011 on providing and settlement of advances. A sum of Rs.190,200 obtained in 21 instances had been re-settled entirely without spending and it was observed that an amount more than 50 per cent, out of the advances obtained, had been re-settled in cash in 60 instances.

03. . **Financial Review**

3.1 **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 of Rs. 4,955,583 as compared with the deficit of Rs. 2,804,789 for the previous year ,thus a deterioration amounting to Rs. 2,150,794 in the financial results had been observed. Even though the total income of the year under review had increased by Rs.22 million, the increase in operational expenditure by Rs. 24 million in the year had been the main reason for this deterioration.





04. **Operating Review**

4.1 **Performance**

The following observations are made.

- (a) Even though a sum of Rs.1,990,000 had been spent for the 05 activities scheduled to be implemented during the year, a physical progress had not been achieved and the entire provision amounting to Rs.31,150,000 made on 03 activities had been saved. 50 per cent or more had been saved out of the provisions made for another 14 activities and expenditure on 12 activities had been made exceeding the provisions by Rs.6,071,000.
- (b) Even though provisions of Rs.10,000,000 and Rs.30,200,000 had been made for the Green Fishery Harbor Project and Establishment of National Centre for Marine Pollution Control respectively, planned to be implemented by the Authority in the year under review, those Projects had not been implemented.

4.2 **Operating Inefficiencies**

The following observations are made.

- (a) Even though a sum of Rs.31,162,704 had been spent as at 31 December in the year under review only for the purchasing of laboratory equipment for the laboratory of the Authority established in the year 2009, actions had neither been taken to publish the test reports so far conducted at the laboratory nor action taken to prevent the marine pollution based on said reports.





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Auditor General's Department

- (b) Approval of the Board of Directors had been granted in the year 2013 to establish a laboratory in the Trincomalee office. Even though 05 laboratory equipment had been purchased by incurring a sum of Rs.1,500,693 as at May in the year under review for this purpose, the activities of that laboratory had not been commenced even as at 15 May 2015.
- (c) Even though according to the International Agreement of Prevention of Marine Pollution(MARPOL) an international methodology for emission of burnt oil and other waste from ships should be formulated, actions had not been taken in this connection so far.
- (d) Action had not been taken to supervise the discharge of pollutants to the sea by the Colombo Port City Development Project and to issue the license by taking actions according to the Extra Ordinary Gazette Notification No.1816/37 of 28 June 2013. A proper methodology had not been introduced for the issuing of license and the Authority had not paid its attention to minimize the marine pollution by issuing of license in proper manner.
- (e) Even though awareness programmes had been conducted on National Emergency Oil Spreading Plan , the relevant plan had not been updated after the year 2004.
- (f) It was observed in audit that the procedure of signing the Log Books as introduced by the Authority for the supervision of the duties of the Marine Pollution Prevention Field Assistants, and supervision of them had not been conducted properly.
- (g) Although a sum of Rs.699,730 had been spent for the update of Pollutant Source Inventory only in the year under review , the said inventory had not been prepared.





4.3 Idle and Underutilized Assets

Even though a computer software system spending a sum of Rs.4,000,000 in the year 2013 and a technical equipment spending a sum of Rs.1,411,004 in the year under review had been obtained for computerize (e service) the methodology of issuing license for the service of acceptance of the pollutants discharged by ships, this methodology had not been introduced even as at the end of June 2015.

4.4 Delayed Projects

Even though an expenditure amounting to Rs.10,040,667 had been incurred, sums of Rs.5,578,344 in the year 2013 and Rs.4,462,323 in the year under review for the Project of "Management of Introduction of Invasive of Alien Species in to Sri Lanka Waters through ship's ballast water", the final report of the Project had not been prepared even as at the end of June 2015.

4.5 Resources of the Authority Released to other Government Institutions

A microscope camera valued at Rs.873,750 had been purchased for the survey of establishing primary data system in the vicinity of harbor. Since there was no space available in the laboratory of the Authority it had been handed over to install in the University of Sri Jayewardenapura. The Chairman of the Authority had informed me on 02 July 2015 that it was done on the request made by a Lecturer who participated for this survey and after the completion the mission, action will be taken to re-place this equipment in the laboratory of the Authority.





05 Accountability and Good Governance

5.1 Action Plan

The progress had not been presented according to the Action Plan in the Draft Annual Report presented, the Institute had not introduced a methodology to examine the progress of the achievements of the activities mentioned in the Action Plan in a timely manner.

5.2 Non Achievement of the Objectives of the Act

Actions had not been taken to draft legal provisions relating to 7 directives stipulated under Section 51(1) of the protection of Maritime pollution Act, No. 35 of 2008 minimize the marine pollution, earning the income and, introduction of methodologies for prevent the marine pollution systematically through it.

5.3 Unsolved Audit Paragraphs

The following observations are made.

- (a) The Cabinet of Ministers had approved to recover all expenditure incurred by the Authority with regard to prevent the marine pollution cause due to oil leakage from a ship in the year 2012 from the owners of the ship. However, the expenditure amounting to Rs.11,551,133 incurred thereon had not been recovered.
- (b) Necessary actions had not been taken up to 30 June 2015 with regard to the audit queries issued on the matters such as implementation of emergency plans for spilling of oil from ships, waste management of fishery harbors, take action on waste management of disposal of waste to the sea from the distance of 300 metres from the maritime limit and observation reports prepared in laboratories.



06 **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) Implementation of Projects
- (b) Implementation of Programmes and Plans
- (c) Staff Administration

W.P.C Wickramaratne,
Acting Auditor General

