MARINE ENVIRONMENT PROTECTION AUTHORITY

ANNUAL REPORT 2011

MINISTRY OF ENVIRONMENT

Vision

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

Mission

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

Corporate Information

Board of Directors

Chairman

Mr. R.S. Ariyapperuma (Attorney at Law)

Directors

Mr. R.A.R.R. Rupasinghe - (Representative - Secretary to the Ministry of Environment)

Commodore N. Roziro - (Representative - Commander of Sri Lanka Navy)

Mrs. S.N. Mayadunne Bandara - (Representative - Secretary to the Ministry of External Affairs)

Ms. K. Gunawardene - (Representative - Secretary to the Ministry of Finance & Planning)

Mr. S. Bandara - (Representative - Secretary to the Ministry of Fisheries)

Mr. A.W.H.S.S.R. Weerakoon - (Director General, Merchant Shipping)

Mr. Mahesh Katulanda - (Member appointed by the Hon. Minister)

Rear Admin. S. R. Samaratunga - (General Manager - MEPA)

Auditor

Auditor General

Registered Office

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Bankers

Bank of Ceylon
Peoples Bank

Senior Management Staff

Chairman

Mr. R.S. Ariyapperuma - Attorney at Law

General Manager

Rear Admin. S.R. Samaratunga RSP, VSV, USP

Deputy General Manager

Commander W.N. Diyabalanage

Legal Officer

Ms. A. Kariyawasam (LLB, M.Sc)

Accountant

Mr. D.R.C. Jayawardana (B.Com SP/LICA)

Assistant Manager (Operation)

Mr. A.J.M. Gunasekara (B.Sc, M.Sc)

Assistant Managers (Provincial)

Mrs. T.S. Ranasinghe (B.Sc)
Mrs. Renuka Ranaweera (B.Sc)
Mr. L.P. Titus (B.Sc)
Mr. H.T.N.I. Piyadasa (B.Sc, M.Sc)

Assistant Manager (Ship Surveys)

Mr. R.N. Priyadarshane (B.Sc)

Assistant Manager (Human Resources)

Ms. W.H.K. Hitibandara (B.Sc)

Internal Auditor

Ms. R.H.H. Premachandra (B.B.A)

Assistant Manager (Administration)

Mr. S.M.C. Kumarage (B.B.M.G.T. Sp.)

Administrative Officer

Mrs. G.P. Nilanjani (B.A. Sp.)

Marine Environment Protection Authority

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Chairman's Message

The Marine Pollution Prevention Act No. 35 of 2008, came into effect on January 1st, 2009. With the enforcement of this Act, the Marine Pollution Prevention Authority was renamed as Marine Environment Protection Authority. For the protection of environment and forms of life on land, there are well established institutions like the Central Environment Authority, the Forest Department and the Department of Wild life Conservation supported by a variety of legal enactments. Furthermore, the damage to land environment is visible and it continuously draws the attention of administrative and political authorities. Over the years, waste has been dumped in the sea without any constraints and the resulting damage to the marine environmental systems has not been properly estimated. Therefore, the responsibility entrusted to the Marine Environment Protection Authority is very important.

During year 2011, the permission of the Department of Management Services was obtained for the recruitment of officers to fill the vacancies in the Authority. Nearly 31 officers were recruited during this year.

In terms of Marine Pollution Prevention Act No. 35 of 2008, five regulations on natural resources including petroleum and off-shore exploration and utilization were framed (Marine Environment Protection Order 2011/01) and enforced with effect from 21st May 2011 by a gazette notification. Under these regulations, the authority to issue Environment Impact Assessment approval on projects affecting marine environment was vested with the MEPA. Under this provision, the MEPA earned an income of Rs. 3.3 million during the year.

The Authority received an income of Rs. 5.6 million as compensation for the damage caused by the MT GRANBA ship accident. Out of this income, Rs. 4 million was allocated for a loan scheme launched for the benefit of the officers as a welfare measure. Loans were recovered from salaries over a period of 12 months.

The capital grant provided by the Treasury was utilized 100% for the planned activities. The increase in income by about 125% for the year under review when compared to the previous year this is a significant achievement of the Authority in the year 2011.

The challenges ahead for the MEPA are increased awareness and engagement of the general public and Government towards the protection of marine environment by creating legal provisions, preparing regulations and introducing new laws to prevent pollution and thereby achieving the ultimate goal of preventing the pollution of the marine environment. I will be striving towards the achievement of these goals with the support of the members of the staff of MEPA.

R.S. Ariyapperuma - Attorney at Law

Chairman

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1. Background

1.1 INTRODUCTION

Sri Lanka is located at a strategic position in the Indian Ocean. According to international regulations, Sri Lanka is entitled to harvest the resources of an area in the ocean eight times the size of the Sri Lanka land mass. Through this area of the ocean, navigation paths of ships moving from east to west and west to east are located. Therefore the resources around in the zone of the sea, are under Sri Lanka's surveillance but these resources are being degraded due to the impact of navigation and related activities in the ocean and human activity on the land mass.

The Marine Pollution Prevention Authority was formed under the provisions of the Marine Pollution Prevention Act. No 59 of 1981, to take necessary action to minimize and prevent the pollution of the marine environment. With a view to further strengthen the hands of the Authority to take action on incidence of pollution and to implement international conventions pertaining to the protection of marine environment, the Marine Pollution Prevention Act No. 59 was repealed and the Marine Pollution Prevention Act No. 35 of 2008, which came into force on 01st January 2009, was passed. Under this Act the Marine Pollution Prevention Authority was re-named as Marine Environment Protection Authority.

The **"Mahinda Chinthana**" envisages the development of Sri Lanka as a naval hub. As a part of this new vision, new harbours are built and old harbours are further improved. In addition, the programs are being formulated to exploit the resources of the ocean. The MEPA has therefore been called upon to prevent any pollution that may occur due to these development programs and also to ensure their sustainability.

As the Authority responsible for minimizing, controlling and preventing the pollution of the marine environment, the MEPA is engaged in a multiplicity of programs.

1.2 Responsibilities and Functions of the Authority

(1) To effectively and efficiently administer and implement the provisions of Marine Pollution Prevention Act and the Regulations made there under

(2) 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 any other maritime zone declared at a future date under such law, its foreshore and the coastal zone of Sri Lanka.

(3) To conduct research in collaboration with other departments, agencies and institutions for both the government and private sector for the purpose of prevention, reduction, control and management of pollution arising out of any ship based activity or any other maritime zone declared at a future date under such law, its foreshore and the coastal zone of Sri Lanka.

(4) To take measures to manage, safeguard and preserve the territorial water of Sri Lanka or any other maritime zone declared at a future date under such law, its foreshore and the coastal zone of Sri Lanka

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

(6) To 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.

(7) To formulate and implement the national oil pollution contingency plan

(8) To oversee, regulate and supervise the conduct of the contractors and persons conducting or engaged in exploration of natural resources, service, sub-contractors and persons conducting or engaged in exploration of natural resources including petroleum or related activities

(9) To create awareness amongst groups of community of the need to preserve the marine environment.

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

(11) To effectively safeguard and preserve the territorial waters of Sri Lanka or any other maritime zone declared under the maritime zones law or which may be declared at a future date under such law from any pollution arising out of any ship based or shore based maritime related activity.

(12) 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,

(13) To oversee all sea transport of oil and bunkering operations that are carried out in the territorial waters of Sri Lanka or any other maritime zone declared under the maritime zones law or which may be declared at a future date under such law, for the purpose of prevention of pollution.

2. Review of Operations

The main responsibility of the Marine Environment Protection Authority is the implementation of the provisions of the Marine Pollution Prevention Act No. 35 of 2008. The action taken by the Authority during the year to minimize, control and manage the marine pollution caused by the ships, land based activities and other activities that are performed in marine environment effect the marine environment are given below.

The Technical Division of the Authority is engaged in formulation of policy for the purpose of minimizing, controlling and managing marine pollution caused by land and sea based activities and all technical operations required for the implementation of the policies. As a part of their activities, the Technical Division issue licenses to those involved in activities in the area in order ensure that they confirm to the technical requirement and requirement of the law.

01. National Oil Spill Contingency Plan (NOSCOP)

1.1 Awareness Workshops and Training Programs at District Level

The MEPA, as the authority responsible for the minimization of environment damage that can be caused by an emergency oil spill in the coastal zone of Sri Lanka, has formulated a "National Oil Spill Contingency Plan (NOSCOP)" in 1995. This plan has been updated on several occasions and approved by the Cabinet of Ministers in the year 2004. This is the only available national contingency plan to be implemented in the event of an emergency oil spill.

According to the NOSCOP, the special responsibilities have been assigned to official of several government agencies, non-governmental agencies and national and provincial political leadership. Their contribution is essential for the implementation of the program. Therefore, a nationwide program was launched by the MEPA in 2011 to enhance awareness on this subject among all partners in the implementation of the plan. Accordingly, 18 programs were conducted in 2011 in the Grama Niladari Divisions located in the coastal areas of Puttalam, Gampaha, Colombo, Kalutara, Galle, Matara, Hambantota and Trincomalee districts. The subjects discussed during these programs were:

a) The importance of the marine environment

b) The impact of oil on marine environment

c) The National Oil Spill Contingency Plan

d) Making an improvised boom (barrier to prevent the spread of oil using locally available materials in the sea during an emergency)

The training was conducted with a view to ensure the required response from different institutions without delay in the event of an emergency oil spill.

1.2 Training Program for First Respondent

According to the National Oil Spill Contingency Plan, the awareness level of persons who are expected to respond first in the event of an oil spill on the required response is critical in the control of the impact of the oil spill. The MEPA therefore, conducted a 3 day training program for first respondent during December 14 - 16, 2011 at the Vidupiyasa Auditorium at Rajagiriya. Parallel to this program, a practical training program was held in the premises of the Colombo Port. Nearly 70 trainees from the Army, Navy and the Air force, Department of Civil Defense, Sri Lanka Ports Authority, Central Environmental Authority, Disaster Management Center, National Aquatic Resources Research and Development Agency, etc., participated in the program. subject discussed at the program were evaluation of the risk of an oil spill, the National Oil Spill Contingency Plan, the impact of oil on the environment, the plan of action in response to an emergency situation and safe keeping, transport and reception of waste collected after the oil spill.

1.3 Response in the event of a spill of chemicals

As in the event of oil spills, the damage to environment due to spills of chemicals can be severe. The officers of MEPA participate in the field observations in the event of a chemical spill. Action was taken during 2011 to buy two protective kits to be used when participating in such observations (Observation of spills of chemicals is very critical in operational activities).

02. International Conventions and Legal Activities

2.1 Framing Regulations under the Marine Pollution Prevent Act No. 35 of 2008

Under the Marine Pollution Act No. 35 of 2008, ten new regulations were drafted and translation of same was completed in 2011. The first regulation under this Act viz. Regulation No. 1 of 2011, off-shore. exploration and utilization of petroleum and other natural resources was published as a gazette notification on 07 June 2011. These regulations came into effect on 26 May 2011. These regulations enunciate action to be taken for the minimization of pollution resulting from oil exploration. According to these regulations, all the contractors undertaking oil exploration have to obtain licenses for such undertakings from MEPA.

After the introduction of these regulations, the Authority has earned an income of Rs. 3.3 million in 2011 by issuing environment protection licenses for oil exploration.

2.2 Ten out of 18 regulations under section 51(2) of the Marine Pollution Prevention Act No. 35 of 2008 have been drafted and forwarded to the Legal Department with Sinhala and Tamil translations.

2.3 Final drafts of regulation relevant to bunkering and the National Oil Spill Contingency Plan have been forwarded to the Legal Draftsman. After reaching final agreement, these will be published as a gazette notification in near future.

03. School Marine Groups

Several methods have been adopted to convey to the public the importance of the marine environment and the need for the prevention of marine environmental pollution. Out of the methods adopted by MEPA, one that is targeting school children is the most important.

During the year 2011, the number of School Marine Groups have increased to 225. These groups have been formed in coastal districts of Hambantota, Matara, Galle, Kalutara, Colombo, Gampaha and Puttalam. The total number of members in these societies exceeded 5,625 by the end of 2011. Two hundred and fifty programs were conducted in schools in coastal districts to enhance the level of their awareness.

A competition was held in which children in coastal area schools participated in the selection of a logo for the School Marine Group\. The winners of this competition at district level were awarded certificates and prizes.

Ten schools each selected from seven districts making a total of 70, maintain marine information centers. Further action was taken in 2011 to improve them by providing magazines, booklets, leaflets, maps, etc.

04. Commemoration of World Ocean Day

"Our Oceans – Greening Our Future" was the theme of the World Ocean Day, 2011. The national celebration to mark the World Ocean Day was organized by the MEPA and held on 08 June 2011 in the ship Jetliner at the Colombo Port with Hon. Minister of Environment, Mr. Anura Priyadarshana Yapa as chief guest.

At the celebrations, Prof. Samantha Hettiarachchi of the University of Moratuwa delivered a speech on the subject "Ocean Disasters and Their Impact"

The annual publication of MEPA, "Sath Samudura" was released on this occasion. Nearly 250 persons including public officials and school children participated in the event.

05. International Coastal Clean-up Day Program

Many countries in the world commemorate the International Coastal Clean-up Day on the 3rd Saturday of September. Sri Lanka has been participating in this program since 2008. The program endeavours to enlighten the public on the role of the land based sources in polluting the coast. Coastal cleaning programs were conducted in 22 selected centers in Puttalam, Gampaha, Colombo, Kalutara, Galle, Matara, Hambantota, Trincomalee and Jaffna districts during 13 - 19 September 2011. The main program was held in Point Pedro with the participation of nearly 1,500 persons on 19th September. The total participation in all programs was about 3,500 and among them were school children, public officials, university students and members of NGOs. The waste collected during above programs was categorized and the data obtained were transmitted to International Ocean Conservancy for publication in media reaching international audiences.

06. Water Quality Testing

6.1 Testing the Water Quality of Sea Outfalls

A greater part of the factors causing the pollution of the ocean are land based. Pollutants enter the sea with the water flowing into the sea and ascertaining the quality of water that enter the sea is useful in taking action on preventing pollution of the sea.

District offices of the MEPA in all coastal districts from Hambantota to Puttalam conducted testing of water quality of sea outfall at selected locations throughout the year 2011. Equipment necessary for this purpose was purchased and given to the District offices.

6.2 Testing Quality of Water at Bathing Site

Sea-bathing is an important recreational activity. Both local and foreign tourists enjoy sea-bathing and it is a common sight in the coastal belt.

Moragolla at Beruwala, a popular location for sea bathing, was selected for water testing. Water testing at this location was conducted throughout 2011 by the MEPA. The purpose of these tests was to take necessary action to minimize pollution at the sea-bathing sites.

07. Awareness Programs

7.1 Enhancing Awareness among Members of the Public including Government Officials, Hoteliers and Fishermen

Enhancing awareness among different stakeholders is yet another important step that can be taken to control the pollution of the sea. Therefore, around 50 workshops were held for hoteliers and fishermen in the coastal areas of the country.

7.2 Installing Bill Boards to Raise Awareness

Action was taken during 2011 to install bill boards explaining the importance of preventing marine pollution and the legal provision regarding same. A total of 120 bill boards were installed in the coastal districts including the North and East during the year.

7.3 Publicity Programs

A video documentary on the functions, expansion and future programs of MEPA titled "*Apata Sameepa Etha Samudura*" was produced. It was used in connection with the awareness campaigns on MEPA.

A program titled "*Surakimu Samudura*" was broadcast by radio over a period of two months to raise awareness on the activities of the Authority.

08. Reception Facilities Ship Generated Waste

Sri Lanka is a signatory to the international convention on the prevention of marine pollution caused by ships. According to this convention waste reception facilities have to be provided for the ships calling at Sri Lanka Ports. In order to prevent pollution due to waste oil and garbage discarded by ships the MEPA is operating a waste reception service for ships. This service was in operation at Colombo and Galle harbours. The Authority is making use of the companies handling reception of waste from ships as third parties. At the beginning of each year, the companies those who were qualified to provide this service are registered. Twenty companies were registered for the year 2011. Each company should obtain a permit from MEPA every time before they serve to ship. The Authority supervises to the process from the point of reception to disposal.

A workshop was held for the representatives of companies registered with the MEPA on 27 January 2011. During the year 2011, permits have been issued to serve 975 ships and 19,250 metric tons of waste oil and 6,000 sq. meters of garbage waste have been removed from Ships. This is an increase of 20% when compared to the previous year.

09. "Deyata Kirula" Exhibition

The MEPA, in collaboration with the Ministry of Environment participated in the "Deyata Kirula" exhibition held at Buttala. Under the program for participation in this exhibition, seminars for enhancement of environmental awareness were held in 25 schools in which about 1,500 students participated.

10. Monitoring and Supervision of Petroleum and Natural Resources Exploration Activities

Initial stage of oil exploration in the Gulf of Manner started a few a years ago. The first drilling was scheduled to begin in 2011 at the first block of Gulf of Manner. The supervision of the environmental Impact of explorations and the responsibility for minimizing the damage to the environment due to exploration has been entrusted to the MEPA. The MEPA was continuously involved in these activities during 2011. The MEPA evaluated the Environmental Impact Assessment Report forwarded by the selected company and took necessary action to approve it. After satisfying all the requirements, a permit was issued by the MEPA for the company to commence the drilling activities.

During the time of drilling, the officers of the MEPA visited the area of operations and supervised the work being boarded in the ship.

3. Functions and Responsibilities of Administration, Human Resources Development, Internal Audit, Finance and Legal Divisions

3.1 Administration Division

The responsibility of the Administration Division is to be in charge of all administrative functions of the MEPA including recruitments, disciplinary procedures and purchasing. The Division is guided and directed by the General Manager, as the chief executive of the MEPA.

Particulars regarding the staff are given below as at 31.12.2011:

Post	Approved Cadre	Employed Cadre	Vacancies
Chief Executive Officer	01	01	00
Senior Managers	04	00	04
Middle Level Managers	11	05	06
Junior Managers	12	08	04
Enforcement Officers	12	04	08
Management Assistant (Technical)	02	02	00
Management Assistants	08	08	00
Graded Officers	06	05	01
Semi Graded Officers	64	47	17
Un-graded officers	09	08	01
Total	**129**	**88**	**41**

Special activities of the Administration Division during the year

1. The Department of Management services approved the new scheme of recruitment prepared for the MEPA on 12 May 2011. Accordingly the permission has been granted to recruit officers for posts that have not been so far approved.

2. Thirty one new officers were recruited during 2011 according to the new scheme of recruitment. Out of these, seven officers were appointed as internal promotions.

3. With a view to expand the activities of MEPA to the Eastern Province, the Trincomalee District Office and the Provincial Office of Eastern Province were opened in Trincomalee.

4. Two double cab vehicles were provided by the Treasury in order to streamline the field work of the Authority.

3.2 Human Resources Development Division

The capacity and skill development of the staff of MEPA by training is the responsibility of the Human Resources Development Division. A separate division was formed in 2011 for human resources development. Plans for human resources development in future will be formulated and implemented by this division. The activities of the division are guided by the General Manager, as the chief executive of the MEPA.

Responsibilities of the Division

1. Identify the training needs of the staff and select suitable resource persons and institutions to conduct the training. Prepare training programs in Sri Lanka and abroad and direct the staff for training accordingly.

2. Monitor the training and if there are any shortcomings, take necessary remedial action.

3. Evaluate the annual progress reports of the staff.

4. Prepare the procedure for grading of staff and schemes for promotion.

5. Provide the line Ministry and other external institutions, particulars regarding the staff and institutional activities when called upon to do so, subject to the approval of the General Manager.

6. Welfare of the Employees

   Particulars regarding the participation of the staff in local and foreign training programs are given below.

Participation in local training programs during 2011

Serial No	Name	Designation	Title of the Course of Training	Duration	Name of the Training Institution
01	Miss. Ashvinee Kariyawasam	Legal Officer	ICLP – CCC Certificate Course on Shipping Law and Practice	03 months	ICLP Arbitration Centre
02	Mrs. W.M.P.S. Kumari	Secretary	Secretarial Practices	04 days	Skills Development Fund Ltd
03	Mrs. R.P. Ranaweera Mr. L.P. Titus Mrs. B. Darmadasa Mrs. G.D.S. Priyadarshika Mrs. A.M.R.A. Chandani	Assistant Manager Marine Envir. Officer Marine Envir. Officer Marine Envir. Officer Marine Envir. Officer	Administrative Law and Human Resources Development	01 day	Institute of Construction and Training Development
04	All staff		Motivation and Attitudinal Changes	01 day	Skills Development Fund Ltd
05	Mrs. H.R.D. Subashini	Marine Environmental Officer	Objective Oriented Project Planning	04 days	Sri Lanka Institute of Development Administration
06	Mr. Anil Shantha Mr. Dissanayake Mr. A.S. Wijesinghe Mr. N. Fernando Mr. S. Pushpakumara	Driver	Safety and Scientific Use of Vehicles	01 day	Sri Lanka Institute of Development Administration
07	Mrs. Eranthi Fernando	Marine Environmental Officer	Providing Documentation Sources	01 day	National Library and Documentation Services Board
08	Mrs. G.P. Nilanjani	Administrative Officer	Disciplinary Procedure	02 days	Institute of National Labour Studies
09	Mr. R.S. Ariyapperuma (Attorney at Law) Mr. W.N. Diyabalanage	Chairman Deputy General Manager	Seminar on Improving Performance through Good Governance and the Rule of Law	01 day	Skills Development Fund Ltd
10	Mr. W.N. Diyabalanage	Deputy General Manager	Workshop on Environment Management	04 days	Sri Lanka Institute of Development Administration
11	Mrs. S.D.G.P. Samaraweera	Management Assistant	Diploma in Communication Skills in English	15 Months	Miloda Institute

Participation in foreign training programs during 2011

Serial No	Name	Designation	Title of the Course of Training	Duration	Name of the Training Institution
01	Mrs. A.M.R. Chandani	Marine Environmental Officer	Beyond Climate Change, Impacts on Water Resources , Biodiversity Communication, the Role of Society	2011.06.06 – 2011.06.24	Thailand
02	Mr. R.S. Ariyapperuma (Attorney at Law) Rear Admiral S.R. Samaratunga	Chairman General Manager	Oil Spill Response Information Session	2011.06.19 – 2011.06.22	India
03	Mr. R.S. Ariyapperuma (Attorney at Law)	Chairman	62nd Session of the Marine Environment Protection Committee	2011.07.11 – 2011.07.15	England
04	Mrs. T.S. Ranasinghe	Assistant Manager (West)	Seminar on Environment Protection and Management for Officials from Developing Countries	2011.08.08 – 2011.08.19	China
05	Mr. R.S. Ariyapperuma (Attorney at Law)	Chairman	Executive Management Meeting for Environmental Agencies and National Nuclear Institutes	2011.08.08 – 2011.08.12	Philippines
06	Rear Admiral S.R. Samaratunga	General Manager	Regional Workshop on IMO London Protocol	2011.08.24-2011.08.26	Thailand
07	Mrs. Eranthi Fernando	Marine Environmental Officer	Sub- Regional Workshop to address GHG Emissions from International Shipping	2011.11.15 - 2011.11.16	Singapore

3.3 Internal Audit Division

The Internal Audit Division is functioning under the direct supervision and guidance of the Chairman. The main responsibility of the division is to observe the working of the financial, operational, administration and Legal Divisions of the Authority and to present reports on their findings to the Chairman for a decision.

The functions of the Audit Division include the following components:

- Review the financial and internal controls of the Authority.
- Review the financial and operational activities. Assess and report on the related procedures. Where necessary, conduct detailed investigations and report on special aspects and incidents, that are considered important.
- Investigate the economic productivity and efficiency of financial controls and other aspects of control, that are not necessarily financial.
- Examine the compatibility of government rules and regulations and the rules and regulations of the Authority
- Depending on the needs of the management, conduct special investigations on emergency situations.

All the divisions and provincial offices of the Authority were audited during the year based on an annual plan of internal auditing and monthly reports on auditing was forwarded to the Chairman.

Four meetings of the Audit and Management Committee were held during 2011 and reports on these meetings were forwarded to the Chairman for appropriate action.

3.4 Legal Division

The legal activities of the MEPA are handled by the Legal Division. The work undertaken by the division during 2011 is outlined below.

Off-shore exploration and utilization for Mineral Oil and other National Resources, Marine Environment Protection regulation No. 1 of 2011, was drafted and gazette before August 2011, the month in which the Indian Company named Keyns Lanka Ltd. commenced exploration work in the Gulf of Manner. This law generated an income for the Authority.

01 Under the provisions of section 5 of Marine Pollution Prevention Act No. 35 of 2008, 10 regulation were drafted and presented to the Legal Draftsman's Department.

02 In accordance with the priorities of the Authority, Bunkering (Marine Pollution Prevention) regulation No 2 of 2011 and National Oil Spill Contingency Plan, regulation No 01 of 2012 have been discussed in several rounds of talks with a view to gazette these regulations during the first quarter of next year.

03 On receipt of information on a ship with the flag of Cyprus anchored off Panadura over the last 5 years without any repairs, having taken into consideration the risk of environmental pollution to the coastal belt in the Western and the Southern regions of the country arising from a heavily dilapidated ship, and also the critical importance of this region for tourism in Sri Lanka, verbal representations were made to the commercial High Court in Colombo by the Legal Officer, on the need for the aversion of the impending danger. Thereafter, all steps necessary to avert the pollution of the marine environment were taken in accordance with the statutory responsibility cast on MEPA under the relevant Act.

04 In view of the importance of raising public awareness on the legal powers vested with MEPA, the legal officer delivered several lectures on the legal authority of MEPA at workshops organized by the Operational Division and District Offices of the MEPA.

3.5 Finance Division

The Finance division is responsible for the financial management of MEPA. Placement of financial resources for all the activities of the MEPA and allocation of financial resources are handled by this division. Providing financial services in the most efficient manner possible, guiding the staff in related matters, co-ordination and monitoring financial operations are basic objectives of the division.

Activities

1. Prepare annual budgetary estimates
2. Preparation of financial statements
3. Providing reports on financial statements and monthly budgets
4. Payment of salaries and wages and keeping records of the same
5. Keeping all projects accounts
6. Handling all payments
7. Maintaining accounts regarding loans and advances.
8. Co-ordination with banks
9. Co-ordination with the Auditor Generals Department
10. Management of investments and other activities

Special activities undertaken during the year

1. A loan scheme under which the salary for 12 months was given as a loan to the employees was launched. Under this, 24 employee's were given Rs. 4,939,000 as loans.

2. The balance in current accounts was deposited as one day deposits in the bank during the year. The interest earned from this move was Rs. 207,403.15 for the year 2011.

3. A separate fund had to be maintained by the MEPA under the Prevention of Marine Pollution Act No. 35 of 2008. The income of Rs. 10 million earned by the Authority through fines during 2010 was invested in Treasury bills until withdrawal for initiation of the special fund. The interest earned by this move is given below:

Investment value (Rs.)	Interest(Rs.)	Total value as at 31 Dec. 2011(Rs.)
9,999,999.75	709,914.25	10,709,914.00

4. Receipt of 2 double cabs as a grant on the request of the Authority is an achievement of the Finance division during the year.

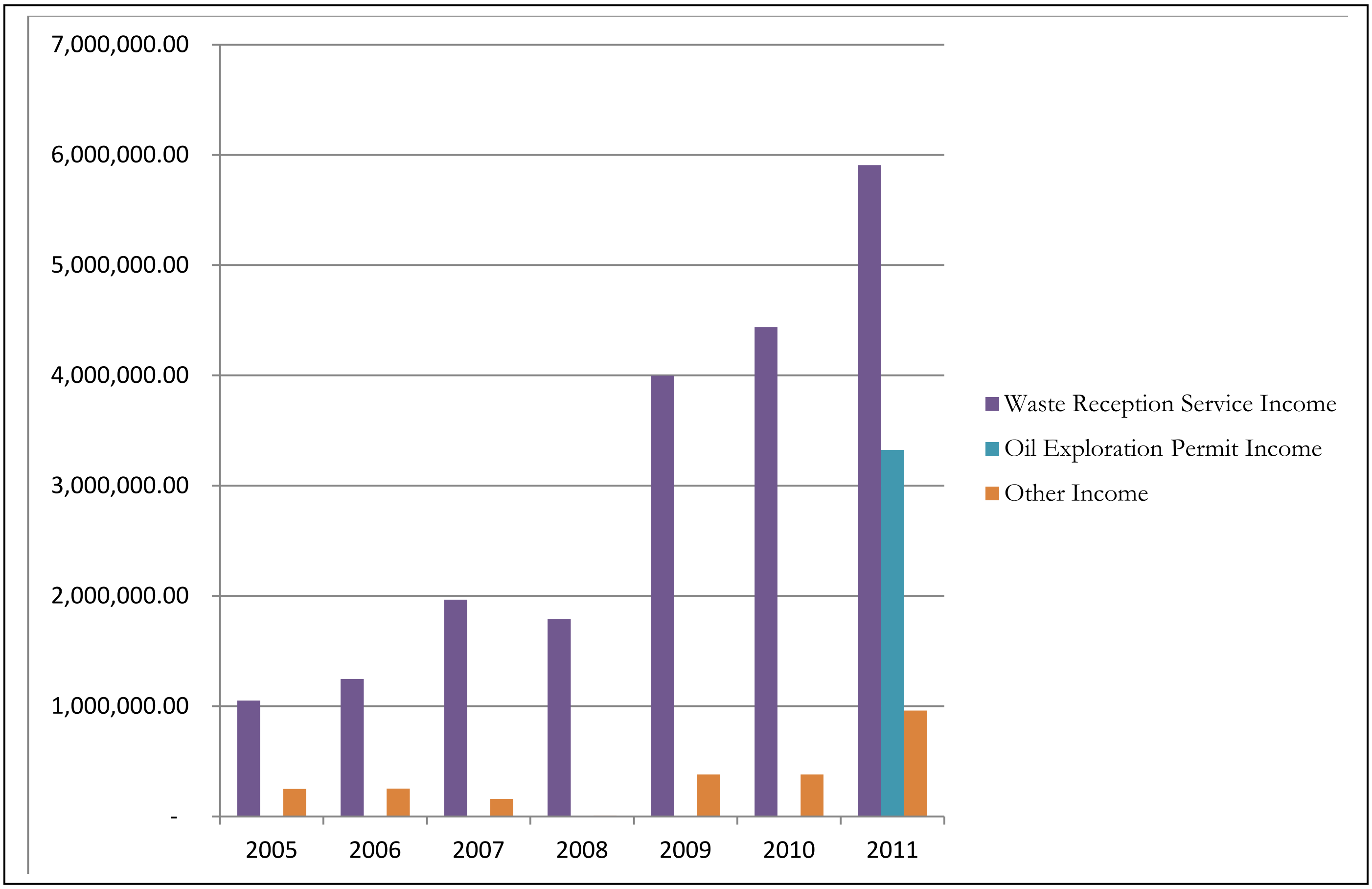
5. Income

Income of the authority from 2005 to 2011

The income of the Authority during 2011was 125% higher than that of 2010. The increase has been mainly due to:

1. Increase of fees for issue of permits increased from Rs. 3,000 to Rs. 4,000.
2. Issue of environmental evaluation permits for oil exploration.
3. Increase in the number of ships requesting reception service.

Increase of income of the Authority from 2005 to 2011



3.6 Financial Progress Report - Year 2011 - Recurrent Expenditure

Object code	Category/Object Title	Allocation 2011	Expenditure Up to 31 Dec. 2011	Balance as at 31 Dec. 2011
	Recurrent Expenditure			
	Personnel Emoluments			
1001	Salaries and wages	35,377,000.00	27,951,854.45	7,425 ,145.55
1002	Over time / holiday pay	1,000,000.00	510,158.75	489,841.25
1003	Other allowances	520,000.00	324,350.00	195,650.00
	Sub total	**36,897,000.00**	**28,786,363.20**	**8,110 ,636.80**
	Traveling expenses			
1101	Domestic	1,400,000.00	1,129,619.44	270,380.56
1102	Foreign	1,270,000.00	1,048,923.61	221,076.39
	Sub Total	**2,670,000.00**	**2,178,543.05**	**491,456.95**
	Supplies			
1201	Stationery and office requisites	660,000.00	493,150.46	166,849.54
1202	Fuel and lubricants	1,300,000.00	817,535.50	482,464.50
1205	Other	300,000.00	143,608.00	156,392.00
	Sub total	**2,260,000.00**	**1,454,293.96**	**805,706.04**
	Maintenance expenditure			
1301	Vehicles	1,275,000.00	870,473.94	404,526.06
1302	Plant, machinery and equipment	725,000.00	498,326.22	226,673.78
1303	Building and structure	300,000.00	54,209.00	245,791.00
	Sub total	**2,300,000.00**	**1,423,009.16**	**631,199.84**
	Contractual services			
1402	Postal and Telecommunication	963,000.00	709,513.70	253,486.30
1403	Electricity and water	1,450,000.00	1,251,219.97	198,780.03
1404	Rent, rates and taxes	6,660,000.00	5,921,005.00	738,995.00
1405	Other	2,050,000.00	1,748,237.84	301,762.16
	Sub total	**11,123,000.00**	**9,629,976.51**	**1,493,023.49**
	Total recurrent expenditure	**55,250,000.00**	**43,472,185.88**	**11,532,023.12**

3.7 Financial Progress Report - Year 2011 - Capital Expenditure

Object code	Category/Object Title	Allocation 2011	Expenditure Up to 31 Dec. 2011	Balance as at 31 Dec. 2011
	Rehabilitation and Improvement of capital assets			
2001	Building and structures	500,000.00	22,157.14	477,842.86
2002	Plant, machinery and equipment	500,000.00	312,902.89	187,097.11
2003	Vehicles	1,000,000.00	645,878.93	354,121.07
	Sub total	2,000,000.00	980,938.96	1,019,061.04
	Acquisition of capital assets			
2101	Vehicles	-	-	
2102	Furniture and equipments	1,000,000.00	927,700.28	72,299.72
2103	Machinery and equipment	2,000,000.00	1,655,640.00	344,360.00
	Sub total	3,000,000.00	2,583,340.28	416,659.72
2502	Other			
	1 Capacity building - NOSCOP	6,200,000.00	3,943,929.48	2,254,070.52
	2 Matters related to regulation and International convention	300,000.00	180,115.00	119,885.00
	3 School marine group	2,550,000.00	2,066,698.34	483,301.66
	4 Awareness programs	250,000.00	326,656.64	(76,656.64)
	5 Sonduru saura program	5,250,000.00	5,521,563.02	(271,563.02)
	6 Prevention of marine pollution related to fisheries	5,550,000.00	1,238,666.71	4,261,333.29
	7 Water quality monitoring program	2,100,000.00	1,809,679.00	290,321.00
	8 Development of laboratories	1,500,000.00	1,414,802.13	85,197.87
	9 Waste reception facilities	600,000.00	854 ,666.44	(254,666.44)
	10 Promotional - Publicity Programs	2,500,000.00	2,045,970.00	454,030.00
	11 Deyate kirule development program	650,000.00	439,380.00	210,620.00
	12 Pubudamu gampaha program	1,200,000.00	500,245.00	699,755.00
	13 Marine research program	400,000.00	273,497.34	126,502.66
	14 Human resources development	1,000,000.00	931,896.52	68,103.48
	Total	**30,000,000.00**	**21,547,765.62**	**8,452,234.00**

04. Accounting Policies, Financial Statements and Notes to the Financial Statements

4.1 Accounting Policies

4.1.1 General Accounting Policies

The Financial Statements for the year 2011 have been prepared based on the historical cost convention with generally accepted accounting principles. No adjustments have been made for inflationary factors affecting the accounts.

Revenue and expenditure have been accounted on accrual basis and provision has been made in the accounts for all known liabilities.

4.1.2 Basis of Preparation

The Finance Statements of Marine Environment Protection Authority comprise Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets / Equity, Cash Flow Statement, Significant Accounting Policies and Notes to the Financial Statements. These statements are prepared in accordance with Public Sector. Accounting Standards and Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountant of Sri Lanka.

Marine Environment Protection Authority use the Sri Lanka Public Sector Accounting Standards (SLPSAS) with effect from the year 2010 for preparation and the presentation of it financial statements even though SLPSAS is effective from the year 2011.

The Financial Statements are presented in accordance with SLPSAS 01 and where the SLPSAS are not available, Sri Lanka Accounting Standards are applied in the preparation of financial statements.

4.1.3 Property, Plant and Equipments

Property, plant and equipments have been recorded at their cost. They have been depreciated on straight line basis in order to write off their cost over their useful life. The rates used to depreciate them are as follows:

Asset	Depreciation percentage
Motor vehicles	20%
Computers and related equipment	15%
Other office equipment	15%
Telephone	15%
Mobile telephone	10%
Home appliances and office equipment	10%
Laboratories and technical equipment	10%
Out board engine	20%
Floating rubber vessel	20%
Office installed inside a container	20%

The Authority adopts SLAS 18 in keeping accounts in relation to the Property, plant and equipment

4.1.4 Income

The main income of the authority comprises grants received from Government. In addition, an income is generated by issuing licenses for waste reception services and permits for oil exploration activity.

4.1.4.1 Income Generated by the Authority

The income generated by the authority is calculated on accrual basis in accordance with the Sri Lanka Accounting Standards.

4.1.4.2 Grant received from the Government

The Authority receives two types of grants, namely capital and recurrent grants. The accounting policy adopted with regard to, these grants is based on SLAS 24 as explained below.

4.1.4.3 Capital Grants

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

Capital grants received for activities connected with prevention of Sri Lankan marine pollution naturally generate intangible assets. As criteria for recognition of assets explained in standards (SLAS 37) is not fulfilled, the expenditure in relation to the marine pollution prevention activities are recognized as income in the year in which such activities are performed or expenditure made.

4.1.4.4 Recurrent Grants

Recurrent grants are recognized as income in the year is which they are received as they are utilized in the same year

4.1.5 Expenditure

Expenditure is recognized as expenses on the accrual basis.

4.1.6 Provision for Gratuity

A provision has been made for payment of gratuity on the retirement of employees as per the requirement of SLAS 16.

4.2 Statement of Financial Position

Marine Environment Protection Authority

Statement of Financial Position

As at 31st December 2011

Assets	**Note**	**2011 Rs.**	**2010 Rs.**
Current Assets			
Debtors	11	16,935.00	98,437.49
Deposits	12	1,137,800.00	480,800.00
Pre payments	13	370,250.73	533,538.35
Staff loan	14	6,257,776.56	3,929,914.76
Short term investment in TB		10,709,913.55	9,999,999.75
Cash balance as at 31.12.2011	10	13,619,138.16	7,069,591.12
Non Current Assets			
Property, plant and equipments	09	39,814,309.96	22,359,481.89
Total Assets		**71,926,123.96**	**44,471,763.35**
Liabilities			
Current Liabilities			
Accrued payments	15	10,837,615.91	273,840.48
Non Current Liabilities			
Marine Environment Protection Fund		12,309,913.55	11,600,000.00
Funds for distress loan	16	6,389,200.68	6,204,711.22
Provision for gratuity	17	3,756,087.50	2,866,922.50
Total Liabilities		**33,292,817.64**	**20,945,474.20**
Net Assets		**38,633,306.31**	**23,526,289.15**
Equity			
Government grants and capital	18	39,814,311"09	22,359,482.03
Accumulated surplus / deficit	19	(1,181,004.78)	1,166,807.12
Total equity		**38,633,306.32**	**23,526,289.15**

4.3 Statement of Financial Performance

Marine Environment Protection Authority

Statement of Financial Performance for the

Year ended 31st December 2011

Income	Note	2011 (Rs.)	2010 (Rs.)
Treasury grants	1	53,327,215.80	48,164,438.86
Income received from registration and permits	2	9,242,201.03	4,438,000.00
Other income	3	969,145.95	380,304.19
Total income		**63,538,562.78**	**52,982,743.05**
Expenditure			
Personnel emoluments	4	29,670,533.99	26,341,796.16
Supplies and consumables used	5	2,852,673.76	2,398,219.34
Other recurrent expenditure	6	11,975,763.90	9,554,829.06
Grant and other transfer payments	7	13,031,810.11	11,000,148.32
Financial expenses	8	40,142.30	20,195.00
Depreciation of fixed assets	9	5,825,405.76	3,713,425.21
Total expenditure		**63,396,329.82**	**53,028,613.09**
Deficit / surplus for the period		**142,232.96**	**(45,870.04)**

4.4 Statement of Changes in Equity

Marine Environment Protection Authority

Statement of Changes in Equity for the

Year ended 31st December 2011

	Capital Grant (Rs.)	Accumulated Surplus / Deficit (Rs.)	Total (Rs.)
Balance as at 31.12.2010	22,359,482.03	1,166,807.12	23,526,289.14
Transfer to capital grant	-	(2,490,044.86)	-
Re-stated balance as at 01.01.2011	22,359,482.03	(1,323,237.74)	21,036,244.29
Capital grants received	36,312,044.86	-	36,312,044.86
Capital grant transfer to income (SLAS 24)	(18,857,215.80)	-	(18,857,215.80)
Surplus / (Deficit) for the year	-	142,232.96	142,232.96
Balance as at 31.12.2011	**39,814,311.09**	**(1,181,004.78)**	**38,633,306.31**

4.5 Cash Flow Statement

Marine Environment Protection Authority
Cash Flow Statement
For the Year 2011

	2011(Rs.)	2010(Rs.)
Cash Flow from Operating Activities		
Excess of income over expenditure	142,232.96	(45,870.04)
Adjustments for:		
Depreciation	5,825,405.76	3,713,425.21
Adjustments for Opening Balance	2,490,044.86	30,000.00
Advance charge to P&L (Paid in 2010)	84,937.50	
Provision for gratuity	889,165.00	602,947.50
Income recognized as per SLAS 24 (From grants received previous years)	(18,857,215.80)	(14,713,573.46)
Operating Surplus/Deficit Before working Capital changes	**(9,425,429.72)**	**(10,413,070.79)**
Working Capital Changes		
(Increase) / decrease in deposit	(657,000.00)	(105,000.00)
(Increase) / decrease in prepayments	163,287.62	(148,806.31)
(Increase) / decrease in debtors	(3,435.00)	(76,225.24)
Decrease/ increase in current liabilities	10,563,775.43	(61,729.15)
Net Cash flow from operating Activities	**641,198.33**	**(10,804,831.49)**
Investing Activities		
Investment in Treasury bills	(10,709,913.55)	(9,999,999.75)
Acquisition of property plant & equipment	(4,570,279.08)	(8,021,851.68)
Interest from staff loan	184,489.46	106,568.01
Interest form Treasury bills	709,913.55	-
(Increase) / decrease in staff loan	(2,327,861.80)	(1,871,062.02)
Net Cash flow from Investing Activities	**(16,713,651.42)**	**(19,786,345.44)**
Financing Activities		
Fund received from MT Granba incident	0	15,600,000.00
Government grant for Capital expenditure	22,622,000.00	19,022,000.00
Net cash from financing activities	**22,622,000.00**	**34,622,000.00**
Net increase/decrease in cash and cash equivalents	**6,549,546.91**	**4,030,823.07**
Cash and cash equivalents at the beginning of the year	**7,069,591.10**	**3,038,768.03**
Cash & cash equivalents at the end of the year	**13,619,138.01**	**7,069,591.10**

4.6 Notes to the Financial Statements

Marine Environment Protection Authority
Notes to the Financial Statements

Note 01	**Treasury Grants**	
Treasury Grants	**2011(Rs.)**	**2010(Rs.)**
Recurrent grant	34,470,000.00	33,280,000.00
Capital grant transfer to income - cash balance	-	170,865.40
Capital grant transfer to income - current year	13,031,810.11	11,000,148.32
Capital grant transfer to income - differed grant	5,825,405.69	3,713,425.14
Total	**53,327,215.80**	**48,164,438.86**

Note 02	**Fees and Fines**	
Waste Reception Service Fee	**2011(Rs.)**	**2010(Rs.)**
Waste reception service - registration fees	2,040,500.00	2,195,000.00
Waste reception service - Permit Fees	3,839,000.00	2,215,000.00
Waste reception service - application fees	9,000.00	13,000.00
Waste reception service - registration fees (Received in 2010 for 2011)	31,000.00	15,000.00
Natural resources extraction - permit fees	3,289,803.00	-
Natural resources extraction - application fees	32,898.03	-
Total	**9,242,201.03**	**4,438,000.00**

Note 03	**Other Revenue**	
Other Revenue	**2011(Rs.)**	**2010(Rs.)**
Other income	748,500.00	377,150.00
Book advance interest	3,117.80	3,154.19
Chq. cancellation	10,125.00	-
Interest income	207,403.15	-
Total	**969,145.95**	**380,304.19**

Note 04	Personnel Emoluments	
Personnel Emoluments/ Employee benefits	**2011(Rs.)**	**2010(Rs.)**
Salaries & wages	27,951,854.45	25,196,278.83
Overtime / holiday pay	488,814.54	469,969.83
Other allowances	340,700.00	72,600.00
Provision for gratuity	889,165.00	602,947.50
Total	**29670533.99**	**26341796.16**

Note 05	Supplies and Consumables Utilized	
5.01 Supplies	**2011(Rs.)**	**2010(Rs.)**
Stationary and office requisites	493,150.46	348,135.99
Fuel & Lubricants	817,535.50	644,411.85
Uniforms	143,608.00	44,440.00
Total	**1,454,293.96**	**1,036,987.84**
5.02 Maintenance Expenditure		
Vehicles maintenance expenditure	870,473.94	838,648.34
Plant, machinery and equipments maintenance expenditure	473,696.86	383,522.16
Office maintenance	54,209.00	139,061.00
Total	**1,398,379.80**	**1,361,231.50**

Note 06	Other Recurrent Expenditure	
6.01 Traveling	**2011(Rs.)**	**2010(Rs.)**
Domestic	1,116,257.86	951,853.55
Foreign	1,048,923.61	350,524.88
Total	2,165,181.47	1,302,378.48
6.02 Contractual Services		
Telecommunication/postal charges	716,585.48	679,632.53
Electricity and water	1,342,482.69	1,080,061.82
Office rent	5,932,135.00	5,794,435.00
Other contractual services	1,656,091.49	847,127.59
Pre-paid expenses for 2011 (paid during previous year)	533,538.35	384,732.04
Prepaid expenses for 2012 (paid during 2011)	(370,250.58)	(533,538.35)
Total	**9,810,582.43**	**8,252,450.63**

Note 07	Grants and Other Transfer Payments	
Grant and other transfer payments	**2011(Rs.)**	**2010(Rs.)**
Total capital grant for the year	36,312,044.86	19,022,000.00
Less:		
Amount utilized to purchase of capital assets	(23,280,234.75)	(8,021,851.68)
Amount transferred to statement of the F/Performance	**13,031,810.11**	**11,000,148.32**

Note 08	Financial Expenditure	
Financial Expenditure	**2011(Rs.)**	**2010(Rs.)**
Bank charges	40,142.30	20,195.00
Total	**40,142.30**	**20,195.00**

Note 09	Depreciation of Property, Plant and Equipment						
Type of Asset	Cost 2011(Rs.)			Depreciation 2011(Rs.)			
	01 Jan. 2011	Additions	31 Dec. 2011	01 Jan. 2011	Additions	31 Dec. 2011	
Motor Vehicles	14,614,892.63	11,200,000.00	25,814,892.63	8,920,532.63	3,089,538.67	12,010,071.30	13,804,821.33
Furniture and office equipment	14,682,642.69	4,751,150.75	19,433,793.44	6,902,922.14	1,688,407.55	8,591,329.69	10,842,463.75
Technical equipment	10,474,595.41	7,329,083.08	17,803,678.49	1,589,194.08	1,047,459.54	2,636,653.62	15,167,024.87
Total	**39,772,130.73**	**23,280,233.83**	**63,052,364.56**	**17,412,648.84**	**5,825,405.76**	**23,238,054.60**	**39,814,309.96**

Note 10	Cash and Cash Equivalents	
Cash and Cash Equivalents	**2011(Rs.)**	**2010(Rs.)**
Bank of Ceylon – 194109	13,487,714.04	4,794,794.66
Peoples Bank	131,424.12	2274796.46
Total	**13,619,138.16**	**7,069,591.12**

Note 11	Debtors	
Debtors	**2011(Rs.)**	**2010(Rs.)**
Shehan Kuruneru	13,500.00	13,500.00
Recurrent advance	3,435.00	84,937.49
Total	**16,935.00**	**98,437.49**

Note 12	Deposits	
Deposits	**2011(Rs.)**	**2010(Rs.)**
Initial deposit balance	480,800	
Rent	657,000.00	466,500.00
Receivable deposit		14,300.00
Total	**1,137,800.00**	**480,800.00**

Note 13	Pre - payments	
Pre - payments	**2011(Rs.)**	**2010(Rs.)**
Rent	180,100.00	418,288.89
Insurance	153,254.90	84,222.21
Maintenance	4,656.90	29,349.47
Other expenses	32,238.78	1,677.78
Total	**370,250.58**	**533,538.35**

Note 14	Staff Loans Recoverable	
Staff Loans Recoverable	**2011(Rs.)**	**2010(Rs.)**
Opening Loan Balance as at 01.01.2011	3,929,914.76	2,058,852.74
Add:		
Loan given during the year	4,939,000.00	3,400,000.00
Total recoverable amount	8,868,914.76	5,458,852.74
Less:		
Amount recovered during the year	2,611,138.20	1,528,937.98
Balance as at 31.12.2011	**6,257,776.56**	**3,929,914.76**

Note 15	Current Liabilities	
Current Liabilities	**2011(Rs.)**	**2010(Rs.)**
Debtors	10,534,736.45	0
WRS application and permit fees receivable	18,000.00	31,000.00
Electricity and water bill payable	107,457.38	16,194.66
Rent payable	11,130.00	-
Telephone bill payable	54,867.37	47,795.59
Other payable expenses	111,424.71	178,850.23
Total	**10,837,615.91**	**273,840.48**

Note 16	Staff Loan Fund	
Staff Loan Fund	**2011(Rs.)**	**2010(Rs.)**
Opening loan balance as at 01.01.2011	6,204,711.22	2,098,143.21
Add:		
Additional Fund Received		4,000,000.00
Interest for the Year	187,125.46	107,608.85
Less:		
Bank Fees	2,636.00	1,040.84
Closing loan balance as at 31.12.2011	**6,389,200.68**	**6,204,711.22**

Note 17	Provision for Gratuity	
Provision for Gratuity	**2011(Rs.)**	**2010(Rs.)**
Opening loan balance as at 01.01.2011	2,866,922.50	2,263,975.00
Add:		
Provision for year	889,165.00	602,947.50
Closing balance as at 31.12.2011	**3,756,087.50**	**2,866,922.50**

Note 18	Government Grant and Capital	
Government grant and Capital	**2011(Rs.)**	**2010(Rs.)**
Opening balance as at 01.01.2011	22,359,482.03	18,051,055.49
Add:		
Capital Grants Received during the year	36,312,044.86	19,022,000.00
Less:		
Recognized as income (SLAS 24)	18,857,215.80	14,713,573.46
Closing balance as at 31.12.2011	**39,814,311.09**	**22,359,482.03**

Note 19	Accumulated Deficit	
Accumulated Deficit	**2011(Rs.)**	**2010(Rs.)**
Opening Balance as at 01.01.2011	1,166,807.12	1,182,677.16
Error Correction		30,000.00
Add:		
Transfer to Deferred Income	(2,490,044.86)	
Deficit Excess for the year	142,232.96	(45,870.04)
Closing Balance as at 31.12.2011	**1,181,004.78**	**1,166,807.12**

Note 20	Marine Environment Protection Fund	
Marine Environment Protection Fund	**2011(Rs.)**	**2010(Rs.)**
Opening Balance as at 01.01.2011	11,600,000.00	-
MT - GRANBA Receipt of Funds		11,600,000.00
Interest Income - TB	709,913.55	
Balance as at 31.12.2011	**12,309,913.55**	**11,600,000.00**

21 Investment of Rs. 10 million in Treasury Bills maturing in 6 months in 2010 matured in November 2011 and the interest earned thereby was Rs. 709,517.00. Initial investment and the interest were both reinvested in Treasury Bills.

22 The balance in the current account of the Authority was invested in one day deposits during the year and the income earned during the year on this investment at the end of the period was Rs. 207,403.00. This interest income has been included in the total income for the year.

23 Issuing environment protection licenses for oil exploration work during the year generated an income of Rs. 3,322,701.03 and this income has been included in income for permits. The charges for issuing permits for reception of waste was increased from Rs. 3,000/- to Rs. 4,000/- for each permit. As a result, the income from issuing permits for reception of waste increased up to Rs. 3,390,000.00.

24 The Authority acquired fixed assets to the value of rs. 23,280,233.83 during the year. The double cabs received from the Treasury as a grant valued at Rs. 11,200,000.00 is included in this income. In addition, assets to the value of Rs. 12,080,333.83 has been acquired by the authority. Among these assets were office equipment, laboratory equipment, computers and computer software, out board engines, a floating vessel made out of rubber, a container equipped to serve as a laboratory etc. However, out of these assets, the assets given the following table were received in 2012. Action is now being taken for the depreciation of these items. The value of the following assets are included in current liabilities.

Asset	Value
Communication equipment	339,240.00
Desktop computers	639,200.00
Fax machine full option	94,080.00
Fax machine	38,932.45
Float vessel made out of rubber	672,000.00
Boat engines	510,000.00
Laptop computer	1,275,000.00
Laboratory equipment	3,030,384.00
A container equipped to serve as an office	750,400.00

5. Auditor General's Report

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல / My No: TM/L/MEPA/FA/2011
ඔබේ අංකය / உமது இல / Your No.:
දිනය / திகதி / Date: 16 August 2012

The Chairman,
Marine Environment Protection Authority.

Report of the Auditor General on the Financial Statements of the Marine Environment Protection Authority for the year ended 31 December 2011 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the Marine Environment Protection Authority Comprising the balance sheet as at 31 December 2011 and the income statement , 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 provisions 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 Environment Protection 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 issued to the Chairman of the Authority on 22 May 2012.

1:2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka 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.

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1:3 Auditor's Responsibility

My responsibility is to express an opinion based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. 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 performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the 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 Authorities preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. 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 Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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

1:4 Basis for Qualified Opinion

My opinion is qualified based on the matters described 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 Environment Protection Authority as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2:2 Comments on Financial Statements

2.2.1 Non- compliance with Sri Lanka Accounting Standards

The policy on provision for gratuity had not been disclosed in terms of Sri Lanka Accounting Standard No. 03

2:2:2 Accounting Deficiencies

The following deficiencies were observed.

(a) Provision for depreciation on 2 motor vehicles for the year had been overstated by Rs. 159,241

(b) Provision for gratuity in respect of 32 officers and 13 officers had been over stated and under stated by Rs. 296,742 and Rs. 110,791 respectively.

2.2.3 Unreconciled Control Accounts

The following accounts balances had not been tallied with relevant registers/ schedules

Particulars	Balance as per Accounts	Balance as per Register / Schedule	Difference
	Rs.	Rs.	Rs.
Travelling expenses	1,116,258	1,143,421	27,163
Other expenses	1,656,091	1,696,634	40,543

2.2.4 Lack of Evidence for Audit

Evidence such as ledger accounts performance reports, GRNS etc. in respect of balances totalling Rs. 279,005,389 relating to 7 instances were not made available for audit.

2.2.5 Non- compliance with Laws, Rules, Regulation and Management Decisions

Non- Compliances with the following Laws, rules regulations etc. were observed.

Reference to Laws, Rules, Regulation etc	Non- Compliance
(a) Financial Regulation 757	The Board of survey reports for the year under review had not been presented to audit.
(b) Public Enterprises circular No. PED/12 of 02 June 2003	(i) paragraph 6.5.1 The draft annual report for the year 2011 had not been presented along with the accounts. (ii) paragraph 6.5.3 Annual reports for the year 2009 and 2010 had not been tabled in Parliament.

3. Financial Review

3:1 Financial Results

The operations of the Authority for the year under review had resulted in a surplus of Rs.142,233 as against the deficit of Rs. 45,870 for the preceding year thus observing a favorable variance of Rs. 188,003 in the financial result. as compared with the deficit for the preceding year.

3:2 Analytical Financial Review

Increase in Government grant by Rs. 5,162,777 and income of the Authority by Rs. 5,393,043 during the year under review had been the reason for the above favorable variance.

(a) (i) In the comparison of estimated income prepared by the Authority for the year 2011 with the actual income, the Registration fees of waste reception service, the licensee fees and application fees had decreased by Rs. 209,500, Rs. 161,000 and Rs. 11,000 respectively.

(ii) Actual income earning of both bunkering and others (Fine/ penalties) included in the estimated income had dropped by 100%

(b) Income from operating activates received in the year under review amounted to Rs. 9.2 million, representing 14.5% of the total income. Income from operating activities received in the preceding year amounted to Rs. 4.8 million, representing 9% of the total income.

4. Operating Review

4.1 Action Plan

According to the Action Plan in the year 2011 of the Marine Environment Protection Authority, the total provision amounted to Rs. 35,000,000 whereas according to the progress report of the year, the actual expenditure amounted to Rs. 25,098,320 The following matters were observed in audit in this regard.

(a) A sum of Rs. 2,052,230 had been spent in excess of the provision in respect of 8 activities

(b) The total provision of Rs. 1,100,000 in 3 activities had been saved.

(c) Out of the total provision in 8 activities 50% or more had been saved. The Chairman Stated in this regard that a sum of Rs. 12.32 million out of capital provision in the year 2011 had not been released to the Authority by the Treasury.

(d) Officers to whom the responsibility of activities was fixed had not been named in the action plan.

(e) Even though provisions for signing international conventions amounting to Rs. 30,000 and Rs. 450,000 had been made in the years 2010 and 2011 respectively these 2 activities had not been carried out during the 2 years.

4.2 Staff Salary Loans

The approval of the Treasury had not been obtained for the salary / distress loan scheme initiated for the employees by utilizing a sum of Rs. 6.176 million retained from income of the Authority. Loans of Rs. 4,939,000 had been paid during the year 2011. Each officer had been paid 12 months salary loan. The salary loan balance of this fund as at 31 December 2011 amounted to Rs. 6 ,257,776.

4.3 Commemoration of International Marine Environmental Day

A Board paper had not been presented for the approved programme and the financial expenses of the International Marine Environmental Day celebration commemorated on 08 June 2011 at the Jet Line Vessel held by the marine Environment Protection Authority

The amount allocated in the action plan for this year amounted to Rs. 600,000 but the actual expenditure incurred was Rs. 1,234,351 by exceeding the allocated amount by Rs. 634,351 or 106% The Treasury approval to incur this expenditure had not been obtained. A sum of Rs. 183,000 had been paid on 13 June 2011 for the printing of 1000

Copies of "Sathsamudura" Magazine for this occation and the balance undistributed number of books by 29 December 2011 was 165.

4.4 Stores Control

Stock book had not been reconciled at the end of the year 2011 in terms of F.R. 754. Goods to the value of Rs. 6,035,071 had been received by the stores during the year under review but Good Received Notes (GRN) had not been issued.

4.5 Idle and Underutilized Assets

At a test check carried out in respect of purchase of equipment for the laboratory observed that purchases valued at Rs. 2,501,100 had been made during the month of December 2010. Such equipment had been kept idle in the stores without being utilized for any purpose for one year. Further, it was planned to conduct 12 tests in the Laboratory but such tests had not been conducted even by the date of audit in December 2011. As such as it was observed in audit that the equipment and raw material purchases for those tests had been idle.

4.6 Resources of the Authority given to other Public Institutions

Contrary to paragraph 8.3.9 of the Treasury Circular No. PED/12 of 02 June 2003 a motor vehicle belonging to the Authority had been released to the Ministry of Environment but it was not available in the Ministry as well. However a sum of Rs. 31,184 had been spent by the Authority to maintain this vehicle.

4.7 Personnel Control

The following matters were observed.

(a) The approved cadre of the Authority as at 31 December 2011 amounted to 143 and the approved in terms of F.R 71 had not been obtained for 3 posts. The actual cadre was 107. 36 vacancies had existed in the year 2011 and action had not been taken to fill those posts by the Authority. 21 officers had been recruited during the year under review

(b) According to the Cabinet paper No. 09/1483/360/049 dated 20 August. 2009 the service of the General Manager of the Authority should be renewed annually from 01 October 2009 to 16 March 2013, subject to a renewal of one year. Nevertheless it had not been so done.

It was observed that a sum of Rs. 668,310 had been paid as salaries to him without being given an extension of service for one year up to the date of audit on 09 December 2011 from 01 October 2010. In this regard the Chairman had repaid that a written request had been made in may 2012 for the covering approval of the Secretary.

4.8 Vehicles Utilization

The following matters were observed.

(a) There were 8 Motor vehicles belonging to the Authority as at 31 December 2011 consisting of 2 allocated vehicles and 6 pool vehicles. Even though a sum of Rs. 817,535 for fuel and a sum of Rs. 870,474 for maintenance had been spent during the year running charts and log books were not made available for audit.

(b) One vehicle of the Authority had been in idle since the year 2007 and sum of Rs. 865,030 had been spent for repairs on 26 November 2010. The Engineer's assurance had not been obtained stating that the repairs had been properly carried out. Repairs of this vehicle had not been completed to a running condition even by 15 May 2012. It was further observed in the examination of the registration book of this vehicle that it belonged to the Ministry and acquired by the Authority on 27 May 2007 and refereed for repairs.

5. Accountability and Good Governance

5.1 Procurement plan

A Procument Plan had not been prepared for the year 2011.

5.2 Internal Audit

Even though the internal audit plan for the year 2011 had been presented audit works had not been carried out accordingly. An Internal Auditor had not been recruited up to 09 December 2011 and only one officer had been attached to Internal Audit Unit. 12 Internal audit quaries had been issued.

6. Systems and Controls

Weaknesses in systems and controls were brought to the attention of the Chairman. Special attention is needed in respect of the following areas of control.

(a) Accounting
(b) Recruitments
(c) Budgetary Control
(d) Assets Control

H.A.S Samaraweera

Auditor General