MARINE ENVIRONMENT PROTECTION AUTHORITY

ANNUAL REPORT 2012

MINISTRY OF ENVIRONMENT

&

RENEWABALE ENERGY

Vision

"Creating a pollution-free marine environment around Sri Lanka for the sustainable national development and the well being of its people and economy by 2020"

Mission

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

Corporate Information

Board of Directors

Chairman

Mr. R.S. Ariyapperuma, Attorney at Law (Resigned with effect from 01.10.2012)

Directors

Name	Designation	Representation	Capacity	Remarks
Mr. R.A.R.R. Rupasinghe	Additional Secretary, Ministry of Environment	Representative of the Secretary to the Ministry of Environment	Member	
Commodore N. Roziro	Director - Operations , Sri Lanka Navy	Representative of the Commander of Sri Lanka Navy	Member	Resigned with effect from 25.09.2012
Commodore N.P. Attygala	Director - Operations , Sri Lanka Navy	Representative of the Commander of Sri Lanka Navy	Member	Appointed with effect from 25.09.2012
Mrs. S.N. Mayadunne Bandara	Legal Adviser, Ministry of External Affairs	Representative of the Secretary to the Ministry of External Affairs	Member	
Ms. K. Gunawardene	Additional Director General, Department of Public Finance, Ministry of Finance & Planning	Representative of the Secretary to the Ministry of Finance & Planning	Member	Resigned with effect from 06.06.2012
Mr.P.M.S. Jayathilake	Assistant Director, Department of Natonal Planning, Ministry of Finance & Planning	Representative of the Secretary to the Ministry of Finance & Planning	Member	Appointed with effect from 06.06.2012
Mr. S. Bandara	Additional secretary, Ministry of Fisheries	Representative of the Secretary to the Ministry of Fisheries	Member	
Mr. A.W.H.S.S.R. Weerakoon -	Director General, Department of Merchant Shipping	Representative of the Director General, Merchant Shipping	Member	
Mr. Mahesh Katulanda,	Attorney at Low	Member appointed by the Hon. Minister	Member	
Rear Admiral S. R.Samaratunga	General Manager, MEPA		Member	

Senior Management Staff

Chairman

Mr. R.S. Ariyapperuma, Attorney at Law - Resigned with effect from 01.10.2012

General Manager

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

Deputy General Manager - Operations

Commander W.N. Diyabalanage - Resigned with effect from 15.02.2012

Manager – Legal

Miss A. Kariyawasam (LLB, M.Sc)

Manager - Operations (Acting)

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

Accountant

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

Assistant Manager - Operations

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)

Miss. W.H.A.S.K. Hitibandara (B.Sc)

Internal Auditor

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

Assistant Manager (Administration)

Mr. S.M.C. Kumarage (B.B.Mgt. Sp.)

Administrative Officer

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

Marine Environment Protection Authority

Contact Details

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Chairman's Message

I am immensely pleased to present the Annual Report of the Marine Environment Protection Authority for the year 2012, which includes the progress of the implementation of the provisions of the Marine Environment Protection Act No. 35 of 2008 and the progress for the year 2012.

The new Corporate Plan of the Marine Environment Protection Authority for the period 2012-2016 was prepared with strategies and annual Action plans that will take the Authority towards a new direction and it will be effective from July 2012 to July 2016. This has been prepared in accordance with the Mahinda Chintana Vision for the Future to enable the fulfillment of the responsibilities vested in the Authority by the Act No. 35 of 2008 and the achievement of the targets of the Authority.

Regulations pertaining to Bunkering and those pertaining to National Oil Spill Contingency Plan in terms of section 51 of the Marine Environment Protection Act No. 35 of 2008 were imposed for the purpose of minimizing pollution that can be caused to the marine environment in supplying fuel to ships and in shifting fuel from ship to ship. At the same time, the other regulations that should be imposed under the Act have been prepared and submitted to the Legal Draughtsman.

The Authority's intervention made it possible to minimize the enormous damage that could have been caused to the marine environment by the ship styled "*M.V. THERMOPYLAE SIERRA*", which sank in the sea off Panadura on 23 August 2012. However, this event re-emphasized the need for methodical and formal systems to minimize the damage that could be caused to the marine environment in an oil spill.

Finally, I wish to thank the Board of Directors, the General Manager and the staff for their unstinted co-operation, which they extended by fulfilling their duty with commitment and enthusiasm in achieving the objectives of the Marine Environment Protection Act during the year 2012. My thanks should also go the Secretary to the Ministry of Environment, the staff of the Ministry and the staffs of all the institutions. I extend my special thanks to the Hon. Anura Priyadarshana Yapa, Minister of Environment, who provided us with valuable advice and guidance in our endeavours.

T.N. Wijegoonewardane

Chairman

Contents

1. Background

1.1 INTRODUCTION

Sri Lanka is located at a strategically important 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's land mass. In this area of the ocean, both oriental and occidental international shipping routes are located. The territorial waters of Sri Lanka are rich with many natural resources. However, these resources are degrading due to impacts of navigation and due to human activities on land.

The Marine Pollution Prevention Authority was formed under the provisions of the Marine Pollution Prevention Act. No 59 of 1981, in order to take necessary action to minimize and prevent the pollution of the Marine Environment. Subsequently, the Marine Pollution Prevention Act No 59 was repealed and the Marine Pollution Prevention Act. No 35 of 2008 was passed with a view to further strengthening the powers vested in the authority to take action on incidence of pollution and to implement international conventions pertaining to the protection of Marine Environment. It came into force on 01st January 2009. Under this Act, the Marine Pollution Prevention Authority was renamed Marine Environment Protection Authority.

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

As the agency responsible for minimizing, control and prevention of the pollution in the Marine Environment, the MEPA is engaged in implementing a multiplicity of programs.

1.2 The Responsibilities and Functions of the Authority

(1) To effectively and efficiently administer and implement the provisions of Marine Environment protection act and the regulations made thereunder.

(2) To formulate and execute a scheme of work for the prevention, reduction, control and management of pollution arising out of ship-based activities and shore-based maritime-related activities in the territorial waters of Sri Lanka or any other maritime zone declared as such at a future date under any law, its foreshore and the coastal zone of Sri Lanka.

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

(4) To take measures to manage, safeguard and preserve the territorial waters of Sri Lanka or any other maritime zone declared as such at a future date under any 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 may ratify,

accept, accede to or approve or has already done.

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

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

(9) To create awareness amongst community groups on 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 as such 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 activity 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 oil transportation activities by sea and bunkering operations that are carried out in the territorial waters of Sri Lanka or any other maritime zone declared as such 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 following programmes and measures have been implemented by the Authority during the year to minimize, control and manage the marine pollution caused by ships , land-based activities and other activities that are performed in marine environment:

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, conducting all technical operations required for the implementation of the policies, and issuing licenses to those involved in activities in the area who confirm to the legal and technical requirements.

01. Implementing the National Oil Spill Contingency Plan (NOSCOP)

As Sri Lanka is located close to the shipping route that links the orient with the west, a large number of ships navigate close to Sri Lanka while about 5000 ships reach the ports of the country every year. There is a high potential for oil spill due to accident as there is a heavy shipping congestion in this zone. This potential can escalate even more as oil exploration activities have commenced in the Mannar Basin in Sri Lanka. Therefore, necessary steps were taken in the year 2012 to update and implement the National Oil Spill Contingency Plan, which was formulated by the Marine Environment Protection Authority in 2004. When the National Oil Spill Contingency Plan is implemented, it is necessary to have district plans that go hand in hand with it. As such, district level plans in respect of Hambantota, Matara, Galle, Kalutara, Colombo, Gampaha and Puttalam Districts were formulated and finalized and subsequently awareness programmes were conducted within the Districts concerned for the relevant officers in the year 2012.

It is crucial to act quickly during an oil spill. This will specially help protect the environmentally sensitive area from the pollution that will occur. Therefore, a series of awareness programmes were conducted within the coastal Districts in order to educate people at village-level on the protection of marine ecosystems during an oil spill. Participants were enlightened on how to protect the environment from the oil spill using the improvised Boom that can be made from local raw materials.

Workshop to formulate the Oil Spill Contingency Plan – Galle District

Boom Demonstrating how to make a boom (a physical barrier to oil) using local raw materials – Puttalam District

Awareness Workshops and Training Programs at District Level

District	Number of officers from government agencies and NGO's	number of rural people trained
Hambantota	31	121
Matara	66	
Galle	52	121
Kalutara	12	287
Colombo		180
Gampaha	275	123
Puttalam	275	266
Trincomalee	40	
Batticaloa	40	

1.2 The Four-day National Workshop on Pollution of the Ocean by Oil and Hazardous Substances Designed for First Respondents in Implementing the National Oil Spill Contingency Plan

This four-day national workshop, which aimed at enlightening on the International Convention on Oil Pollution Preparedness, Response and Co-operation-1990 for Responding to marine pollution by oil and the International Protocol on the Hazardous and Noxious Substances-2000, was conducted at the Centre for Banking Studies in Rajagiriya from 26th to 29th June 2012.

2. Management of Ballast Water to Control the Spread of Invasive Organisms

Ships use sea water to maintain their balance. Water so used is called ballast water. Some of the organisms that are transmitted from ballast water to the marine environment behave aggressively posing threats to the ecosystem. Therefore, it is crucial to take steps to arrest this situation in order to protect the marine ecosystem.

Although Sri Lanka has not yet become a signatory to the International Convention for the Control and management of Ships Ballast

Water and sediment -2004, steps have to be taken to become a party to it as the Convention is important for the protection of marine environment. A regional workshop for the formulation of a South Eastern Regional Ballast Water Management Strategy was held on 29th and 30th of May 2012 in Mumbai, India led by the Director General Shpping of the Government of India. A Sri Lankan delegation from the Marine Environment Protection Authority led by the Chairman of the Authority attended it. It was participated by India, the Maldives, Bangladesh and Sri Lanka. In pursuance of the decisions made at this conference, the Marine Environment Protection Authority performed the initial tasks necessary for the formulation of a National Ballast Water management sratergy. A Ballast Water Task Force was established for the purpose and it is composed of representatives from the Sri Lanka Ports Authority, Ministry of Environment and Renewable Energy, Department of Fisheries, shipping companies and universities. The Task Force started its task as three groups, focusing on the following:-

i. Studying the existing legal position with regard to the management of ballast water
ii. Collating information on ports and the field of shipping and
iii. Gathering information on marine ecosystems.

3. National Workshop on Port Biological Baseline Survey.

It is essential to have a database on the marine environment inport of Sri Lanka in becoming a party to the International Convention for the Management and Control of Ballast Water. As a first step towards it, a national awareness workshop was conducted on 28th and 29th November 2012 at the Centre for Banking Studies in Rajagiriya to enlighten the members of the National Ballast Water Management Task Force and other stakeholders for the purpose of undertaking biological surveys associated with ports. Dr. C.A. Anil and S.S. Sivaram, senior scientists at the National Institute of Oceanography in India, participated as resource persons at this workshop. On the second day, a field visit was made to the Colombo Port premises.

At the National Workshop on Biological Survey Associated with Ports

Field visit to the Port of Colombo

4. Framing of Regulations

Out of the regulations necessary for the implementation of the Marine Pollution Act No 35 of 2008, two important regulations were drafted and gazetted in the year 2012.

i. Bunkering Regulations

In carrying out bunkering services, i.e. supplying of Bunker oil by one ship to another ship in the sea, ocean can be polluted due to an oil spill. This may be caused either by the carelessness of the people involved in the operation or the defects in the equipment used. Therefore, steps are taken to control pollution to the marine environment by registering the companies that provide bunkering services and the companies that own the vessels and craft used for transporting oil and by subjecting to constant monitoring their technical fitness.

ii. Oil Spill Contingancy Plan Regulations

As harm is caused to living and non-living matter due to oil that accumulates in the marine environment, it is of utmost importance to powe vest with the Authority to undertake necessary legal affairs to minimize pollution caused by oil, and hence these Regulations was formulated.

The implementation of the National Oil Spill Contingency Plan is done under three levels. It is based on the amount of oil that spills. Accordingly, oil spills are classified as follows:-

Tier I – Up to 59 metric tons of oil

Tier II – 50-100 metric tons of oil

Tier III – Over 100 metric tons of oil

In the case of an oil spill of level I, the responsibility to control the pollution to the marine environment rests with the organizations that is involved in the activity that leads to the oil spill. As such, the responsibility should be borne by the owners operator of port,habour,terminals , pipelines or any other equipment that are used for transferring oil at port, harbour, terminal, shipyards or drydocks, or those used for transferring oil from ship to ship, or off-shore constructions used for extracting or transferring oil. They should formulate a plan to be implemented at an oil spill incident , submit it to the approval of the Marine Environment Protection Authority, and keep it for using whenever necessary. Therefore, it is essential for organizations involved in the shipping sector and the petroleum industry to be prepared, well-planned and organized. These regulations aim at giving the necessary powers to the Authority to regulate and monitor the process.

5. Sonduru Sayura Programme

As 90% of the causes of the marine pollution occur in association with land, it very important to minimize the addition of pollutants from the land to the ocean in order to minimize marine pollution. Several activities are implemented under the Sonduru Sayura Programme for this purpose.

i. Inspecting the Level of Pollution in the Streams that Flow into the Ocean

As watercourses from large rivers to small drains form the sources that carry pollutants to the ocean, the data pertaining to the quality of the water that run in these watercourses are of immense importance in addressing marine pollution. Using this data, it is possible to get an idea about the addition of pollutants into the water of these watercourses and also to gather details about the points at which pollutants are released. Inspections were carried out in Puttalam, Gampaha, Colombo, Kalutara, Galle, Matara, Hambantota, Ampara, Batticaloa and Trincomalee Districts. A physical and biological database was created on the quality of these waterways and they were mapped by obtaining GPS coordinates.

ii. Inspecting the Quality of the Water Used for Sea-Bathing

The occasion that polluted sea water directly affects human health is when having a seabath. Man faces many health problems through this. Many countries have worked to declare the parameters for seawater to be suitable for sea-bathing, through which they have been able to ensure people's safety during sea-bathing.

Continuous monitoring of the quality of sea water at locations where foreign and local tourists choose for sea-bathing is crucial for developing tourism in this country. Therefore, quality of sea water in selected locations in Puttalam, Gampaha, Colombo, Kalutara, Galle, Matara, Hambantota, Ampara, Batticaloa and Trincomalee Districts is inspected once a month and recorded in a database that has been established specially for this purpose. This aims at identifying locations which have been or have the potential to be polluted and informing the relevant sections for remedial action in order to minimize levels of pollutants.

iii. Preparing an Inventory of Sources of Marine Pollutants

A survey was conducted in the coastal Districts in order to identify the sources of marine pollutants. Especially, the beachside hotels and factories were subjected to the survey. Action has been taken to inform the relevant persons in instances where waste water and waste matter were being disposed to the sea without proper treatment. The awareness of the industrialists and the hoteliers has also been raised.

In addition, this Inventory has enabled the Authority to obtain data on organizations and factories that have a tendency towards pollution and on the trend of increase in pollutants over time.

iv. Awareness Programme

The people's awareness programme was conducted based on the information collated through the sea-water quality inspections associated with marine environment and through the surveys.

This aims at enhancing people's awareness and requesting them to extend their cooperation by being more cautious in using the sea and by identifying pollutants and assisting in controlling them.

6. School Marine Groups

The Marine Environment Protection Authority establishes School Marine Groups with a view to making the future generation understand the environmental value associated with the ocean and creating a future generation with attitudes towards protecting the marine environment. With the School Marine Groups established within the year 2012, the numbers of School Marine Groups that are in operation in the coastal Districts at present are as follows:-

District	number of School Marine Groups
Hambantota	35
Matara	35
Galle	35
Colombo	35
Gampaha	19
Kalutara	25
Puttalam	32
Trincomalee	07
Batticaloa	10
Ampara	10

The minimum number of members in a School Marine Group is 25. Throughout the year 2012, various programmes were conducted for students in order to enhance their knowledge on the marine environment and to ingrain in the society through them the importance of protecting it.

In creating the awareness of School Marine Groups, topics such as importance of ecosystems associated with the ocean, impacts of sudden oil spills and invasive organisms that spread through Ballast Water are discussed. Steps have also been taken to conduct workshops for teachers attached to the School Marine Groups. In addition, observation visits to unique ecosystems such as mangrove swamps were also organized.

Programmes Conducted in the year 2012 for School Marine Groups

- Awareness programmes – 182
- Teacher awareness programmes – 05
- Field visits – 03

School Marine Groups Awareness Programme

Samudra Panamuthu marine quizzes

A quiz was held for School Marine Groups in Hambantota, Matara, Galle, Gampaha, Kalutara and Puttalam Districts. Initially a written competitive test was conducted and the highest scoring School Marine Groups were selected for inter-school competitions held at District level.

Winners

District	Winner School
Hambantota	Hambantota Vidyalaya
Matara	Rahula Vidyala, Matara
Galle	Sangamiththa Vidyalaya, Galle
Kalutara	KL/Gnanodaya Vidyalaya
Gampaha	NG/Newstead Balika Vidyalaya
Puttalam	St. Mary's College

Competition in Matara District

Giving away prices to winners of the Galle District Competition

7. Providing Reception Facilities for Waste Produced in Ships

As a country that has endorsed five of the six anexture of MARPOL 73/78 , our country is bound to provide reception facilities for waste produced in ships. Accordingly, the responsibility to provide reception facilities for used oil and solid waste that are generated in ships rests with the Marine Environment Protection Authority in terms of the provisions of Marine Pollution Prevention Act No. 35 of 2008. As such, companies qualified to provide these services are registered every year and thereafter, the Marine Environment Protection Authority issues a license every time waste is received from a ship after due scrutiny. This has minimized the addition of used oil and solid waste into the marine environment.

No. of companies registered in 2012 - 29
Number of licenses issued – 950
Amount of burnt oil removed - 19,917 m^3
Amount of solid waste removed – 4,896 m^3

Bunkering companies were also registered during the year 2012 and seven companies got registered. Steps were taken to minimize oil from entering the sea during bunkering operations by constantly monitoring the operations of these companies.

8. Issuing of Marine Environment Protection Licenses

Marine pollution caused during the extraction of ocean's resources is a problem that affects most countries in the world. Therefore, legal measures and technical strategies are adopted to minimize this pollution. Since Sri Lanka also commenced petorolium oil exploration activities a few years ago, regulations have been made regarding off-shore mining for natural resources including petroleum oils. According to these regulations, it is the responsibility of the Marine Environment Protection Authority to issue Marine Environment Protection Licenses for the exploration of petroleum oils. Based on the findings of the petrolium oil exploration activities initiated in the Mannar Basin, Cairn Lanka has conducted a three-dimensional survey in that area using echo-sounding. Granting approval for the relevant environment impact assessment report and issuing of Marine Environment Protection License was performed in this regard.

Cairn Lanka took action to dril a second well in that same sea area, marking the beginning of Phase II of oil exploration. Granting of approval for the relevant environment impact assessment report and issuing of Marine Environment Protection License was done in this regard in December 2012.

9. Marking the World Oceans Day

The United Nations declared June 8th as the World Oceans Day. The Marine Environment Protection Authority organized the national ceremony to mark the World Oceans Day, which was held on 8th June 2012 at the Centre for Banking Studies in Rajagiriya under the theme "Towards a Green World through Ocean Resources".

Creating an attitudinal change in people through increased awareness on the value of the marine environment and resources associated with it and on the importance of protecting the marine environment, and thereby streamlining them to use marine resources in a sustainable manner are the main objective of marking the World Oceans Day. The ceremony that was organized with this objective was inaugurated with the participation of Hon. Anura Priyadarshana Yapa, Minister of Environment, and Hon. Rajitha Senarathna, Minister of Fisheries and Aquatic Resources. Officers of state agencies and non-governmental organizations, officers of the three armed services, University lecturers, University students and 176 school children attended the event.

The event was featured with inauguration of the official website of the Marine Environment Protection Authority and the launching of the resourceful journal "Sath Samudura" (7 oceans).

Distinguished guests lighting the traditional lamp

Students of Sangamiththa Girls College presenting a group song

10. International Coastal Clean-up Day

As 90% of the sources of pollutants that affect the marine pollution generated on land, it is important for the survival of the marine environment to take action to minimize marine pollution that is caused through sources on land. Many countries in the world celebrate the International Coastal Clean-up Day in order to focus people's attention on wastes that are added to the ocean from the beach and through watercourses such as rivers, streams etc and to galvanize people into action to maintain the marine environment free of pollution. The Day falls within the third week of September each year. The Marine Environment Protection Authority conducted the International Coastal Clean-up Day activities at the following locations in 2012.

The wastes collected during the activities were classified and data on quantities were recorded. The data were published internationally by Ocean Conservancy.

Figure 1International Coastal Clean-up Day Programme – 2012 - Colombo District

International Coastal Clean-up Day Programme – 2012 – Matara District

District	Location of Clean-up	Number of partici-pants
Colombo (Main Event)	Mt. Lavinia and Wellawatta coastal belt	300
Gampaha	Negombo Beach Park Jude watta coastal belt Bayyawatta coastal belt	100 151 80
Puttalam	Maththakotuwa coastal belt Baradelpola coastal belt Kandakuliya coastal belt	75 55 159
Kalutara	Calido coastal belt Moragalla coastal belt	250 150
Galle	Deweta coastal belt koggala Beach Park	235 62
Matara	Kiralawella boat stop beach Matara landing place	107 211
Hambantota	Kirinda beach park Hambantota beach park	151 140
Trincomalee	Pigeon Islands, Nilaweli Thirukkovil	250 241
Mannar	South Bar	50

11. Deyata Kirula – 2012

It was the Anuradhapura District that was selected as venue for the Deyata Kirula Development Programme and National Exhibition in the year 2012. Although it was not associated with the ocean, its principle means of livelihood was agriculture, which is a main sector that affects marine pollution. Therefore, this year's Deyata Kiruala programme was used for enhancing the awareness of people from that area on marine pollution. Accordingly, awareness programmes were conducted for students of three selected schools.

School	Number of students that participated
Siddhartha Maha Vidyalaya	183
Thakshila Maha Vidyalaya	60
Wimalagnana Maha Vidyalaya	122

During these programmes, students were enlightened on the importance of the marine environment and of minimizing marine pollution.

The Marine Environment Protection Authority presented an exhibition stall at the Deyata Kirula Exhibition premises took steps to create awareness in over 10,000 people.

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

3.1 Administration Division

The overall management of the personnel on the staff of the Marine Environment Protection Authority beginning from the placement in service up to the termination of service and facilitating the functioning of other divisions constitute the responsibility of the Administration Division. The Administration Division functions under the direction of the General Manager, who is the chief executive officer of the Authority.

The structure of the staff according to the category

Category	Approved Cadre	No. Engaged	Vacant
Chief Executive Officers	01	01	-
Senior Managers	04	01	03
Middle Managers	11	10	01
Junior Managers	12	12	-
Enforcement Officers	12	10	02
Management Assistant	19	10	08
Skilled Staff	07	07	-
Semi-Skilled Staff	64	46	**18**
Non-Skilled Staff	09	06	03
Total	139	103	35

Special Activities of the Administration Division during the Year

1. Recruitment was made in October 2012 to the post of Manager (Legal), which is one of the senior management positions in the approved cadre at the time according to the new recruitment procedure approved in May 2011 by the Management Services Department.
2. Three internal personnel were given the post of Management Assistant when the posts fell vacant.
3. The Authority acquired a 16-seat van, which was a Treasury grant.
4. A three wheeler and a motorbike were purchased for day to day purposes of the Authority.
5. A separate office was established within the Colombo Port premises for the purpose of issuing waste reception permits.
6. The Management Services Department has given approval for increasing the number of posts of driversfrom 07 to 09, which fall under the category of skilled staff of the Authority, with effect from 01.01.2013.

3.2 Human Resources Development Division

The capacity and skills development of the staff of the MEPA by training them is the responsibility of the Human Resources Development Division. This Division functions under the sole guidance of the General Manager, who is the chief executive officer of the Marine Environment Protection Authority.

Responsibilities of the Division

1. Identify the training needs in respect of the capacity and skills of the staff and select suitable resource persons for training and preparing 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 through formulation and implementation of suitable strategies.

3. Evaluate the annual progress reports of the staff.

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

5. Provide the line ministry and other external institutions with 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

Workshops conducted in the year 2012

1. The workshop to enlighten officers on the Combined Plan of the Marine Environment Protection Authority prepared for the period 2012-2016

This workshop was conducted on 11th and 12th October 2012 for the purpose of enlightening the staff of the Marine Environment Protection Authority on the Combined Plan of the Authority prepared with the participation of the Board of Directors of the Authority. It brought forth the following outcomes:

- Finalizing the District-based Action Plans in line with the Combined Plan 2012-2016
- Giving existing staff and the newly-recruited staff an understanding about the future path and activities of the Authority
- Assigning responsibilities with regard to specific tasks to specific officers.

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

Participation in local training programs during 2012

Serial No	Name	Designation	Title of the Course of Training	Duration	Name of the Training Institution
01	Miss A.H. Premachandra Mr. A.P.S. Bandara	Internal Auditor Management Assistant	Two-day workshop for awareness raising on auditing	22.03.2012 – 23.03.2012	Miloda Institute
02	Mr. L.P. Titus Mrs. A.M.R.A. Chandani Mrs. D.G.S. Priyadarshika Mrs. E.I. Fernando Mr. L.L.R.B. de Silva Mr. K. Shivakumar Mrs. P.D.M.N. Kulathilaka Mrs. I.M.W. Gunasekara Mrs. P. Samarasekara Miss D.R.I. Ihalagama Mr. Deshapriya Seneviratne Mr. A. Wijewarnasuriya Miss T.K.D.U. Gunasena Mr. D.R.C.R. Wijerathna	Assistant Manager Marine Environment Officer Marine Environment Officer Marine Environment Officer Marine Environment Officer Marine Environment Officer Marine Environment Officer Marine Environment Officer Marine Environment Officer Marine Environment Assistant Marine Environment Assistant Marine Environment Assistant Marine Environment Assistant Marine Environment Assistant	Workshop on the use of GIS specially prepared for Marine Environment Protection Authority	19.03.2012 – 24.03.2012	University of Peradeniya
03	Miss W.H.A.S.K. Hitibandara	Assistant Manager (Human Resources Development)	Administrative Law and Human Resources Development	24.03.2012	Institute of Construction Training and Development
04	Miss W.H.A.S.K. Hitibandara Mrs. G.P. Nilanjanee	Assistant Manager (Human Resources Development)	Disciplinary procedure	16.05.2012 – 18.05.2012	National Institute of Labour Studies
05	Mrs. D.M.I.P. Karunarathna	Management Assistant	Diploma in Communication Skills in English	10.05.2012 (15 Months)	Miloda Institute

06	Mr. H.T.N. Piyadasa Mrs. T.S. Ranasinghe Mrs. R.P. Ranaweera Mr. D.C.R. Jayawardhana Mrs. H.R.D. Subashini Mr. T. Shripathi Mr. M.T.K. Delpachithra Mr. S.L. Wickramasinghe Mr. W.I.H.K. Wijerathna Mr. A.G.A.L. Kumara Mr. S.P.S. Gunathilaka Miss J.N. Wijesinghe	Assistant Manager Assistant Manager Assistant Manager Accountant Marine Environment Officer Marine Environment Officer Marine Environment Assistant Marine Environment Assistant Marine Environment Assistant Marine Environment Assistant Marine Environment Assistant Marine Environment Assistant	Workshop on the use of GIS specially prepared for Marine Environment Protection Authority	23.04.2012 – 28.04.2012	University of Peradeniya
07	Mr. R.S. Ariyapperuma (Attorney at Law)	Chairman	Panel discussion on how to Minimize Audit Quries in respect of State Institutions	16.08.2012	Sri Lanka Foundation Institute
08	S.M.C. Kumarage S.K. Hitibandara A.H. Premachandra P. Samarasekara I.M.W. Gunasekara L.L.R.B. de Silva S.L.Wickramasinghe T.K.D.U.Gunasena W.I.H.K.Wijerathna J.N. Wijesinghe	Assistant Manager (Admin) Assistant Manager (HRD) Internal Auditor Marine Environment Officer Marine Environment Officer Marine Environment Officer Marine Environment Assistant Marine Environment Assistant Marine Environment Assistant Marine Environment Assistant	Workshop on Promoting Staff Contribution for Institutional Development	16.08.2012 - 17.08.2012	Sri Lanka Foundation Institute
9	Mr. R.S. Ariyapperuma (Attorney at Law)	Chairman	Seminar on Good Governance and Leadership Training	25.09.2012 26.09.2012	Sri Lanka Foundation Institute
10	Miss Ashvinee Kariyawasam	Legal Officer	Workshop on Management of Legal Affairs in State Institutions	06.11.2012 08.11.2012	Sri Lanka Foundation Institute
11	I.M.W.Gunasekara L.L.R.B. de Silva W.I.H.K. Wijerathne	Marine Environment Officer Marine Environment Officer Marine Environment Assistant	Training Course (RTC) Application of Isotopes and Biogeochemical Change in the Marine Environment	21.11.2012 30.11.2012	

Participation in Foreign Training Programs during 2012

Serial No	Name	Designation	Title of the Course of Training	Duration	Name of the Training Institution
01	Mr. R.S. Ariyapperuma (Attorney at Law)	Chairman	3rd Intergovernmental Review Meeting of the Global Programme of Action for the Protection of Marine Environment from land based Manila	21.01.2012 - 28.01.2012	The Phillipines
02	Miss Ashwinin Kariyawasam Mrs. R.P. Ranaweera	Legal Officer Assistant Manager (Southern Province)	Regional Workshop on Advocating Green Shipping for Women Managers in Maritime Sector – Asia	06.02.2012 - 09.02.2012	The Phillipines
03	Mr. R. Neil Priyadarshana	Assistant Manager (Ship Survey)	IAEA/RCA Regional Training Course on use of Quality Management System for New Entrants	16.04.2012-20.04.2012	Korea
04	Mr. A.J.M. Gunasekara	Assistant Manager (Operations)	Invitation to the IMO/MLTM Asia Pacific Regional workshop on the London Protocol	14.05.201225.05.2012	Korea
05	Mr. R.S. Ariyapperuma Mr. A.J.M. Gunasekara Mr. H.T.N.I. Piyadasa	Chairman Manager (Operations) Assistant Manager (Province)	South Asia Regional Ballast Water Management Strategy Development Meeting	2011.08.08 – 29.05.201230.05.2012	India
06	Miss G.D. Sumudu Priyadarshika	District Marine Environment Officer	Bay of Bengal Large Marine Ecosystem Project& Inspection Meeting in June 2012	06.06.201207.06.2012	Thailand
07	Mrs. Thalatha Ranasinghe	Assistant Manager (Western/NW Provinces)	Regional Colloquium on Mangrove Restoration, Chennai, India. Mangrove Restoration Efforts in Sri Lanka	28.08.2012-02.09.2012	Chennai, India

3.3 The Internal Audit Division

The Internal Audit Division has been established and 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 them to the Chairman for a decision.

The functions of the audit division include the following:

- Review the financial and internal controls of the authority.
- Review the financial and operational activities – the process is subjected to an assessment and relevant information is reported. Where necessary, detailed investigations are conducted and findings deemed important are reported.
- Investigate the economic productivity and efficiency of financial controls and other aspects of control that are not necessarily financial.
- Examine the compliance with 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.

As such, all the divisions and Provincial offices of the Authority were audited during the year based on the annual plan and the programme for internal auditing and monthly reports on auditing were forwarded to the Chairman.

Four meetings of the Audit and Management Committee were held during 2012 and the reports on these meetings were forwarded to the Chairman and to the General Manager for efficient and effective action.

3.4 Legal Division

The legal activities of the MEPA are managed by the Legal Division. The work undertaken by the Division during 2012 is outlined below.

1 Legal Division of this Authority has published regulations on Bunkering (Marine Environment Protection) Regulations No. 02 of 2011 in the government gazette No.1741/19 of 19th January 2012. Accordingly, any person who had been conducting bunkering activities as at the date on which these Regulations came into force should have a valid bunkering licence issued by the Authority as specified in such Regulations within three months from such date.

"No person shall, from the date of the coming into operation of these regulations carry out a bunkering activity in the territorial waters of Sri Lanka or any other Maritime Zone, its foreshore and the coastal zone of Sri Lanka, expect under the authority of a valid bunkering license issued in that behalf by the Marine Environment Protection Authority (hereinafter referred to as "the Authority") on an application made in that behalf to the Authority in the form specified in the Schedule III to these regulations:

Provided that any person who, on the date of the coming in to operation of these regulations is carrying out a bunkering activity shall within three months from such date make an application to the Authority in the form specified in Schedule I to these regulations, and obtain a valid Bunkering license in respect of such activity."

2 Also, regulations on Oil Spill Contingency Plan No.01 of 2012 were published in the government gazette No.1741/19 dated 19th January 2012 to come into effect from 30th July, 2012. Accordingly,

"These regulations shall apply to every owner, operator, master or their agents or any other person in charge of ports, harbor terminals, repair yards of ships dry docks, offshore installations, Pipe lines or any other apparatus used for transferring of oil to and from ships in territorial waters of Sri Lanka and

any Maritime Zone declared under Maritime Zones Law, No.22 of 1976.”

Both these regulations are sources of income generation to the Authority and an Awareness programme for the stakeholders to both these regulations was held in December 2012.

3 Legal action was initiated in collaboration with the Attorney General’s Department under Section 26 (Criminal Liability) of Marine Pollution Prevention Act, for the marine pollution event of 23rd of August 2012 from a Greek flagged vessel, “*M.V. THERMOPYLAE SIERRA*”, which had been anchored in the Panadura outer habour.

4 Steps were taken in collaboration with the Attorney General’s Department to expedite the legal proceedings relating to the marine pollution incident of 30th November 2010 from a vessel named “*M.T.CHAHAT*” Under Section 26 (Criminal Liability) of the Act pertaining to marine environment pollution. (Complaint No. B 5984/06/2011)

5 Having considered further amendments needed to the Marine Pollution Prevention Act No. 35 of 2008, several proposals for amendments, which were subjected to further discussion with relevant sections, have been submitted to the Ministry of Environment and Renewable Energy.

6 Three of the Regulations that have been necessitated under Section 51 of the Marine Prevention Pollution Act have already been imposed. Drafts of the remaining eight have been submitted to the Legal Draftsman. Considering the importance and the urgency of gazetteing Marine Environment Protection Regulations on “Issuance of Permits for Dumping at sea”, steps have been taken to discuss with the Legal Draughtsman and expedite action on priority basis to gazette them in the 01st quarter of the year 2014.

3.5 Finance Division

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

Activities

1. Preparing annual Budgetary Estimates
2. Preparing 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-ordinatiing with Banks
9. Co-ordinating with the Auditor General’s Department
10. Managing of investments and other activities

Special Activities undertaken during the year

1. The Authority succeeded in earning an interest income of Rs. 475,024.44 by investing the balances available in the Current Account in one-day deposits.

2. Under the Marine Pollution Prevention Act No. 35 of 2008, the Authority should establish a separate fund. As such, the sum of 10 million rupees earned as fines by the Authority in the year 2012 was invested in the Treasury Bills until it is transferred to such account, and the income and the balance of the Fund as at 31.12.2012 is given in the table below:

Investment value	Interest	Total value as at 31 Dec. 2012
10,709,913.55	1,045,612.19	11,555,525.00

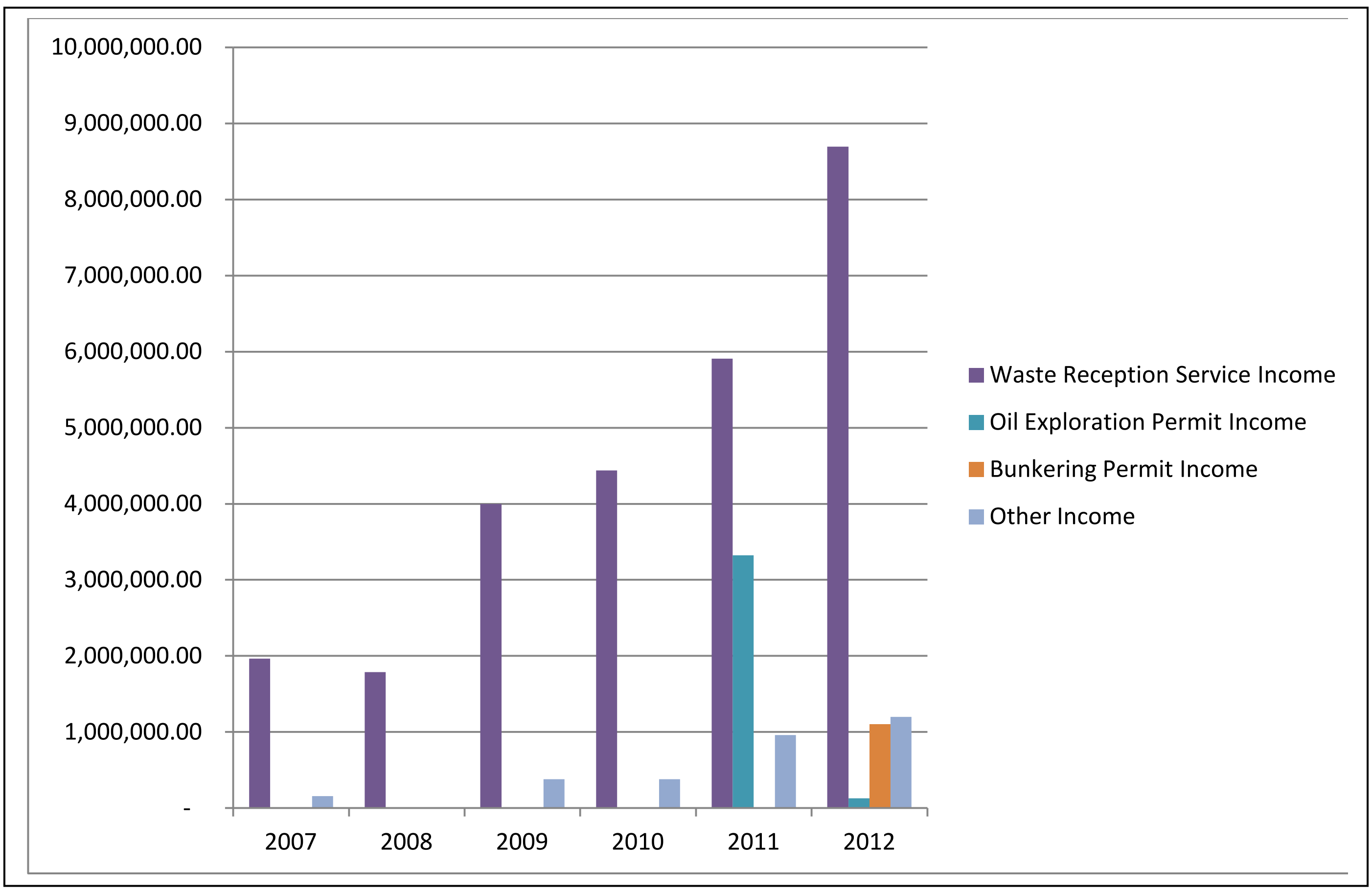
3. One van was received as a Treasury grant during the year on the request of the Authority. Allocations were also made available to purchase a three-wheeler and a motorbike. These are the special boons to the Finance Division.

4. Income

The increase experienced during 2012 in the income of the Authority as against the year 2011 has been mainly due to:

1. Increase of fees for issue of permits from Rs. 4,000 to Rs. 5,000
2. Issue of Environmental Evaluation permits for oil exploration
3. Commencing the issue of licences to organizations that provide bunkering services
4. Increase in the number of ships requesting waste matter reception services

Increase of income of the Authority from 2007 to 2012



3.5.6 Financial Progress Report - Year 2012 - Recurrent Expenditure

Object code	Category/Object Title	Allocation 2012	Actual Expenditure Up to 31 Dec. 2012	Balance as at 31 Dec. 2012
	Recurrent Expenditure			
1001	Salaries and wages	36,472,000"00	36,363,226"78	108,773.22
1002	Over Time / Holiday pay	1,574,440.00	613,678.21	960,761.79
1003	Other Allowances	1,324,000.00	1,217,500"00	106,500"00
	Sub Total	**39,370,440"00**	**38,194,404.99**	**1,176,035.01**
1101	Domestic	2,621,560"00	1,440,485.07	1,181,074.93
1102	Foreign	1,200,000"00	310,350.25	889,649.75
	Sub Total	**3,821,560"00**	**1,750,835.32**	**2,070,724.68**
1201	Stationery and office requisites	965,000"00	972,732.12	(7,732.12)
1202	Fuel and Lubricants	1,743,000"00	1,329,504.06	413,495.94
1205	Other	300,000"00	56,235.12	243,764.88
	Sub Total	**3,008,000"00**	**2,358,471.30**	**649,528.70**
1301	Vehicles	1,775,000"00	1,638,858.16	136,141.84
1302	Plant, Machinery and Equipment	650,000"00	592,028.34	57,971.66
1303	Buildings & Structures	250,000"00	35,469"00	214,531"00
	Sub Total	**2,675,000"00**	**2,266,355.50**	**408,644.50**
	Transport	400,000.00	-	400,000.00
1402	Postal & Telecommunication	2,180,000"00	923,152.72	1,256,847.28
1403	Electricity and Water	2,109,000.00	1,726,398.60	382,601.40
1404	Rent, Rates and taxes	8,000,000.00	6,486,930.00	1,513,070.00
1405	Other	2,600,000"00	2,173,124.35	426,875.65
	Sub Total	**15,289,000.00**	**11,309,605.67**	**3,979,394.33**
	Total Recurrent Expenditure	**64,164,000"00**	**55,879,672.78**	**8,284,327.2**

Financial Progress Report - Year 2012 - Capital Expenditure

Object code	Category/Object Title	Allocation 2012	Expenditure Up to 31 Dec. 2012	Balance as at 31 Dec. 2012
	Rehabilitation & Improvement of Capital Assets			
2001	Buildings and Structures	500,000"00	299,632.50	200,367.50
2002	Plant, Machinery and Equipment	500,000"00	126,659.26	373,340.74
2003	Vehicles	750,000"00	41,850.00	708,150.00
	Sub Total	**1,750,000"00**	**468,141.76**	**1,281,858.24**
	Acquisition of Capital Assets			
2101	Vehicles	**600,000.00**	**10,234,020.00**	**(9,634,020.00)**
2102	Furniture & Office Equipment	1,800,000"00	1,683,132.02	116,867.98
2103	Plant, Machinery and Equipment	1,800,000"00	264,000"00	1,536,000.00
	Sub Total	**4,200,000"00**	**12,181,152.02**	**(7,981,152.02)**
2502	**Other Capital**			
	1. Implementation of NOSCOP – capacity building	5,140,000.00	2,461,559.51	2,678,440.49
	2.Adoption of International Laws, Regul.and Conventions	1,260,000.00	274,748.00	985,252.00
	3. School Marine Group Proogrammes (HarithaLanka)	2,100,000.00	1,709,343.10	390,656.90
	4. Awareness programme for general Public	4,150,000.00	3,503,583.46	646,416.54
	5.Sonduru Saura Program	3,150,000.00	1,955,748.16	1,194,251.84
	6.Development of Mini Laboratory	1,700,000"00	1,470,829.85	229,170.15
	7 .Sensitive marine area Protection Project	2,000,000.00	615,764.24	1,384,235.76
	8.Improve /streamline Waste Reception Facility	2,400,000"00	256,428.67	2,143,571.33
	9.Publicity and Promotion Programme	4,000,000"00	1,472,102.92	2,527,897.08
	10. National Priority Project	1,200,000.00	500,823.56	699,176.44
	11. Offshore oil exploration monitoring	600,000.00	18,332.65	581,667.35
	12. Human Resource Development	2,750,000"00	1,387,283.50	1,362,716.50
	Sub Total	**30,450,000.00**	**15,626,547.62**	**14,823,452.38**
	Supplementary Allocation (Oil Spill Incident at Panadura)	**10,000,000.00**	**11,551,933.06**	**(1,551,933.06)**
	Total Capital expenditure	**40,450,000.00**	**27,178,480.68**	**13,271,519.32**

04 Accounting Policies , financial statements and Notes to the Financial statements

Accounting Policies 2012

4.1 Corporate Information

The Marine Environment Protection Authority is a statutory body established Under the Marine Pollution prevention Act No 35 of 2008. The head office is located at No. 758, Baseline Road, Colombo 09.

4.1.2 Principal Functions and Nature of Operations

The principal activities of the Marine Environment Protection Authority are to prevent, control and manage marine pollution in Sri Lanka's territorial waters through effective enforcement of regulations, implementation of the provisions of relevant International Conventions, coordination and mobilization of stakeholder and other resources, for sustainable management of marine environment for the present and the future

4.1.3 General Accounting Policies

4.1.3.1 Basis of Preparation of Financial Reports

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

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

The Financial Statements are presented in accordance with SLPSAS 01 and where it is impossible to apply the SLPSAS, Sri Lanka Accounting Standards are applied for preparation of financial statements.

4.1.3.2 The Financial Statements of Marine Environment Protection Authority have been prepared on a historical cost basis with generally accepted accounting principles..

4.1.3.3 No adjustments have been made for inflationary factors affecting the accounts.

4.1.3.4 Income and Expenditure have been accounted on accrual basis.

4.1.3.5 Liabilities are recognized in the balance sheet when there is a present obligation as a result of past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits.

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

4.1.3.7 Obligations not payable at the demand of the creditors or more than one year from the balance sheet date are treated as Noncurrent liabilities in the Statement of Financial Position.

4.1.3.8 Provision is recognized if, obligation occurred as a result of a past event, and it can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation

4.1.3 Property, Plant & Equipment

4.1.3.1 Property, Plant & Equipment have been recorded at their cost.

4.1.3.2 Their depreciation has been calculated on straight line basis in order to write off their cost over their useful life. The rates used to depreciate them are as follows:

Assets	**Depreciation Rate**
Motor Vehicles	20%
Computers and related Equipment	15%
Other Office Equipment	15%
Telephone	15 %
Mobile Phones	10 %
Furniture and office Equipment	10%
Lab Instruments & Other technical Equipment	10%
Other Equipment	15%

4. 4.1.3.3 Depreciation of Assets beginswhen it is available for its intended use and depreciate on straight line basis over their useful life.

4.1.4 Income

The main income of the authority is grants received from the Government of Sri Lanka. In addition, there is a small operational income generated by the authority by -

1. Providing waste reception Service,
2. Issue of permits for mineral oil exploration
3. Issue of permits for Bunkering Operations and
4. Approving Oil Spill contingency plans.

4.1.4.1 Income generated by the Authority

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

4.1.4.2 Grants received from the Government of Sri Lanka

The authority receives two types of grants, namely capital and recurrent. The accounting policy adopted for accounting for these grants based on SLAS 24 is as follows:

4.1.4.3 Capital Grants

4.1.4.4 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..

4. 1.4.5 Grants received for activities connected with prevention of Sri Lankan marine pollution naturally generate intangible assets. However, it does not meet the recognition Criteria laid down in Intangible Assets standards (SLAS 37) 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.

4.1.4.6 Recurrent Grants

Recurrent grants are recognized as income in the year in which they are received.

05 Employee Benefits

5.1 Compulsory Contribution Plan.

Obligation to compulsory contribution plan are recognized as an expense in the income statement as incurred. The MEPA contributes 15% and 3% of gross emoluments of Employees to the Employees' Provident Fund and the Employees' Trust Fund respectively.

5.2 Defined Benefit Plan

Gratuity is a defined benefit plan. The MEPA is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried forward in the balance sheet, equivalent to an amount calculated based on a half month's salary of the last of the financial year of all employees for each completed year of service, commencing from the first year of service.

Provision is made for retirement gratuity for all employees in respect of gratuity payable under the Payment of Gratuity Act No. 12 of 1983. This item is grouped under noncurrent liabilities in the balance sheet.

6. Comparative information

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

7. Events Occurring after the Balance Sheet Date

All material post Balance Sheet events have been considered and where appropriate, adjustments or disclosures have been made in the form of notes to the Financial Statement.

8. Cash flow Statement

Cash Flow Statement has been prepared using the indirect method

9. Functional and presentation Currency.

These financial Statements are presented in Sri Lankan Rupees, which is the MEPA's functional currency.

4.2 Statement of Financial Position

Marine Environment Protection Authority

Statement of Financial Position

As at 31st December 2012

Assets	**Note**	**2012 Rs.**	**2011 Rs.**
Current Assets			
Debtors	11	13,500.00	16,935.00
Deposits	12	1,219,100.00	1,137,800.00
Pre Payments	13	597,394.81	370,250.73
Staff loans recoverable	14	5,633,670.23	6,257,776.56
Short Term Investment (Treasury Bills)		11,755,525.00	10,709,913.55
Balance of Cash	10	5,512,790.27	13,619,138.16
Non Current Assets			
Property, Plant & Equipments	09	43,404,750.36	39,814,309.96
Total Assets		68,136,730.67	**71,926,123.96**
Liabilities			
Current Liabilities			
Accrued Payables	15	2,372,439.26	10,837,615.91
EIA Project Deposits	21	486,990.50	-
Income pre-received A/C	22	1,694,000.00	-
Non Current Liabilities			
Marine Environment Protection Fund	20	13,355,525.74	12,309,913.55
Staff Distress loan funds	16	6,565,640.22	6,389,200.68
Provision for Gratuity	17	4,480,874.50	3,756,087.50
Total Liabilities		**28,955,470.22**	**33,292,817.64**
Net Assets		**39,181,261.00**	**38,633,306.31**
Equity			
Government Grants and Capital (Deferred Grants)	18	43,404,750.36	39,814,311.09
Accumulated Surplus / Deficit	19	(4,223,489.36)	(1,181,004.78)
Total Equity		**39,181,261.00**	**38,633,306.32**

4.3 Statement of Financial Performance

Marine Environment Protection Authority

Statement of Financial Performance for the

Year ended 31st December 2012

	Notes	2012 Rs.	2011 Rs.
Revenue			
Treasury Grants	1	79,902,066.62	53,327,215.80
Registration and Licence fees	2	10,033,547.94	9,242,201.03
Other revenue	3	1,095,406.19	969,145.95
Total revenue		**91,031,020.75**	**63,538,562.78**
Expenditures			
Salaries and payments	4	39,005,981.99	29,670,533.99
Supplies and consumables used	5	4,329,712.86	2,852,673.76
Other recurrent expenditure	6	13,081,247.73	11,975,763.90
Grant and other transfer payments	7	26,924,095.44	13,031,810.11
Financial expenses	8	47,162.10	40,142.30
Depreciation and amortization expenses	9	9,457,531.25	5,825,405.76
Total Expenses		**92,845,731.37**	**63,396,329.82**
Surplus/ (Deficit) for the period		**(1,814,710.62)**	**142,232.96**

4.4 Statement of Changes in Equity

Marine Environment Protection Authority

Statement of Changes in Equity for the

Year ended 31st December 2012

	Capital Grants (Rs.)	Accumulated Surplus / Deficits Rs. Cts.	Total (Rs.)
Balance as at 31/12/2011	22,359,482.03	1,166,807.12	23,526,289.14
Transfer to Capital Grants		(2,490,044.86)	
Re-adjusted Balance as at 01/01/2012	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 31/12/2012	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 2012

	2012	2011
Cash Flow from Operational Activities		
Net surplus / (Deficit) for the period	(1,814,710.62)	142,232.96
Adjustments		
Depreciation set aside for the year	9,457,531.25	5,825,405.76
Adjustments for Opening Balance	-	
Transfer to Advance Expenditure	-	84,937.50
Provision for Gratuity	782,647.00	889,165.00
Gratuity-Payment	(57,860.00)	-
Income Recognized as per SLAS 24 (From grants received in previous years)	(36,381,626.62)	(18,857,215.80)
Operating Surplus/Deficit Before working Capital changes	**(28,014,018.99)**	**(11,915,474.59)**
Working Capital Changes		
(Increase) / decrease in Deposit	(81,300.00)	(657,000.00)
(Increase) / decrease in Prepayments	(227,144.08)	163,287.62
(Increase) / decrease in Debtors	3,435.00	(3,435.00)
Decrease/ increase in current liabilities	(8,465,176.65)	10,563,775.43
Net Cash flow from operating Activities	**(36,784,204.72)**	**(1,848,846.54)**
Investing Activities		
Investment in Treasury Bills	(11,755,525.00)	(10,709,913.55)
Treasury Bills maturity	10,709,913.55	9,999,999.75
Acquisition of property plant & Equipment	(3,303,678.52)	(4,570,279.08)
Interest from investment in Treasury Bills	1,045,612.19	709,913.55
Interest from staff loan	176,439.54	184,489.46
(Increase) / decrease in staff loan recoverable	624,106.33	(2,327,861.80)
Income Pre-received A/C	1,694,009.00	-
EIA deposit	500,000.00	-
EIA Payment	(13,009.50)	-
Net Cash flow from Investing Activities	**(322,141.41)**	**(14,223,606.83)**
Financing Activities		
Funds received from MT GRANBA incident		
Government grant for Capital expenditure	29,000,000.00	22,622,000.00
Net cash flow from Financing Activities	29,000,000.00	**22,622,000.00**
Net increase/decrease in cash and cash equivalents	**(8,106,346.13)**	**6,549,546.91**
Cash and cash equivalents at the beginning of the year	**13,619,137.73**	**7,069,591.10**
Cash & cash equivalents at the end of the year	**5,512,790.27**	**13,619,137.73**

4.6 Notes to the Financial Statements

Marine Environment Protection Authority

Notes to the Financial Statements

Note 01	**Treasury Grants**	
Treasury Grants	**Rs. 2013**	**Rs. 2012**
Recurrent Grant	43,520,440.00	34,470,000.00
Capital Grant transfer to income - Current Year	26,924,095.44	13,031,810.11
Capital Grant transfer to income - Differed Grant	9,457,531.18	5,825,405.69
Total	**79,902,066.62**	**53,327,215.80**

Note 02	**Fees and Fines, Penalties and Licenses**	
Fees and Fines, Penalties and Licenses	**Rs. 2013**	**Rs. 2012**
Waste Reception Service - Registration Fees	3,993,900.00	2,040,500.00
Waste Reception Service - Permit Fees	4,652,500.00	3,839,000.00
Waste Reception Service - Application Fees	30,000.00	9,000.00
Waste Registration Service - Application Fees (Received in 2011 for this year)	18,000.00	31,000.00
Natural Resources Extraction - Permit Fees	119,225.40	3,289,803.00
Natural Resources Extraction - Application Fee	11,922.54	32,898.03
Bunkering Application Fee	14,000.00	-
Bunkering Registration-2012	1,050,000.00	-
Road tankers Registration- Bunkering	40,000.00	-
Noscop Application fee and Approval fee	104,000.00	-
Total	**10,033,547.94**	**9,242,201.03**

Note 03	**Other Revenue**	
Other Revenue	**Rs. 2013**	**Rs. 2012**
Sundry income	617,539.05	377,150.00
Book advance interest	2,842.70	3,154.19
Interest Income	475,024.44	-
Chq. Cancellation	-	10,125.00
Total	**1,095,406.19**	**390,429.19**

Note 04	Wages, Salaries and Employee benefits			
Wages, Salaries and Employee benefits	**Rs.**	**2013**	**Rs.**	**2012**
Salaries & Wages		36,363,226.78		25,196,278.83
Overtime / Holiday Pay		613,678.21		469,969.83
Other Allowances		1,217,500.00		72,600.00
Provision for Gratuity		811,577.00		602,947.50
Total		**39,005,981.99**		**26,341,796.16**

Note 05	Supplies and Consumables Used			
Supplies and Consumables Used	**Rs.**	**2013**	**Rs.**	**2012**
5.01 Supplies				
Stationary & Office Requisites		972,732.12		493,150.46
Fuel & Lubricants		1,329,504.06		817,535.50
Uniforms		56,235.12		143,608.00
Total		**2,358,471.30**		**1,454,293.96**
5.02 Maintenance Expenditure				
Vehicle Maintenance		1,520,724.62		870,473.94
Plant, M, Equipment maintenance		415,047.93		473,696.86
Office Maintenance		35,469.00		54,209.00
Total		**1,971,241.56**		**1,398,379.80**

Note 06	Other Recurrent Expenditure			
	Rs.	**2013**	**Rs.**	**2012**
6.01 Traveling				
Domestic Travelling Expenses		1,440,485.07		1,116,257.86
Foreign Travelling Expenses		310,350.25		1,048,923.61
		1,750,835.32		**2,165,181.47**

6.02 Contractual Services		
Telecommunication/Postal Charges	923,152.72	716,585.48
Electricity & Water	1,726,397.73	1,342,482.69
Office Rent	6,554,887.53	5,932,135.00
Other Contractual Services	2,125,974.43	1,656,091.49
Prepaid Expenses for 2011 (Paid during the previous year)	-	533,538.35
Prepaid Expenses for 2012 (Paid during 2011)	-	(370,250.58)
Total	**11,330,412.41**	**9,810,582.43**

Note 07	**Grant and Other Transfer Payments**	
Grant and Other Transfer Payments	**Rs. 2013**	**Rs. 2012**
Total Capital Grant for the year	39,827,773.96	36,312,044.86
Less:		
Amount of grant utilized for purchasing of capital Assets	(12,903,678.52)	(23,280,234.75)
Amount transferred to the statement of Financial operations during the year	**26,924,095.44**	**13,031,810.11**

Note 08	**Financing Cost**	
Financing Cost	**Rs. 2013**	**Rs. 2012**
Bank Charges	47,162.10	40,142.30
Total	47,162.10	**40,142.30**

Note 09	Depreciation of Property, Plant and Equipment						
Type of Asset	Cost 2013			Depreciation 2013			Written-off value
	01.01.2013	Additions	31.12.2013	01.01.2013	Additions	31 Dec. 2013	
Motor Vehicles	25,814,892.63	10,234,020.00	36,048,912.63	8,920,532.63	3,089,538.67	12,010,071.30	18,787,495.23
Furniture & Office equipment	19,433,793.55	1,938,411.52	21,372,205.07	6,902,922.14	1,688,407.55	8,591,329.69	10,594,756.28
Technical Equipment	17,803,678.49	731,247.00	18,534,925.49	1,589,194.08	1,047,459.54	2,636,653.62	14,022,497.75
Total	**63,052,364.67**	**12,903,678.52**	**75,956,043.19**	**17,412,648.84**	**5,825,405.76**	**23,238,054.60**	**43,404,750.36**

Note 10		
Cash and Cash Equivalents	**Rs. 2013**	**Rs. 2012**
Bank of Ceylon Borella – 194109	4,580,820.28	13,487,714.04
Peoples Bank Dematagoda- 071100180004783	931,969.99	131,424.12
Total	**5,512,790.27**	**13,619,138.16**

Note 11	**Debtors**	
Debtors	**Rs. 2013**	**Rs. 2012**
Shehan Kuruneru – Rent	13,500.00	13,500.00
Recurrent Advance	-	3,435.00
Total	**13,500.00**	**16,935.00**

Note 12	**Deposits**	
Deposits	**Rs. 2013**	**Rs. 2012**
Refundable Deposits for Rent- Regional Office Galle	96,000.00	96,000.00
Refundable Deposits for Rent- H/O cold Storage	1,090,000.00	1,090,000.00
Refundable Deposits for Rent- Regional Office,Trinco	7,500.00	7,500.00
Refundable Deposits - IDD facility for Mobile-phones	3,500.00	3,500.00
Refundable Deposits for Mobile Phone	1,500.00	1,500.00
Refundable Deposits - Internet for Mobile Phones	1,500.00	1,500.00
Refundable Deposits – Internet for Mobile Phones	3,000.00	3,000.00
Refundable Deposits	6,100.00	4,800.00
Deposits - Center for Banking Studies	10,000.00	-
Total	**1,219,100.00**	**1,137,800.00**

Note 13		
Pre - payments	**Rs. 2013**	**Rs. 2012**
Rent	112,142.47	180,100.00
Insurance	301,938.33	153,254.90
Maintenance	181,637.31	4,656.90
Other expenses	1,676.71	32,238.78
Total	**597,394.81**	**370,250.58**

Note 14		
Staff Loans Recoverable	**Rs. 2013**	**Rs. 2012**
Opening Loan Balance 01.01.2012	6,257,776.56	3,929,914.76
Add:		
Loans given during the year	2,120,055.56	4,939,000.00
Total recoverable amount	8,377,832.12	8,868,914.76
Less:		
Amount recovered during the year	2,744,161.89	2,611,138.20
Balance as at 31.12.2012	**5,633,670.23**	**6,257,776.56**

Note 15	Current Liabilities	
Current Liabilities	**Rs. 2013**	**Rs. 2012**
Creditors	1,874,745.83	10,534,736.45
WRS Application & permit receivable for 2011	-	18,000.00
Electricity & Water bill payable	121,521.07	107,457.38
Rent Payable	32,000.00	11,130.00
Telephone bills payable	62,188.25	54,867.37
Halchem Lanka Pvt Ltd.	108,228.00	-
Other Expenses Payable	53,630.00	111,424.71
Vehicle Maintenance expenditure	200.00	-
Overtime payable / Holiday Pay as per list	20,977.11	-
Other allowances payable Per list	86,750.00	-
Domestic travelling expenses payable as per list	12,099.00	-
Stamp duty payable	100.00	-
Total	**2,372,439.26**	**10,837,615.91**

Note 16	Staff Loan Fund			
Staff Loan Fund	**Rs.**	**2013**	**Rs.**	**2012**
Opening Loan Balance 01.01.2012		6,389,200.68		6,204,711.22
Add:				
Additional Funds received		-		-
Interest for the Year		176,439.54		187,125.46
Less:				
Bank charges for the Year		-		2,636.00
Closing Loan Balance as at 31.12.2012		**6,565,640.22**		**6,389,200.68**

Note 17	Provision for Gratuity			
Provision for Gratuity	**Rs.**	**2013**	**Rs.**	**2012**
Opening Balance as at 01.01.2012		3,756,087.50		2,866,922.50
Provision for the Year		782,647.00		889,165.00
Add:		**4,538,734.50**		**3,756,087.50**
Gratuity Payments during the year		**57,860.00**		**-**
Closing Balance as at 31.12.2012		**4,480,874.50**		**3,756,087.50**

Note 18	Government Grants and Capital			
Government Grants and Capital	**Rs.**	**2013**	**Rs.**	**2012**
Opening Balance as at 01.01.2012		39,814,311.09		22,359,482.03
Correction of Errors Reversal of additional charge deferred income		144,291.93		
Add:				39,827,773.96
Capital Grants Received during the year		79,786,376.98		58,671,526.89
Less:				
Recognized as income (SLAS 24)		36,381,626.62		18,857,215.80
Closing Balance as at 31.12.2012		**43,404,750.36**		**39,814,311.09**

Note 19	Accumulated Deficit	
Accumulated Deficit	**Rs. 2013**	**Rs. 2012**
Opening Balance at 01.01.2012	(1,181,004.78)	1,166,807.12
Correction of Errors		
Transfer to Deferred Income	(1,227,773.96)	(2,490,044.86)
Deficit /Excess for the year	(1,814,710.62)	142,232.96
Closing Balance as at 31.12.2012	**(4,223,489.36)**	**1,181,004.78**

Note 20	Marine Environment Protection Fund	
Marine Environment Protection Fund	**Rs. 2013**	**Rs. 2012**
Opening Balance as at 01.01.2012	12,309,913.55	11,600,000.00
Interest Income - Treasury Bills	1,045,612.19	709,913.55
Closing Balance as at 31.12.2012	**13,355,525.74**	**12,309,913.55**

Note 21	EIA Deposit	
EIA Deposit Account	**Rs. 2013**	**Rs. 2012**
Opening Balance as at 01.01.2012	-	-
Funds Received	500,000.00	-
Less	500,000.00	-
Expenditure borne during the year	13,009.50	-
Closing **Balance as at 31.12.2012**	**486,990.50**	-

Note 22	Income Pre-received	
Income Pre-received	**Rs. 2013**	**Rs. 2012**
WRS registration and permit Fees for 2013	1,646,000.00	-
Bunkering registration and permit Fees for 2013	48,000.00	-
Total	**1,694,000.00**	-

23 The authority invested Rs. 10 Million in 6-Month Treasury Bills in November 2011 and it matured in the year 2012 and the total amount (interest and the investment amount) was reinvested in Treasury Bills. Rs. 1,045,612.19 has been earned during the year 2012 as the interest income from treasury bills. Hence the re-invested value is Rs. 11,755,525.00.

24 The authority started investing surplus cash balance at the end of the day in the current account to repurchase treasury bills on daily basis. This process continued until the end of the year yielding Rs 475,024.44 as interest income. This interest income is included in the total income for the year.

25 During the year, the authority earned Rs 131,147.94 as income by issuing environment protection permit for oil exploration activities. During the year, the Authority was able to increase its income from WRS permit fee up to Rs. 8,694,400.00 by increasing the WRS permit fee from Rs. 4,000/- to Rs. 5,000/-.

26 The Authority acquired Rs. 12,903,678.52 worth fixed assets during the year. The above assets value included the amount of Rs 9,600,000 received as vehicle grant from general treasury (01 Van). In addition to the above grant, Rs 3,303,678.52 was used for acquiring other assets. These assets included office equipment, laboratory equipment, computers and computer software, and a three-wheeler and a motor bike which were purchased by the authority during the year.

27 According to the Oil Spill Contingency Plan Regulation No. 01 of 2012, the organization or people who are engaging in activities mentioned in the Regulation must have a contingency plan approved by the Authority. During the year, the authority approved 2 contingency plans and earned Rs 104,000.00 as approval fee. This approval fee is included in the total income for the year.

28 According to the Bunkering (Marine Environment Protection) Regulation No. 02 of 2011, the organization or people who are engaging in activities mentioned in the Regulation must get registered with the Marine Environment protection Authority each year. During the year, the Authority registered 8 companies that are engaged in bunkering operations and earned Rs 11,040,000.00 as application and registration fees. This income is included in the total income for the year.

29 Board of Directors of the authority decided to charge a processing fee to cover the expenses incurred in issuing EIA (Environment Impact Assessment) permits with effect from 01.01.2012. Accordingly, Cairn Lanka Company made a deposit of Rs 500,000.00 for obtaining EIA reports during the year. The balance of cash after deducting the expenditure in connection with EIA process is shown as ‘EIA Project Deposit’ under ‘Current Liabilities’ in the Statement of Financial Position.

30 According to the Budget Estimates for the year 2012, the National Budget Department (NBD) has allocated Rs 64.164 million (including the Authority,s Income) and Rs 46.4 million for recurrent expenditure and capital expenditure respectively. The following table shows the details of the Recommendation of the NBD, and funds released by the Treasury Operations Department (TOD) and the Actual Expenditure for the year 2012.

	Allocations for 2012	Allocation from the National Budget 2012	Received from Treasury Operations Department for 2012	Actual Expenditure as at 31.12.2012
Recurrent Expenditure	64,164,000.00	54,164,000.00	43,520,440.00	55,879,672.78
Capital Expenditure	36,400,000.00	30,625,000.00	19,000,000.00	18,675,840.90
Oil Spill Contingency Plan	10,000,000.00	10,000,000.00	10,000,000.00	11,551,933.06
Treasury Grant for Vehicle	9,600,000.00	-	-	9,600,000.00
Total	120,164,000.00	94,789,000.00	72,520,440.00	95,707,446.74

The NBD recommended the release of Rs. 54,164,000.00 during the year as recurrent expenditure. However, during the Year under review, only Rs 43,520,440.00 was actually released for recurrent expenditure by the TOD. During the year total recurrent expenditure was Rs.55, 879, 672.78, out of which Rs. 38,194,404.99 (68%) was spent as personal emoluments. In addition to the grant received for recurrent expenditure from the treasury, the authority earned Rs 11.2 million through its operations, which the Authority spent for recurrent expenditure. As such, all the earrings made by the authority were used during the year for meeting the necessary recurrent expenses.

According to the Sri Lanka Accounting Standard (SLAS), the income in respect of a period should be recognized within the same period. As such, the receivable balance of the recurrent grant (10.644 milion) (the grant which was recommended by the NBD for release) could be recognized as a receivable income for the period.

If we recognize that as an income, the Statement of Financial Performance will display a surplus for the year 2012.

Because of the usual practice of the Government, we will not receive funds for covering the expenditure relating to the year 2012 after closing the Government Accounts as at 31.12.2012. Therefore, though we have documentary evidence for recurrent grant receivable, there is no point in carrying the Rs 10.644 million as recurrent grant receivables in the statement of financial position. Accordingly this amount was not recognized as a grant receivable for preparation of Financial Statements.

The NBD recommended the release of Rs. 40,625,000.00 during the year as Capital expenditure. However, during the year under review, only Rs. 29,000,000.00 was released by the TOD as Capital expenditure (including Rs 10 Million supplementary allocation for preventing and controlling environment damage due to the Oil spill incident in Pandaura Area). The total capital expenditure borne during the year was Rs. 30,227,773.96, out of which Rs. 11,551,933.06 was used for oil spill response activities during the year.

According to the Sri Lanka Accounting Standards, the income (Grant) which is relevant to the period it arises should be recognized within the same period. Accordingly the Capital grant receivable balance (11.625 million) (the grant which were ensured by the NBD to be released) can recognized as receivable income for the period. As mentioned above, same treatment should be applicable for the capital grant as well. Therefore, although we have documentary evidence for capital grant receivable, there is no point in carrying the Rs 11.625 million as capital grant receivables in the Statement of Financial Position. Accordingly this amount was not recognized as a capital grant for preparation of Financial Statements.

Note:

This authority had a series of discussions with the Treasury Operations Department to obtain the funds which were recommended for release by the NBD. However, due non-availability of funds, these did not succeed. Therefore, many activities that had been included in the Action Plan 2012 had to be cancelled during the year 2012.

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/2012
ඔබේ අංකය / உமது இல / Your No:
දිනය / திகதி / Date: 30 August 2013

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 2012 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 for the year ended 31 December 2012 comprising the statement of financial position as at 31 December 2012 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 Authority 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 on 06 May 2013.

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 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.

අංක 306/72 පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව
இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை
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විද්‍යුත් තැපැල් ලිපිනය / ஈ-மெயில் / E-mail: oaggov@sltnet.lk

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. 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 judgment, including the assessment of the risks of material misstatement 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 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 the financial statements. Sub-sections (3) and (4) of the 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 Audit 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 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1. Accounting Deficiencies

The under mentioned observations are made.

(a) The cost of 100 name boards amounting to Rs.3,287,500 had been written-off as expenditure without being accounted for as fixed assets

(b) Library books valued at Rs.188,888 purchased during the year 2012 had been written-off as expenditure without being accounted for as assets.

(c) Action had not been taken to include the value of research reports and stock of library books into asset accounts which existed before the year under review

(d) The value of 5,800 litre of oil solvent valued at Rs. 3,858,584 as at the end of the year under review had not been brought to account.

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

Under mentioned non-compliances with Laws, Rules, Regulations and Management Decisions were observed.

	Reference to Laws, Rules, Regulations etc.	Non-compliance
(a)	Public Enterprise circular No.PED/12 dated 2 June 2003.	
	(i) Paragraph 5.2.1	Estimated Financial Statements had not been prepared.
	(ii) Paragraph 6.5.1	Draft Annual Report had not been furnished along with the accounts.
(b)	Public Administration circular No. 13/2008 dated 26 June 2008.	Pool vehicles had been utilized by the General Manger of the Authority for 5,890 kilometres in 80 instances.

3. 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 amounting to Rs. 1,814,711 as against the excess of Rs. 142,233 for the previous year thus a deterioration amounting to Rs. 1,956,944 in the financial results had been observed. The increase in operational expenditure by Rs. 29 million in the year had been the main reason for this deterioration.

3.2. Analytical Financial Review

The under mentioned variations had been the reason for the deterioration in the financial results amounting to Rs. 1.956 million during the year under review in excess of the previous year.

Item	**2012**	**2011**	**Variance**	
	Rs. Miliion	Rs. Miliion	Rs. Miliion	Percentage %
Total Recurrent Grant	79.902	53.327	26.575	49.83
Operational Income	10.034	9.242	0.792	8.56
Total Income	91.031	63.538	27.493	43.27
Total Operational Expenditure	92.846	63.396	29.450	46.45

When compared the income during the year under review with the income for the previous year, although the income had increased by Rs. 8.56 per cent, the operational expenditure relating to this for the year under review had increased by 43.45 per cent more than that of the expenditure for the previous year. When the operational income and the expenditure are compared, operational expenditure amounting to Rs. 92.846 million had been incurred exceeding the operational income of Rs. 82.812 million . The deficit amounting to Rs. 1.814 million during the year under review had been affected by the total Recurrent Grant amounting to Rs. 72.902 million. The increase of other expenditure by 1,577 per cent, fuel expenditure by 63 per cent and the vehicle maintenance expenditure by 76 per cent had influenced the increase of operational expenditure during the year under review more than that of the previous year.

4. Operational Review

4.1 Performance

According to the Action Plan of Marine Environment Protection Authority for the year 2012, the total provision amounted to Rs. 36,400,000 while the actual expenditure according to the progress reports amounted to Rs. 18,391,390. In this regard, the following observations are made.

(a) The entire provision amounting to Rs. 6,100,000 made for 12 activities during the year had been saved.

(b) Three activities which were not included in the original Action Plan had been included in the amended Action Plan and the provision made for those three activities had been saved even as at the end of the year.

(c) More than 75 per cent of the provision for 5 activities in the Action Plan had ben saved.

(d) The Action Plan prepared for the year 2012 had been amended during the month of December 2012. Therefore, it was observed that the Action Plan had not been made used of as controlling instrument.

4. 2 Management Inefficiencies

Advances amounting to Rs. 90,500 obtained in 9 instances had been fully refunded. Accordingly, it was observed that the money had been kept in hand by the Officers without any purpose. Further, there were 25 instances where more than 50 per cent out of the advances obtained had been returned. Attention had not been made by the management towards handling the State Fund without misuse.

4. 3 Operational Inefficiencies

Following observations are made

(a) It was observed that the action taken under Section 26(a) of Marine Pollution Prevention Act No. 35 of 2008 to recover the compensation had been weak regarding the marine pollution due to oil spilling occurred at the Colombo harbor on 13 November 2010.

(b) Although it was planned to carry out 12 types of laboratory tests, only 5 tests had been carried out. Although it was observed during the tests that the sea water had been in impure level, any action had not been taken in this regard except awareness programmes.

(c) According to Section 34(1) of the Marine Pollution Prevention Act, persons and institutions are bound for liabilities and as arrangements had not been made for orders under Section 54 (2)(c) and (o) to obtain compensation for the damages to the environment or to take action to minimize the damages to the environment, the purpose of the establishment of a laboratory had not been accomplished.

4.4 Matters in Contentious Nature

Following observations are made.

(a) Prior approval of the Board of Directors had not been obtained for Rs. 4,931,250 spent for erecting 150 notice boards implemented as an awareness programme by the Marine Environment Protection Authority during the year 2011.

(b) A sum of Rs. 112,500 had been overpaid as a result of purchase of 100 notice boards contrary to the decision of the Technical Evaluation Committee. Further, it could not be ascertained as to whether the notice boards had been erected according to proper plan in the absence of a plan regarding the places of erection of name boards.

4. 5 Idle and Underutilised Assets

It was observed that the undermentioned assets had been idle.

Item	Quantity	Value Rs.	Date of Purchase	Period of Idling (as at 31.3.2013)
Boat Engine	01	510,000	27.04.2012	11 months
Dingi Boat	01	672,000	14.05.2012	10 months
Bunk Beds	03	29,550	27.09.2010	2 years and 6 months
Mattresses (single)	09	28,800	27.09.2010	2 years and 6 months
Conference Tables	02	29,747	28.04.2011	1 year and 6 months

Colony counter complete with PC software	01	131,404	28.12.2010	2 years and 3 months
Vaccum maniflod system with vacuum pump	01	352,800	28.12.2010	2 years and 3 months

4. 6 **Staff Administration**

The staff of the Authority as at 31 December 2012 was as follows.

Post	No. Approved	Actual No.	No. of Vacancies
Senior level	08	01	07
Tertiary level	12	10	02
Secondary level	43	30	13
Primary level	82	61	21
	145	102	43

In this regard the following observations are made.

(a) Vacancies existed even as at 31 March 2013 for 7 posts in the Senior level including the General Manger. Thus, administration activities of the Authority had been weakened.

(b) Applications called during the month of February 2012 for the recruitment for 6 Management and Assistant Management posts for which vacancies existed in the Authority and in this, recruitment had been made only for the post of Manager (Legal) and action had not been taken to fill the vacancies for the rest of the posts.

(c) The female Officer acted in the post of Assistant Manager (Legal) had applied as a private candidate for the post of Manager (Legal) and although the Post Graduate Degree in Marine Law which qualification is needed for this post was the Degree obtained from the foreign scholarship offered by the Authority, it was not considered in the interview. This female Officer was the one who had been accused of negligence of duty and had unsatisfactory service period due to the frauds taken place when she was on scholarship abroad for the Post Graduate Degree and the post of Manger (Legal) had been given without taking these facts into consideration when she had applied as a private candidate.

(d) The General Manger of the Authority had left the service from 16 March 2013 and the Manager (Legal) had been appointed to cover the duties of this post from that date.

4. 7 Vehicle Utilisation

A Cab vehicle belongs to the Authority had been released to the Ministry of Environment on 25 October 2010, had been utilised for private purposes apart from the Ministry and handed over back to the Authority on 18 May 2012 in an unserviceable condition. It was observed that this vehicle was idling for 10 months from this date.

5. Accountability and Good Governance

5.1. Corporate Plan

5.1.1 Preparation of Corporate Plan contrary to the Objectives of the Act

Following observations are made.

(a) Although 38 programmes to be achieved during the year 2012 had been included in the Corporate Plan prepared for 2012-2016 to achieve the objectives of the Marine Environment Protection Act No. 35 of 2008, the targets could not be achieved as these programmes had not been incorporated in the Action Plan for the year 2012.

(b) Action had not been taken up to the date of this report to establish Marine Environment Council in terms of Marine Environment Protection Act No. 35 of 2008.

5.1.2 Non Achievement of the Objectives of the Act

The Authority had not taken action to achieve the objectives of the Act by preparing and gazetting the drafts of Laws and Procedures regarding 11 orders made under Section 51(1) of the Marine Environment Protection Act No. 35 of 2008.

5.2 Budgetary Control

It was observed that differences ranging from 54 per cent to 99 per cent between budgeted and actual income and expenditure in respect of 20 items for the year under review had existed. Accordingly, it was observed that the Budget had not been utilised as a tool of control.

5.3 Tabling of Annual Report

The Annual Report for the year 2011 had not been tabled in Parliament.

5.4 Achievement of Environmental and Social Responsibilities

Following observations are made.

(a) It was informed that there was a risk for marine environmental pollution due to oil spilling by a ship anchored in the sea near Panadura area outside the harbour from the year 2007 and although permission had been granted by Court to take necessary action to prevent environmental pollution, as the Authority had not taken action in this regard, environmental damage had occurred as the ship had sunk in Panaduara sea. Although the Disaster Management Centre had reported that there was disaster, the oil in the ship had not been correctly measured or a technical report had not been obtained by the Authority.

(b) Although quotations had been called for taking the oil in the ship out to minimize the risk of marine environmental pollution by tender, and according to tender documents, quotations had been invited to take out 800 metric tons of oil in the ship, this activity had not been completed as suitable supplier could not be selected.

(c) Although proposals had to be arranged and action to be prepared in terms of Section 6 (b) and (d) of Marine Environmental Pollution Protection Act to prevent, reduce, control and manage the pollution by ship-based activities in territorial waters of Sri Lanka , any other maritime zones or fore-shore and coastal zones of Sri Lanka , no such plans had been with the Authority.

(d) A sum of Rs. 11,874,652 had been spent by the Authority regarding minimization of damages to environment due to oil spilling by the ship.

(e) Although the controlling of sea oil transport activities and bunkering operations being carried out in the coastal belt of Sri Lanka and any other maritime zones or the fore-shore and maritime zones of Sri Lanka could be done under Section 7 (d) of the Act regarding the prevention of pollution , such controlling had not been done by the Authority.

(f) According to Section 26 of Part viii of Criminal Liability regarding the prevention of pollution under Marine Environment Protection Act, if pollutants were discharged or have escaped in the territorial waters of Sri Lanka or any other maritime zone from any ship and convicted under this Act, shall be liable for a fine not less than Rs. 4 million and not exceeding Rs. 15 million.

The Authority had not taken action to prepare necessary Laws and Rules, drafts and gazettes for the criminal liability regarding the prevention of pollutions relevant to the Act.

(g) Due to these reasons, necessary actions to prevent marine pollution according to the objectives of the Act by taking legal action against the convictors and to subject to punishments regarding the marine pollution had not been possible.

(h) Proper preliminary and final investigations had not been carried out regarding the public complaints made against various industries and individuals regarding marine pollution. Likewise, the necessary instructions only had been given to them to take necessary actions to prevent marine pollution and in this regard steps had not been taken by taking follow up actions.

6. 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) Accounting
(b) Staff Administration
(c) Assets Control
(d) Budgetary Control
(e) Vehicles Control

H.A.S Samaraweera
Auditor General