

Sri Lanka Atomic Energy Board - 2019

1.1 Opinion

The audit of the financial statements of the Sri Lanka Atomic Energy Board for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended and notes to the financial statements including a summary of significant accounting policies was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971. My comments and observations which I consider should be presented to the Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Sri Lanka Atomic Energy Board as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs).

My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

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

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

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

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the Financial Statements)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
The scope of the audit was expanded as possible as to examine the following matters in any time as required.
- In the point of presentation of information, whether the organization, systems, procedures, books, records and other documents had been planned properly and adequately as to evaluate the activities of the Board continuously and whether the systems, procedures, books, records and other documents are maintained effectively.

- Complying with any applicable written law or other general or special directions issued by the governing body of the Board.
- Performed according to its powers, functions and duties.
- Procured and utilized the resources economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the preparation of financial statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Unauthorized Transactions

Unauthorized Transactions	Management comment	Recommendation
<p>A law suit had been filed against the then Atomic Energy Authority Energy authority by an officer in the year 2010. On the decision of the Board of Directors of the Atomic Energy Board, it had been decided on 29 November 2016 to keep the plaintiff party on the salary scale of MM salary code since the year 2006 without the agreement of all dependents and the approval of the Department of Management Services. Considering the said decision the law suit had been withdrawn by the plaintiff unilaterally. Accordingly actions had been taken by the Board of Directors against the Government’s rights. Further a sum of Rs. 2,961,304 had been paid to the said officer as arrears in salaries during the year 2019.</p>	<p>It is informed that it will be considered thoroughly when giving recommendations in this regard in future.</p>	<p>Decisions should not be taken without having a proper authority and according to the Financial Regulations 128 (1) (o), actions should be taken by the Accounting Officer to rectify the current actions according to the decisions taken by the Board of Directors damaging the Government rights.</p>

1.6 Receivable and Payable Accounts

1.6.1 Advances

Audit Issue	Management Comment	Recommendation
Out of the unsettled balance of advances for local purchasing as at 31 December 2019 amounting to Rs. 1,614,672 a sum of Rs. 1,116,663 had not been settled even up to 30 June 2020.	Out of unsettled advances, except the advances given for purchasing Argon and stationary, other advances had been settled already.	Adequate actions should be taken to settle the advances in due period of time in future.

1.7 Non-compliance with laws, rules, regulations and Managements Decisions etc.

Reference to Laws Rules and Regulations etc.	Non- Compliance	Management Comments	Recommendation
(a) Public Finance Circular No. 2016/05 dated 31 March 2016	Although the report of annual board of survey for the year under review should be presented to the Auditor General before 17 March 2020, it had not been presented accordingly.	Annual board of survey for the year 2019 was completed and it will be presented to audit as soon as obtain the approval of the Board of Directors	Actions should be taken as per the Public Finance Circulars.
(b) Public Accounts Circular No. 30/94 dated 20 April 1994	All transactions relating to foreign aid should be carried out by the Director General of the Department of Foreign Resources of the General Treasury. Contrary to this requirement, 12 receiving of foreign grants amounting to Rs. 16,474,125 had been received by the Board directly without receiving through the General Treasury.	These grants were received for the projects presented in previous years. Actions will be taken to receive since the year 2020 following correct methods.	Actions should be taken as per the relevant Public Accounts Circular in connection with foreign grants.

(c) Trade, Tariffs and Investment policy Circular No. 01/2010 dated 10 December 2010. Contrary to the provisions of the Circular, the first license had been obtained by 3 officers of the Board in 05 to 08 years before the due date which was entitled to the motor vehicle license on concessionary basis. Further the second license had been obtained before a period of 02 to 04 years. In addition to this, the first license had been obtained by 05 officers before a period of 01 to 06 years approximately. Letters was issued to the personal files of all officers who had obtained vehicle permit on concessionary basis before completing the due period of time and it is informed that it will be considered thoroughly when giving recommendations in this regard in future. Actions should be taken as per the relevant Trade, Tariffs and Investment policy Circular.

(d) Public Enterprises Circular No. PED/12 dated 02 June 2003.

(i) Paragraph 8.5 Although an insurance cover should be available for the security of assets in an institute, such method had not been followed for the property plant and equipment valued at Rs. 1,446,880,651 belonged to the Board. Insurance cover had been taken already for the assets of the GAMMA Center and necessary documents are being prepared to insure the assets of the National Centre for Nondestructive Testing and the Head Office. Actions should be taken as per the relevant Public Enterprises Circular.

(ii) Paragraph 6.5.1 Although the financial statements should be presented Due to the pandemic of COVID 19 , the Financial statements should be presented to

to audit within 60 days after closing the accounting year, financial statements of the Board had been presented in a delay of 106 days.

board meeting scheduled to be held on 13 March 2020 could not be conducted and in the first meeting held after the office was opened normally , approval was obtained for the financial statements and was presented to audit.

the Auditor General before the due date according to the relevant Public Enterprises Circular.

(iii) Paragraph 5 Although a copy of the updated corporate plan for the years 2019, 2020 and 2021 should be submitted to the Auditor General after the approval of the Board of Management before 15 days of the beginning of the year 2019, actions had not been taken accordingly.

The corporate plan for the years 2018 – 2020 was prepared and the approval of the Board of Directors was obtained and the corporate plan for the years 2021 -2023 is being prepared at the moment.

According to the relevant Public Enterprises Circular, updated corporate plan should be approved and a copy of the said plan should be submitted to the Auditor General.

(e) Department of Management services Circular No. 05/2017 dated 25 October 2017.

Even though it had been pointed out by previous audit reports and as informed by the Director General of the Department of Management Services to the Secretary to the Ministry of Power and Energy, the service of Grade IV could not be

A letter was submitted to the Department of Management Services through the Secretary to the Ministry on 20 February 2020 to get clarified the Service Grades which can be considered for payment of professional

Actions should be taken as per the relevant Management Services Circular.

considered for allowances. It is professional kindly informed allowances, a sum that further actions of Rs. 370,000 had will be taken after been paid to 9 receiving the said officers as clarifications from professional the Department of allowances. Management Services.

2. Financial Review

2.1 Financial Results

The operation had resulted a surplus of Rs. 27,974,911 and against to it the deficit of Rs. 413,699 for the previous year. Accordingly an improvement of Rs. 23,388,610 was observed in the financial result. Increase of recurrent grant received from General Treasury by Rs.11, 630,000, income received from food sample testing by Rs17, 253,963 and revenue of National Center for Non- Destructive Testing by Rs. 16,829,189 had mainly affected to this improvement.

In the analysis of the financial results for year under review and 03 preceding years, the net profit of Rs. 3,864,974 for the year 2016 had decreased up to a net profit of Rs.1,456,454 in the year 2017 and up to a net loss of Rs.413,699 in the year 2018 as well. However it had increased to a net profit of Rs. 27,974,911 during the year under review. However, considering the adjustments of employee’s remuneration made to the financial results, the contribution of the Board of Rs. 100,011,637 for the year 2016 had increased regularly up to Rs. 159,872,865 at the end of the year 2019.

3. Operational Review

3.1 Management Inefficiencies

Audit issue -----	Management comment -----	Recommendation -----
a) An alternative land had been purchased from Malabe area at Rs. 181 million from the Urban Development Authority in order to reinstall the Board because the land located in Orugodawatta area in which the old head office building of the Sri Lanka Atomic Energy Authority had been established and obtained from the Urban Development Authority on 99	The land located the new building was not handed over to the Atomic Energy Board legally and the building was not handed over to the Atomic Energy Board legally by the Road Development Authority. Hence the building could not be estimated. An Additional secretary was appointed on the instructions of the Secretary	Immediate actions should be taken to settle the issues relating to the ownership and cost of lands.

year lease agreement was needed for the Kelani Bridge Project. Construction of a new building equivalent to the old building of the Atomic Energy Board had been commenced in March 2015 by the Road Development Authority in the said land and it had been discontinued completely in June 2015. Meanwhile a trilateral Memorandum of Understanding had been signed by the Atomic Energy Board , Urban Development Authority and National Apprentice and Industrial training Authority to use a land which had been obtained by the National Apprentice and Industrial training Authority from Urban Development Authority for 30 year lease for the above mentioned task. According to the said agreement the parties had agreed to render the said land to the Board and to release the land located in Malabe to the use of National Apprentice and Industrial training Authority and to settle the difference of the values by relevant parties in the settlement of lands. However an adequate progress had not been shown in connection with the settlement of the said land even up to the end of the year 2019.

to the line Ministry in order to accelerate the handing over activities. Actions are being taken in this regard through the said proceeding.

3.2 Operating Inefficiencies

Audit Issue	Management comment	Recommendation
Providing testing services for measuring radioactive wastage and ionizing radiation level in some stuff or a commodity is an activity and a power of the Sri Lanka Atomic Energy Board. However even though the radiological level of locally manufactured milk powder had been tested in the local market during the year 2019, samples of imported milk powder had not been obtained and tested from the local market.	A programme for testing radiological level including the samples of imported milk powder, formula milk powder for infant in the local market was commenced by the Biological Science Section since January 2020. This activity is expected to be implemented for a period of 3 years covering more number of districts in Sri Lanka. The plan prepared for market surveys including provisions for purchasing milk powder brand names from the local market was included in the action plan 2020.	Actions should be taken as per the powers and authorities of the Board.

3.3 Underutilization of Funds

Audit Issue	Management comment	Recommendation
Out of the estimated capital provision of Rs. 140 million of the Atomic Energy Board for the year 2019, a sum of Rs. 73.3 million represents 52.3 per cent had been remained underutilize during the year. Further a variation from 30 per cent to 254 per cent had been observed in 14 recurrent expenditure items. In addition, even though funds amounting to Rs. 21,840,319 had been received as at 31 December 2019 for coordinating research projects, only a sum of Rs. 1,717,145 had been incurred during the year 2019. Accordingly it was observed that the financial performance of those projects was in a low level of 7.86 per cent.	Although it was planned to carry out procurement activities as per the procurement plan, certain activities could not be fulfilled due to changes of circulars issued by the Government for spending capital budget.	Planning and utilization of funds should be done efficiently.

3.4 Idle or Underutilized Property plant and Equipment

Audit Issue	Management comment	Recommendation
<p>(a) An Isotope Ratio Mass Spectrometer had been purchased incurring a sum of Rs. 9,184,390 on 02 December 2015 and the said equipment had been received to the Sri Lanka Atomic Energy Board on 09 August 2018. A sum of Rs. 3,963,384 had been incurred during the year 2019 for installation the said equipment and installation had been completed in May 2019. However any service had not been supplied to external parties even up to 30 June.</p>	<p>This equipment remained idle due to faults occurred in the equipment and unavailability of Helium in the market.</p>	<p>When fulfilling works and services of the Government it should be done economically and efficiently as per the Financial Regulation 780.</p>
<p>(b) The spetrophoto Meter Accessories at a cost of Rs. 5,598,851 had been installed in the old building of the Atomic Energy Board up to 24 April 2018. However it had not been installed in the new building up to now and as a result the said equipment had remained as an idle asset.</p>	<p>Provision for depreciation has been doing because this equipment is in the Inventory of our Institute.</p>	<p>When fulfilling works and services of the Government it should be done economically and efficiently as per the Financial Regulation 780.</p>

3.5 Human Resources Management

Audit Issue	Management Comment	Recommendation
<p>There were 30 vacancies in the Board including 15 in senior staff grades , 03 in tertiary level, 09 in secondary level and 03 in primary level as at the end of the year under review due to failure of maintaining effective cadre and the cadre not being reviewed timely. Out of the 38 approved cadre of the GAMMA Centre, 6 vacancies were observed in 04 posts and out of the 32 actual cadre, 07 employees had been deployed in the Head Office of the Atomic Energy Board.</p>	<p>Filling vacancies was delayed due to the facts that declaration of General Election, resigning of recruited employees and delays in recruitments until getting the approval of Department of Management Services for the Scheme of Recruitment. Action will be taken to fill these vacancies in future. Some posts of the Institute were attached to the head office considering the service requirement.</p>	<p>Actions should be taken to fill vacancies after carrying out a timely review about the cadre and the human resources should be managed in a manner that the performance of the different sections of the Institute is not disturbed.</p>

