

## **Sri Lanka Atomic Energy Regulatory Council – 2019**

---

### **1.1 Opinion**

---

The audit of the financial statements of the Sri Lanka Atomic Energy Regulatory Council for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, Statement of changes in equity and cash flow statement for the year then ended and notes to the financial statements 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 financial statements give a true and fair view of the financial position of the Sri Lanka Atomic Energy Regulatory Council 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 the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

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

As per section 16 (1) of the National Audit Act No. 19 of 2018, the Council 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 Council.

#### 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 Council'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 Council'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 Council 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 Council 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 Council.
- 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. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

### 1.5.2 Non- compliance with laws, rules, regulations and Managements Decisions

Reference to Laws Rules and Regulations	Non- Compliance	Management Comments	Recommendation
(a)Financial Regulations 128 (1) (o) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	The first license had been obtained by 5 officers of the Council in one to six years before the due date which was entitled to the motor vehicle license on concessionary basis. Although the matter had been pointed out by the Audit Report for the previous year, actions had not been taken by the Accounting Officer of the Institute for rectification in this regard as per the Financial Regulations 128 (1) (o).	It was not proved that issuing of the above said license was wrong as per the agreement of Courts. Hence there is no possibility to take any other action in this regard. It is informed that the Regulatory Council can take actions on the instructions and decisions obtain through submitting facts to the	Actions should be taken to rectify the said action as per the Financial Regulation 128 (1)(o) and proper attention should be paid for the relevant approvals and rights of the Government.

Even though the management had expressed that it was correct as per the agreement of the suit No.SC.FR.662/2010, agreement of the dependent of the suit and approval of the Department of the Management Services had not been obtained when entering into the said agreement with the plaintiff.

Supreme Courts by a certain party.

Accordingly it was not observed in audit that actions had been taken by the Board of Directors as favorable to the rights of the Government.

Further the suit which had been made the agreement in the year 2016 was not a suit filed in connection with issuing motor vehicle license on concessionary basis and issuing motor vehicle license on concessionary basis had been taken place before the agreement of the suit.

(b) Section 58 of the Sri Lanka Atomic Energy Act No.40 of 2014.

The “National Nuclear Radiological Emergency Response Plan” should be prepared by the Sri Lanka Atomic Energy Regulatory Council as the identified National Technical Institutions when responding to a nuclear or radiological emergency in the National Disaster Operation Plan. Even though a period over than 05 years had been lapsed up to the date of issuing this report, activities for

National Nuclear Radiological Emergency Response Plan was prepared as per the comments and proposals of all relevant parties and submits for the approval of the Council for National Disaster Management after reviewing finally. It is scheduled to be submitted the Plan

Immediate actions should be taken to complete the preparation of National Nuclear Radiological Emergency Response Plan as per the Section 58 of the Sri Lanka Atomic Energy Act No. 40 of 2014.

preparing such report had not been completed.

to the next first meeting of the Council for National Disaster Management. However this action proceeds beyond our control because the dates for the meetings are decided by the National Disaster Management Council of which chaired by His Excellency the President.

## **2. Financial Review**

-----

### **2.1 Financial Results**

-----

The operation had resulted a deficit of Rs.8, 874,702 and the corresponding deficit for the previous year was Rs. 1,258,188. Accordingly a deterioration of Rs. 7,616,514 was observed in the financial result. Increase of total expenditure by Rs. 5,749,545 and decrease of income by Rs. 1,866,969 had mainly affected to this deterioration.

In the analysis of the financial results of the Sri Lanka Atomic Energy Regulatory Council for year under review and 03 preceding years, the financial deficiency for the year 2016 was Rs.973,993, for the year 2017 was Rs. 3,102,117 and for the year 2018 was Rs. 1,258,188. It had increased up to Rs.8, 874,702 in the year under review. However, considering the adjustments of employee's remuneration made to the pretax financial results, the contribution of the Regulatory Council from the year 2016 to the year 2019 were Rs. 18,904,956, Rs. 23,135,332, Rs. 31,557,636, and Rs. 28,744,518.

### 3. Operational Review

#### 3.1 Operating Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) It was observed that the following activities which should be fulfilled by the Regulatory Council under the Section 11 of the Chapter II of the Atomic Energy Act No. 40 of 2014 in order to confirm the obligation of protecting General Public, patients, radiation workers and the environment from harmful effects of ionizing radiation by monitoring and controlling of activities relating to ionizing radiation had not been fulfilled.</p>		
<p>(i) In a physical audit examination carried out affiliate to 19 institutions in Gampaha and Kandy district, it was observed that monitoring and controlling of activities relating to ionizing radiation had not been fulfilled adequately.</p>	<p>The audit observations pointed out are correct. Actions had been already taken to correct some activities and actions are being taken to correct other matters in future. In addition, prevailing staff is not enough to fulfill duties. However it was noted to examine irradiation apparatus considering the prevailing resources and giving priority for high risk machines and medium risk machines.</p>	<p>The following activities which should be fulfilled by the Regulatory Commission according to the Section 11 of Chapter II of the Sri Lanka Atomic Energy Act No. 40 of 2014 should be fulfilled adequately.</p>
		<p>(a) Issuing of license which should be issued under this Act and renewal of such license alteration, suspension or cancellation.</p> <p>(b) Preparing of follow up programmes in order to prove the adherence to the</p>

provisions imposed under the Act and to the conditions mentioned in the license which were issued under this Act.

(c) Taking appropriate actions to prove that the provisions under this Act are adhered appropriately and regulations or rules under this Act and conditions mentioned in the license issued under this Act are appropriately get empowered.

- (ii) Although it had been mentioned in the Section 11 (g) of the Act that, formulation of rules, codes and standards in connection with radioactive protection and application of ionizing radiation is a key function of the Council, regulations relating to radioactive protections are still being prepared even though five years had lapsed for the commencement of the Regulatory Council. Regulations relating to radioactive protections had been sent to the Regulatory Commission by the Department of Legal Draftsman after reviewing and those regulations were sent to the Ministry with our observations for further necessary actions. Radioactive protection is a new field and that requirement emerged only 2 years ago as well. Actions should be taken to prepare rules relating to radioactive protection and using ionizing radiation which should be fulfilled by the Regulatory Council as per the section 11 (g) of the Sri Lanka Atomic Energy Act No 40 of 2014.
- (iii) It had been mentioned in the Section 11 (f) of the Act that make recommendation to the Minister on the formulation of a National Policy and a Strategy relating to protection against ionizing radiation, safety and security of nuclear and other radioactive materials and radioactive waste management were the key function of the Although the initial draft was prepared by the Regulatory Commission, the content should be reviewed and improved by a person who is specialized in the relevant field. Therefore actions will be taken to complete the preparation of drafts Actions should be taken to prepare a National Policy and a Strategy for protection from ionizing radiation, safety and security of sources and other radioactive materials and radioactive waste

Regulatory Council. However activities relating to preparing the said policy are in the initial drafting stage up to now and even though 05 years had lapsed for the enactment of the Act, Council had failed to fulfill such duties.

by a suitable person or a group appointing through a Board paper in future.

management which should be fulfilled by the Regulatory Council as per the Section 11 (f) of Chapter II of the Atomic Energy Act No. 40 of 2014.

(iv) According to the Section 11 (i) of the Act, perform and discharge such other duties and functions which are necessary in achieving the objectives as in the opinion of the Council are the function of the Council. Accordingly the Council is responsible for monitoring and supervision of radiation protection activities of dried milk powder imported to Sri Lanka. However actions had not been taken adequately by the Council in confirming that all stocks of dried milk powder imported to the Country are radiation free.

The Regulatory Council is mainly responsible for enacting laws in this regard and such law is in power. According to such laws, approval is given to the Food Controller of the Ministry of Health to issue milk powder the market after receiving analyzing reports of the Atomic Energy Board. It had been agreed to follow the prevailing methods for selecting samples and to examine in a discussion held by the higher ranks of the Department of Health with the then higher ranks of the Atomic Energy Authority and representatives of importers, for the process for selecting samples from milk powder, size of the sample, who should take the sample and how containers of milk powder should be released. The process of selecting samples and amount of samples is scientifically correct.

Sri Lanka Atomic Energy Regulatory Council is responsible to monitor that all milk powder imported to Sri Lanka is radiation free. It should be fulfilled by the Regulatory Council under the section 11 (i) of Chapter II of the Sri Lanka Atomic Energy Regulatory Act No.40 of 2014 and it should be fulfilled adequately.

Getting samples of milk powder available in the market and keeping records after examination were assigned to the



Atomic Energy Board and the Board informed in a previous meeting held in this regard that they are keeping such records after examination.

Evidence had not been received by us that food testing unit had recommended stocks of milk powder which related to the samples submitted to the radiation testing were radiation free before the relevant tests.

The Director General of Health is the Authority of Sri Lanka in connection with milk powder and he takes the decision in this regard. The Regulatory Council is responsible only for informing the amount of samples of milk powder which should be sent and giving necessary approvals to the Department of Health to release such milk powder to the market after considering the test reports of which are relating to the samples properly tested for radiation.

- (b) A Central Monitoring Station had been established in Katukurunda Special Task Force Training School in order to facilitate response to Security events of 13 institutions of which physical security system had been given for reservation of high activity radiation sources applied in Sri Lanka. Although it is essential to enter into a
- An initial draft of Memorandum of Understanding was prepared and actions are being implemented to send this to relevant parties for review. Further this draft should be completed after studying the matters well because this should be signed with
- Actions should be taken to enter into an agreement with the Sri Lanka Police, Special Task Force, Regulatory Council and other parties in order to maintain future activities of the Central Monitoring Station.

Memorandum of Understanding among the Sri Lanka Police, Special Task Force, Regulatory Council and other parties, the Regulatory Council had failed to enter into an agreement up to the date of this report issued.

several parties. In addition it is informed that 6 months will be taken to terminate the connection of security systems fixed in other institutions with the National Radioactive Security Center established in Katukurunda and therefore this Memorandum of Understanding can be completed within this period.

- (c) Physical Security Systems are given by the Atomic Energy Council together with the Global Material Security Programme (GMS) of the Department of Energy of United States for the places where all high activity radiation sources are applied in order to secure high radioactive sources applied in Sri Lanka. All activities relating to the above task including seeking contractors, calling quotations, and awarding contracts are done by the Department of Energy of the United States. Coordination of Department of Energy of the United States with the institutions of which the security systems should be given in Sri Lanka is done by the Regulatory Council and physical protection systems are given by the Department of Energy of the United States connecting with the relevant contractor. However a mechanism for obtaining a record of information back to the Regulatory Council had not been implemented in this regard.

Operation of physical security systems given to other institutions under the GMS Project is carrying out between a laboratory named by the Nuclear security administration Institution under the Department of Energy of the United State and the contractor who had been awarded the contract for operating nuclear security systems of the relevant institute and the Regulatory Council does only the coordination part between the institute of which the protection system should be given and the relevant laboratory of the United States. All documentary activities are done by the relevant institute directly with the laboratory for obtaining physical protection system and the said institute is directly connecting and working with the relevant contractor.

A mechanism should be implemented for obtaining records of information back to the Regulatory Council relating to the activities of giving physical security systems by the Department of Energy of the United States connecting with the relevant contractor.

