

1. Financial statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Atomic Energy Regulatory Council for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in equity, and cash flow statement for the year then ended and notes to 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 Finance Act, No. 38 of 1971. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Council as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 qualified 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 determines 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 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 Sub-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 misstatement, 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 a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect 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 part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design 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 audit 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 audit 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 also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Council and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Council has complied with applicable written law, or other general or special directions issued by the governing body of the Council;
- Whether the Council has performed according to its powers, functions and duties;
- Whether the resources of the Council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Audit Observation	Comment of the Management	Recommendation
(a) Disclosures as required by Paragraphs 106 and 107 of the Sri Lanka Public Sector Accounting Standard 11, had not been made on foreign grants amounting to Rs. 31 million and Treasury grants amounting to Rs. 31 million received by the Council in the year under review.	Corrective measures will be taken in the financial statements of the ensuing year.	Action should be taken in accordance with Sri Lanka Public Sector Accounting Standards.
(b) According to Sri Lanka Public Sector Accounting Standard 07, the carrying amount of an item of Property, Plant and Equipment shall be written off from books only if such an item is disposed of through sale, and no economic benefits or other services are probable by utilization or disposal of that item. Nevertheless, 08 items of scientific instruments	Action will be taken in the ensuing year of accounting to include the said exhibition items with zero value under notes to the Property, Plant and Equipment.	- Do -

costing Rs. 07 million had been eliminated from financial statements.

- (c) Sixty two items of non-functional instruments had not been disclosed in the financial statements by the end of the year under review in terms of Sri Lanka Public Sector Accounting Standard 07. Such information will be included in the ensuing year of accounts. -Do-

1.5.2 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
(a) An accrual expenditure of Rs. 02 million had been accounted for with respect to holiday pay for the preceding year. However, as approval of the Board of Directors had not been given on the payments, that expenditure had been deducted from the expenses of the year under review, and hence, profit of the year under review had been overstated by that value.	The said error will be corrected in the ensuing year of accounts, thereby taking corrective measures on the profit of the preceding year.	Accuracy should be ensured in making adjustments to the financial statements.
(b) Explanations on the adjustments valued at Rs. 53 million made in the year under review, had not been presented with respect to the accumulated deficit at the beginning of the year under review.	This error will be corrected in the ensuing year.	Information on the adjustments made to the opening balances existed at the beginning of the year under review, should be disclosed in the financial statements.

1.6 Non-compliances with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, and Regulations, etc.	Non-compliance	Comment of the Management	Recommendation
(a) Regulations on ionizing radiation protection of the Atomic Energy Safety Regulations No. 01 of 1999.			
(i) Regulation 4(1).	<p>The Council should grant licenses on mining for radioactive materials, milling and processing. Nevertheless, a state company and a private company involved in such activities, had not been regulated by providing licenses. Furthermore, the total activity should not exempt activity level (total activity) in accordance with Gazette No. 1924/27 dated 21 July 2015, but despite the total activity exceeding the level of Th 232/U 238 - 10,000 Becquerel, regulation of the export of radioactive mineral sands done by the said companies had been exempted by the Council as per Section 19 of the Atomic Energy Act.</p>	<p>As the activity concentration of all the radionuclides) of mineral sands for which recommendations had been given after being examined, remained less than the level of 10,000 Bq/Kg mentioned in the Gazette, it was informed that recommendation of the Council was not necessary for those containers. However, it is clear that the total activity of Th-232 and U-238 contained in the samples of mineral sands for which approval had been given, well exceeded 10,000 Bq as it is a natural phenomenon to exceed the activity over 10,000 Bq in a concentration of 01 Kg.</p>	<p>Licenses should be granted in accordance with Atomic Energy Safety Regulations. As per the Gazette notification, licenses should be issued in case that at least one of the activity concentration or total activity exempt level thereby regulating the process.</p>

- (ii) Regulations 22(b), 26 (a) (i), and 41 (c) It is a responsibility of licensees to maintain measurements on doses of radiation by providing personal dosimeters to maintain the occupational exposure to radiation for the relevant employees within limits. However, 300 licensed institutions had not provided such facilities for their employees, but the Council had renewed their licenses. Information on occupational exposure of employees had not been collected and recorded by the Council. It is planned to apprise the relevant parties through letters that providing personal dosimeters would be mandatory. That service will be provided by the Atomic Energy Board for the relevant institutions, whilst analyzing them and maintaining records thereof will be done by the institution. Licenses should be renewed only after examining that the measurements obtained from personal dosimeters do not exceed the relevant limits. The Council, being responsible for regulation, should maintain a centralized information system for all the exposures to radiation.
- (b) Public Finance Circular, No. 08/2019 dated 17 December 2019. Registration with the electronic Government procurement system should have been done prior to 31 January 2020, but the Council had not registered with that system even by 31 December 2022. The Treasury was queries as per Circular No. 08/2019, and it was pointed out that only the projects/Procurements worth over Rs. 200 million were relevant to the system. As such procurements are not made by the Council at present, it has been planned to apprise the Ministry of Finance through the Line Ministry using the relevant Forms. Action should be taken in accordance with provisions of Circulars.
- (c) Section 3.2 of the Public Enterprises Circular, No. 01/2021, dated 16 November 2021 The annual performance review meeting (APRM) should be held within 05 months from the end of the year of finance and Action has been taken to conduct the annual performance review meeting (APRM) prior to presenting

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- relating to prior to presenting the the annual report in administration of annual report in Parliament from this public enterprises. Parliament. Nevertheless, year onwards. the Council had not done so.
- (d) State Accounts All the transactions With involvement of Action should be Circular No. 30/94 relating to foreign grants the Ministry of taken in dated 20 April 1994. should be performed by Defense, an analysis accordance with provisions of the Director General of the Department of capabilities of the project had been Circulars, and External Resources of the Treasury. However, done in the year 2020 should be agreements by examining all the promptly entered into with relevant parties as to how to respond in an emergency.
- contrary to that, foreign grants had been received by private companies under the program of the United States relating to global energy sustainability- Global Material Security Program (GMS). Financial statements had not been prepared showing the receipt of foreign grants and expenses incurred whilst the agreement relating to foreign grants of the project had not been made available to the Audit. Due to lack of agreements on powers, responsibilities, and tasks of the coordinating parties of the emergency response system, the responsibility for taking action in an emergency, and maintenance and protection of the relevant instruments had not been legally assigned.
- The objective thereof was to transfer responsibilities to all the armed forces and other institutions under scope of the said Ministry thereby signing an agreement as had been pointed out by you. A report relating to those observations has been prepared, and the Council expects that the Ministry of Defense will take further action in that connection.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs. 11,095,416 as compared to the corresponding surplus of Rs. 9,412,059 for the preceding year, thus observing an improvement of Rs. 1,683,357 in the financial result. This improvement had mainly been attributed by the receipt of Rs. 30,818,683 as foreign grants in the year under review. Furthermore, revenue of the year under review had decreased by Rs. 29,903,741 as against the preceding year.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) The Council should develop a national strategy for promptly gaining or regaining control over orphan radioactive sources in terms of Section 46 of the Sri Lanka Atomic Energy Act, No. 40 of 2014. Nevertheless, such a strategy had not been developed.	It is expected to review the control of orphan radioactive sources in terms of Section 46 of the Act, thus taking further measures in due course.	Action should be taken in terms of provisions of the Act.
(b) In terms of Section 12 (L) of the said Act, procedures should be established to grant approval to institutes or individuals involved in issuing certification on radiation measurement. However, Council had not brought attention thereon.	A Committee has already been appointed by the Council to establish the relevant procedures and mechanisms. It is expected to complete the process in due course.	-Do-
(c) Following a vessel entering into Hambantota port on 20 April 2021 carrying highly radioactive materials, offences had been committed in accordance with Sections 18 and 48 (1) of the Sri Lanka Atomic Energy Act No. 40 of	As soon as the Council became aware of the fact, instructions were given to send away the ship out of the port. Thus, the ship was taken out of the port. The incident was investigated by a committee chaired by the	Violation of Section 18 of the Act shall entail a fine not exceeding Rs. 03 million or an imprisonment for a period not more than 07 years, or both the fine and imprisonment. Hence, legal action should have been

2014. Nevertheless, the Council had not taken legal action against the relevant local agent of the ship.

Director General. The local agent of the shipping company stated that the ship arrived in the port due to a mechanical issue of the ship and an error that occurred during communication between the ship and Hambanthota port. By virtue of powers vested in the Council, issuing licenses to the local agent was suspended preventing the local agent in transporting radioactive materials via ports in Sri Lanka over a period of 02 years.

taken on such on offence.

- (d) The highly radioactive Cobalt 60 (category 01), once used in Government hospitals to treat cancers, should be temporarily stored in Central Disused Source Store of the Atomic Energy Board until the radioactivity depletes (to category 03) and such materials should be sent to the manufacturing country at once thus incurring a low cost by the Government rather than importing from time to time. The Government may not incur expenses on re-export if such materials are used for other services, and an additional revenue would be earned. Due to failure in doing so, those radioactive materials remained at the hospital premises unprotected.

At present, a store suitable for storing category 01 radioactive materials used for cancer treatments, does not exist in the country. A store suitable for storing radioactive materials of category 3, 4 and 5 is operated by the Sri Lanka Atomic Energy Board. Sending the radioactive sources of category 01 at once or separately to the relevant manufacturer, does not make much of a difference in cost. However, no one has thus far requested the Council to use such radioactive materials for alternative services. However, in case of any such request, the Council will take action in that connection.

The Atomic Energy Board provides temporary storage facilities for highly radioactive materials (category 01), and a physical protective system had also been provided with involvement of the Council. Furthermore, attention should be brought on strategies for recycling the unused and highly radioactive materials.

3.2 Operating Inefficiencies

Audit Observation	Comment of the Management	Recommendation
<p>(a) Approval had been given through the Cabinet Decision No. 18/0522/727/013 dated 03 April 2018 to implement the draft additional protocol in Sri Lanka subject to conditions until the statutory issues are fulfilled to formally effect the additional protocol under the convention signed by Sri Lanka to prevent proliferation of nuclear weapons in terms of Section 12 (e), 59 (2) and 60 of the Sri Lanka Atomic Energy Act, No. 40 of 2014. Nevertheless, the Council had not fulfilled the necessary statutory requirements up to the end of the year under review. Furthermore, to ensure productive and efficient exercising of responsibilities in Article 39 of the said Convention, Sri Lanka should have prepared the affiliated provisions in detail, but the Council had not involved in that connection after the year 2019.</p>	<p>Certain legal affairs relating to the Act had been taken into consideration for signing the protocol until 2019, but with the Legal Officer's resignation in the year 2019, that post fell vacant. As all the recruitments had been suspended through Circulars issued from time to time by the Government, the Council could not fill that vacancy with a qualified applicant during the several preceding years.</p>	<p>Prompt action should be taken to ensure effective and productive exercising of responsibilities with respect to international agreements signed by Sri Lanka.</p>
<p>(b) In terms of Section 12 (n) of the said Act, the Council should inspect any articles or commodities imported into Sri Lanka and which are available locally, and to take samples for the purpose of testing of radioactivity and where the Council deems it necessary and appropriate, to publish results</p>	<p>As a regulatory requirement, such tests had been conducted randomly by the Atomic Energy Board as well, but materials exceeding the desired level of radioactivity, have not yet been identified. No public complaints have also been received in that regard.</p>	<p>Action should be taken as per the Act to identify food items containing radioactive elements detrimental to humans.</p>

of such test for the information of the general public, and all relevant authorities. However, the Council had not conducted random tests to identify radioactive materials in imported commodities.

- (c) No person including the Board, shall conduct a practice involving ionizing radiation without being regulated through a license issued by the Council in terms of Section 18 of the said Act. Accordingly, a procedure and a mechanism should be prepared in terms of Section 12 (L) of the Act with respect to activities such as, granting approval to institutes or individuals involved in issuing certification on radiation measurement and calibration of radiation measuring equipment and supervision of sites. Nevertheless, the Council had not established procedures and mechanisms in such a manner.
- The Council grants licenses to practices involving ionizing radiation in terms of Section 18 of the Act, and no licenses are issued for supply of services. Accordingly, a license is not issued for services supplied by the Board as well, and use and possession of radioactive materials by the Board had been regulated through licensing by the Council.
- The “ practice “ as defined in the Act, includes exposure of persons, or all human activities increasing the risk of being exposed. As per Section 9(1) of the Act, a mechanism capable of regulating all the procedures involving ionizing radiation and services using ionizing radiation, should be prepared expeditiously.
- (d) Import or export of radioactive materials should be based on internationally recognized guidelines specified by rules made in that behalf, the requirements and procedures to be adopted by the Council for the grant of an approval for, in terms of Section 48 (2) (a) of the said Act. Nevertheless, the Council had not prepared rules based on international guidelines thus
- The Council grants approval on imports and exports under Section 48 (1) of the Act. However, it is expected to conduct a review with respect to your query under 48 (2) (a) in view of taking further action. At present, a procedure on imports and exports has been drafted, and being studied. Once the cadre is increased in due course, further action will be
- Action should be taken in accordance with provisions of the Act.

failing to obtain approval of Parliament . As such, it was observed that the Council had granted approvals on their own discretion for imports and exports.

taken with assistance of the Legal Officer as well.

- (e) According to Section 69 (1) of the said Act, the Council shall by rules made in that behalf, establish requirements for the protection of workers, the public and the environment, that are required to be complied with by all persons who are conducting activities related to mining or processing operations which generate radioactive material. Nevertheless, no such rules had at least been drafted by the Council.
- As such activities are so rare in Sri Lanka at present, it has not been identified that formulation of such rules is a priority. Furthermore, out institution does not have employees with relevant expertise for the making of such rules. Action will be taken to obtain expertise of the International Atomic Energy Agency through a project to be implemented in the future.

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