

Sri Lanka Atomic Energy Regulatory Council – 2017

The audit of financial statements of the Sri Lanka Atomic Energy Regulatory Council for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of financial performance, 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 76(3) of Sri Lanka Atomic Energy Act, No. 40 of 2014 . My comments and observations which I consider should be published with the Annual Report of the Council in terms of Section 14(2) (c) of the Finance Act appear in this report.

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.

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 consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). 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 judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council’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 Council’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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

2. Financial Statements

2.1 Opinion

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 2017 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

According to the bank reconciliation statement prepared as at 31 December of the year under review, 04 deposits totalling Rs. 29,100 relating to a period of 01 to 06 months after being directly received by the bank, had not been identified and brought into accounts.

2.3 Accounts Receivable

According to the financial statements, the trade debtor balance amounted to Rs. 122,289 by the end of the year under review, and of that, the balance continued to exist over 05 years, amounted to Rs. 113,689 whilst the balance relating to a period of 03-04 years, amounted to Rs. 8,600. Of the total debtors, a sum of Rs. 113,967 had remained receivable from state institutions representing 93.19 per cent of the total debtors.

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

The following instances of non-compliances with Laws, Rules, and Regulations were observed.

Reference to Laws, Rules, and Regulations	Non-compliance
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	
(i) Financial Regulation 110 (1)	According to the regulation to entries the losses and damages of the institute a register should be maintained such a register had not been maintained.
(ii) Financial Regulation 135 (1)	The Chairman of Sri Lanka Atomic Energy Regulatory Council should have delegated authority to the other officers with regard to financial control in a manner that duties of each officer relating to authorization, approval, certification, and payment, is supervised by other officers. Contrary to that, 02 officers had been entrusted with authorization, approval, certification of payments and payment.

- (b.) Section 2 of the Public Enterprises Circular, No. 95, dated 14 June 1994. Only the benefits specifically approved by the Ministry of Public Administration or Treasury, should be paid under approval of the Boards of Management. Nevertheless, allowances totalling Rs. 70,780 had been paid in the previous year to the officers only under approval of the Board of Directors for conducting tests on radiation safety. But, Despite being pointed out in the audit report in that connection, a sum of Rs. 157,420 had been paid in the year under review as well.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operating result of the Council for the year under review had been a deficit of Rs. 3,102,117 as compared with the corresponding deficit of Rs. 973,993 for the preceding year, thus indicating a deterioration of Rs. 2,128,124 in the financial result for the year under review as compared with the preceding year. A deterioration had resulted in due to increase in the total expenditure by a sum of Rs. 11,868,551 despite the increase in income amounting to Rs. 9,740,427.

The analysis on the financial results of the Sri Lanka Atomic Energy Regulatory Council for the year under review and the 02 preceding years revealed net losses of Rs. 3,479,000 and Rs. 973,993 for the years 2015 and 2016 respectively. The net loss had deteriorated to Rs. 3,102,117 in the year under review. Once the employee remuneration is adjusted to the pre-tax financial result, the contribution of the Council from the year 2015 up to 2017, had amounted to Rs. 11,512,124, Rs. 18,904,956, and Rs. 23,135,332 respectively.

4. Operating Review

4.1 Performance

It is one of the objective in the establishment of Sri Lanka Atomic Energy Regulatory Council to provide for adequate protection of individuals, society and the environment , against the potentially harmful effects of ionizing radiation and for the safety and security of radiation sources, by the establishment and maintenance of a regulatory control system.

According to the sample test conducted, it could not be verified with respect to the achievement of the said objective that the Sri Lanka Atomic Energy Regulatory Council had complied with the provisions of the Sri Lanka Atomic Energy Act, No. 40 of 2014 in terms of Section 11 (c) thereof, and the regulations or rules formulated thereunder and the conditions stated in the licenses issued, had properly been enacted.

4.2 Uneconomic Transactions

The Procurement Committee had decided on 04 October 2017 to procure 06 Central Processing Units and 06 Uninterrupted Power Supplies valued at Rs. 645,000 in a manner not exceeding the budget of the Council. Accordingly, having been ordered on 06 November 2017 by the Council, those items had been supplied to the Council on 16 November 2017. Although payments had been made by the Council, the said items could not be made use of even up to 01 March 2018 due to non-availability of required software such as, MS Office and Antivirus.

4.3 Transactions of Contentious Nature

The leave of the employees of the Atomic Energy Regulatory Council, being a semi-government institution established under the Sri Lanka Atomic Energy Act, No. 40 of 2014, is governed by the provisions in Shop and Office Employees Act. The staff should perform their duties even on the public holidays which are not mercantile holidays. However, following the decision taken by the Board of Directors on 02 November 2015, the public holidays of the Government which had not been mercantile holidays, were deemed holidays by the Council. Accordingly, in the year 2017, four public holidays of the Government, which had not been mercantile holidays, were considered holidays for the Council.

4.4 Management Activities

Twenty four items of assets with a historical value totalling Rs. 10,798,954 that had been fully depreciated in the preceding year and the year under review, had still been in use, but no action had been taken to revalue those assets and account the fair value thereof.

4.5 Staff Administration

The approved cadre of the Council had been 41 whereas the actual cadre had been 29 as at 31 December 2017; thus, the Council had 12 vacancies comprising a vacancy in the senior staff grade, 02 vacancies in the tertiary level, along with 09 vacancies in the secondary level. As such, the vacancies existing at the secondary level had become an impediment to minimize the errors of the Council through the implementation of an internal control methodology.

5. Accountability and Good Governance

5.1 Budgetary Control

The actual expenditure relating to 10 Items of Expenditure had been less than the budgeted value by 11 per cent to 100 per cent in the year under review, whereas the actual expenditure of a certain Item of expenditure had exceeded the budgeted value by 11.53 per cent. Accordingly, it was observed that the budget had not been made use of as an effective instrument of management control.

5.2 Procurement Plan

A main Procurement Plan should be prepared by including procurements for a period of at least 3 years in terms of Section 4.2 of the Government Procurement Guidelines -2006. However, the Council had prepared the Procurement Plan only for the year 2017.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Council from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls	Observation
(a.) Accounting of Assets	Failure to properly revalue the Property, Plant and Equipment.
(b.) Receivable Balances	Failure to promptly recover the monies receivable.
(c.) Human Resource Management	Failure to properly manage the human resources in a manner that the objectives of the Council are fulfilled.
(d.) Budgetary Control	Failure to prepare the budget realistically and make use of as an instrument of control.
(e.) Laws, Rules, Regulations, and Circulars	Non-compliance with Laws, Rules, Regulations, and Circulars, etc.