

Atomic Energy Board - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Atomic Energy Board for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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, except for the effect of the matters set out in paragraph 1.5 of this report, the financial statements of the Board have been prepared in accordance with the Public Sector Accounting Standards of Sri Lanka in such a way that the financial position as at 31 December 2021 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 (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 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 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 Responsibility in Auditing 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 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-compliances with the Public Sector Accounting Standards

Audit Observation	Comment of the Management	Recommendation
(a) Board had not declared the Office Building cost value of Rs.587.5 million that had been handed over to the Board by the Road Development Authority on 21 February 2019 as a restatement of an error occurred in an earlier time period retrospectively according to the Public Sector Accounting Standard No.03 and the tender value of Rs.597.2 million had been accounted except for the cost value as an addition during the year under review. Further, the accumulated depreciation for the building of Rs.21.5 million as at 31 December 2020 had not been accounted.	Action would be taken to account accurately and declare in the year 2021 in the accounts.	Actions should be taken in terms of accounting Standard.
(b) Actions had not been taken to review the useful life of the asset annually according to the Standard No.07 of the Public Sector Accounting Standards and to make the necessary revision according to the Standard No.03 of the Public Sector Accounting Standards on 214 items of Scientific Equipment cost of Rs.67.5 million that still being used and zero book value as at 31 December 2021.	Actions would be taken to correct in the year 2022.	- do -

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| (c) | Although the declarations should be done according to the Standard No.07 of the Public Sector Accounting Standards regarding the cost value of Rs.33.3 million on inactive 23 Scientific Equipment owned by the Laboratories for the Indestructible Tests of the Board and the Carrying Amount of 16 items that the cost information not available it had not been done. | Action would be taken to correct. | - do - |
| (d) | Even though 06 lined items had been revised on the restatement of the errors occurred in an earlier time period retrospectively in the audited financial statements for the preceding year the declaration on these revised items according to the Public Sector Accounting Standard No.03 had not been carried out in the financial statements. | - do - | - do - |
| (e) | The Capital Aids of Rs.96.6 million and foreign donated Cobalt 60 element of Rs.75.9 million received during the year under review had not been accounted according to the Public Sector Accounting Standards No.11. | - do - | - do - |

1.5.2 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
(a) The value of the Cobalt 60 element of Rs.4.7 million the depreciation value on the Office Equipment of Rs.2.3 million the depreciation value on the Buildings of Rs.11.7 million had been understated for the year under review therefore the loss for the year had been understated by Rs.18.7 million.	Actions would be taken to make the correction.	The annual depreciation should be accurately calculated.
(b) The custom fee regarding the import of Cobalt 60 element had been understated by Rs.15.4 million therefore the value of the fixed assets and the current liabilities had been understated.	- do -	Custom duty should be taken to identify and account.

- (c) Value of 2,762 TLD cards that had been issued for 119 service institutes had not been accounted as assets. TLD cards could not be recognized as fixed assets or half fixed assets because of the following reasons. TLD cards purchased at several times for several prices had been incurred in the stock, the quality of the card is not corresponded with the used time therefore the depreciation could not be calculated on the value and it should be removed by the use after it had been decided on the technical issues. Assets should be taken in to accounts by using an appropriate method.
- (d) The foreign remittance profits and loss had not been settled on the Provisions for the Decommissioning Cost of the Cobalt 60 element purchased during the year 2017. Also, the cost for decommissioning on the Cobalt 60 element purchased during the year 2021 had not been realized and provisions had not been allocated. Actions would be taken to make the corrections. The Provisions should be accurately made on the decommissioning cost.

1.5.3 Lack of Documentary Evidence for Audit

	Subject	Amount Rs. million	Evidence not rendered	Comment of the Management	Recommendation
(a)	Purchase of Cobalt 60	120.7	Contract Agreement	Actions should be taken to bring it by the Institute of BRIT.	Actions should be taken to render it as soon as possible.
(b)	Inventory	17.0	Verification Reports	The Stores items verification had been carried out and the actions would be taken to obtain the verification reports from the Scientific sectors by the year 2022.	Actions should be taken to render it as soon as possible.

1.6 Financial Management

Audit Observation	Comment of the Management	Recommendation
An amount of Rs.96.5 million taken by the Treasury on the purchase of Cobalt 60 element in August 2020 had been remained nearly 09 months idle in the current account of the Board without using for the stated purpose. Also Rs.35.6 million for the capital expenses for the year 2021 had been remained idled in the current account of the Board.	This amount had been received on the Procurement of the year 2020-2021 but some of the Procurements could not be completed due to reasons like amendments in the foreign remittance policy and the high changes of the prices.	The Procurements should be carried out according to the Procurement Plans and money should not be remained idled in the Board.

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

Reference to Laws, Rules, Regulations, etc.	Non-compliance	Comment of the Council	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 454 and 751(2)(a),(c),(g),(e) and (f)	Maintenance of the inventory books on the Scientific Equipment in Laboratories of the National Centre for the Indestructible Tests, Appointment of an officer responsible for the equipment, Issue of the equipment under a formal approval, and maintenance of formal reports had not been done.	The necessary actions had been planned by the Director of the National Centre for the Indestructible Tests.	Actions should be taken according to the Financial Regulations.
F.R. 715(c) and 104(1)	Even though issuing goods under a suitable authority an x-ray machine had been of Rs.10.8 million had been issued without a proper authoritative power and it had been taken back irregularly when it had been returned. This machine had been inactive	- do -	- do -

after that and no investigation had been carried out to find out the responsible parties.

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| (b) | Public Accounts Circular No.30/94 on 20 April 1994 | Board had received financial aids of Rs.2.1 million and commodity aids of Rs.8.0 million total foreign aids of Rs.10.1 million directly without receiving it through the Treasury. | Actions would be taken according to this from the year 2022. | Action should be taken according to the regulations of the circular. |
| (c) | Procedure issued by the Assets Management Circular No.04/2018 on 31 December 2018 | Even though the Non-financial Assets should be assessed every 05 years, the Non-financial Assets cost of Rs.2,317.8 million had not been assessed. | Actions will be taken according to the relevant circular by the next year. | - do - |

2. Financial Review

2.1 Financial Results

The operational result for the year under review had been a shortage of Rs.22.7 million as against the excess of Rs.3.9 million in the preceding year, thus observing deterioration of Rs.26.6 million in the financial result. The decrease in recurrent Treasury Grant by Rs.61 million had mainly attributed to the said situation.

Financial compared to. Therefore had been d. of the provisions from the been mainly reasoned for this situation.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a.) Administration of Courses regarding Non-destructive Tests and Providing Tests Services to outside parties had being conducted by some divisions of National Centre for the Non-destructive Tests (NCBNDT, Training Unit, and Inspection Body). But an Independent institute had not been appointed for Non-	The validity of the NDT inspection reports after carrying out a NDT tests are depended on the qualifications of the person who carried out the test therefore any person is not unencumbered to carry out a NDT test after fulfilling the necessary	An independent body should be erected to regulate the actions regarding Non-destructive Test and necessary rules should be made so as to in force

destructive Tests Regulation and Supervision and No any international standard practised regarding this had been drafted to make them enact within Sri Lanka.

qualification and there is no any specific procedure had been identified to regulate this in the world.

international standards.

(b.) The Land where the Head Office of the Board had been located had been acquired by the New Kelani Bridge Project in the year 2015 therefore, a new building had been built within a land with lease ownership of the National Apprentice and Industrial Authority but actions had not been taken to acquire the land. Further the Kelani Bridge Construction had been constructed a new building for the Board by Rs.333.4 million in a selected land located in Malabe it had been stopped in the middle due to the objections raised by the public. Therefore the cost spent had been become uneconomic. Even though when making payments for the Land in Malabe the payments in advance lease rent of Rs.7.7 million for the Urban Development Authority regarding the Old Building should be deducted but it had been paid without deduction. The market value of this land is Rs. 116 million and the tax value for 30 years is Rs. 75.5 million had been paid Rs.181 million irrespective of the Government assessment.

The Cabinet Memoranda drafted to obtain the Cabinet Approval to acquire the possession of the land and sent for the Board of Electricity and Power. The necessary actions about this would be taken in the future after discussions with the Urban Development Authority and national Apprentice Board.

Immediate actions should be taken to settle the issues relating to the ownership and overpaid lease rent.

3.2 Operational Inefficiencies

Audit Observation	Comment of the Management	Recommendation
52 pencils with Cobalt 60 element valued of Rs.450 million had not been entered into the inventory as to recognize them separately and that element had not been physical investigated in the board Survey and reported.	These Cobalt 60 element Pencils are highly radioactive, therefore they could not be physically investigated and they could be observed from the top after they were stored in the shelves in the pool of water. Actions would be taken to incur them in the inventory in the future.	The inventory should be reported under a regular procedure and it should be physically investigated through a suitable method.

3.3 Idled or Underutilized Property, Plant and Equipment

Audit Observation	Comment of the Management	Recommendation
The Concrete Core Drilling machine purchased for Rs.1.7 million in the year 2018 for concrete tests had been remained idled by the date purchased to 31 October 2022.	Comments had not been provided.	The assets should be purchased after recognizing the necessity and it should be used efficiently.

3.4 Deficiencies in Contract Administration

Audit Observation	Comment of the Management	Recommendation
the contract value of the building constructed and completed in the year 2014 for the national Centre for Non-destructive Tests had been Rs.308.6 million and the construction completed with a contract variation 39 per cent of Rs.120.9 million even though a cabinet approval should be obtained according to the section 8.13.4 of the Procurement Guidelines and the Public Finance Circular No.02/2012 on 07 August 2012 on contract variations it had not been obtained as at 28 October 2022. Rs.90.8 million had been spent on purchasing this land exceeding the cabinet approved amount of Rs.84 million and the land assessment of Rs.85 million.	A review has being carried out regarding this matter within the Ministry.	Actions should be taken to minimize contract variations and approval should be obtained.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Audit Observation	Comment of the Management	Recommendation
Even though the Financial Statements should be presented to the Audit within 60 days after the end of the financial year according to paragraph 6.5.1 of the Public Enterprises Circular No.PED/12 on 02 June 2003, Board had presented the financial statement after 217 days.	The Financial Statements would be presented according to the circular in the future.	The Financial Statements should be presented to the audit according to the Circular.

4.2 Budget Control

Audit Observation	Comment of the Management	Recommendation
The expenditure limit of 16 expenditure items had been exceeded accumulated by Rs.3.7 million and spent of not predicting the budget suitably for the year 2021 and 06 recurrent expenditure heads observed favourable variations between 30 to 100 per cent.	Actions would be taken to minimize the variations between budgetary provisions and actual expenditure.	Budget should be forecasted and it should be used more realistic instrument.