

Atomic Energy Authority - 2011

1. Financial Statements

1.1 Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Atomic Energy Authority as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards .

1.2 Comments on Financial Statements

1.2.1 Sri Lanka Accounting Standards (SLAS)

Following observations are made.

- (a) Gratuity Formula Method or Actuarial Method should be used in calculating provision for gratuity in terms of SLAS 16. However the Authority had made provision for gratuity in terms of Payment of Gratuity Act No 12 of 1983.
- (b) The Authority had not revalued the assets to ensure that the carrying amount do not differ materially from the fair value which would be determined at the balance sheet date, as stipulated in SLAS 18 – Property, Plant and Equipment. Further, fully depreciated assets of which the historical cost was Rs.87.82 million had continued to be used by the Authority without taking action to revalue the relevant assets.
- (c) The Authority had not made provision for bad and doubtful debts for the year under review in terms of SLAS 36-Provisions, Contingent liabilities and Contingent Assets.

1.2.2 Accounting Deficiencies

Following accounting deficiencies were observed in audit.

- (a) The Authority is functioning as the Sri Lankan coordinator for implementing the International Atomic Energy Agency (IAEA) Projects throughout the Country. Accordingly, the donation of assets valued at Rs.9, 417,737 by the IAEA to the Multi-purpose Gamma Irradiation Facility (MGIF) Project had been made through the Authority. However, the Authority had erroneously accounted those donated items as assets of the Authority and included under assets in the financial statements for the year 2011 although, the ownership of the said assets had been taken over by the relevant implementing agencies of the project.
- (b) It was observed that the balances of the assets of the Authority as per Register of Fixed Assets differed from the closing balances of the ledger accounts and the total difference amounted to Rs.1, 110,049 as at the balance sheet date. Details are shown below.

Type of Asset -----	Balance as per Ledger Accounts -----	Balance as per Fixed Assets Registers -----	Difference -----
	Rs.	Rs.	Rs.
Scientific Equipment	79,436,872	80,264,736	827,864
Office Equipment/Furniture and Fittings	8,231,002	7,951,754	279,248
Other Equipment	452,226	449,289	2,937
Total			1,110,049 =====

- (c) A difference of Rs.1,864,172 was observed between the General Ledger and the respective balances of 15 items in the financial statements.
- (d) It was observed that Thermo Luminance Decimeter (TLD) cards and holders valued at Rs.2, 268,990 purchased from a foreign company had been shown as IAEA closing stocks (Donations) in the Financial Statements instead of being capitalized.

- (e) According to the Cabinet decision taken to purchase scientific equipment through IAEA, the Authority should pay US\$ 7, 240.74 to the IAEA as administration cost and programme assistance. It was observed that the Authority had not shown this amount as payable to the IAEA in the Financial Statements for the year under review.
- (f) A sum of Rs.655, 226 had been shown in the financial statements as work _in_progress of Non Destructing Testing (NDT) Center. According to the test check carried out revealed that out of this amount a sum of Rs.464, 500 represented sundry expenses.
- (g) Obsolete laboratory consumable stocks valued at Rs.397, 758 had been shown in the financial statements for the year under review without making any provision.
- (h) Rent income amounting to Rs.480, 000 had not been taken into consideration in calculating Income Tax for the year 2010/2011.
- (i) A sum of Rs. 389, 375 had continuously been shown under work in progress with regard to implementation of office automation software, which was completed and not being capitalized.

1.2.3 Accounts Receivable

Debtor balances amounting to Rs.1, 411,292 had remained unsettled for more than one year and balances amounting to Rs.519, 225 had remained unsettled for more than five years. It was observed that 81% of debtors were more than five years, which represented for government institutions.

1.2.4 Lack of Evidence for Audit

No documentary evidence were made available regarding the existence of Fixed Assets amounting to Rs 867,552 included in the financial statements as Radiation Facility.

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

Instances of non-compliance observed in audit are given below.

**Reference to Laws, Rules, Regulations
and Management Decisions**

Non –compliance

Department of Public Enterprises
Circular No PED/12 of 2 June 2003

(1) Section 5.2.1

The budget of the Authority should include Budgeted Income and Expenditure Statement, Budgeted Balance Sheet and Cash Flow Statement. However, the Authority had not submitted such documents along with the budget for the year under review.

(11) Section 6.5.1

The Draft Annual Report of the Authority had not been rendered to the Auditor General within sixty days after closure of the financial year, with copies to the line Ministry, Department of Public Enterprises of the General Treasury.

(111) Section 8.7

The Authority had not deducted and remitted PAYE tax to the Department of Inland Revenue from nine employees for the period from July 2009 to March 2011.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the operations of the Authority for the year under review had resulted in a net surplus of Rs.3, 297,783 as against the net deficit of Rs.618, 182 for the preceding year thus indicating an improvement of Rs.3, 915,965 in the financial results. The reason attributed for this improvement was the significant increase of revenue from food testing by Rs.10.77 million for the year under review.

2.2 Performance

The following observations are made.

- (a) The Advisory Committee appointed by the Hon. Minister of Power and Energy, as per Section 31 of the Act of the Authority had not met since 1999. Further, the new Advisory Committee nominated by the Authority during the year 2006, had not been appointed by the Hon. Minister even up to end of December 2011.
- (b) The cost of the Multi-purpose Gamma Irradiation Facility (MGIF) project had been estimated at Rs.302.20 million in the year 2006 and the estimate had to be revised due to the high price escalation. The revised budget for Rs.609.83 million had been approved by the Cabinet Appointed Procurement Committee. The Project had been delayed as there was a dispute between the Authority and the Board of Investment regarding the land allocated for the Project. Due to the above reason the Project had not obtained the allocation for the MGIF project as agreed by the International Atomic Energy Authority (IAEA) for manpower training. Details are as follows.

Human Resource Components	2007 US\$	2008 US\$	2009 US \$	2010 US \$	2011 US \$
Experts	68,640	45,045	} 207,715	245,115	45,000
Fellowships	51,300	29,000			50,000
Scientific Visits	29,280	25,000			25,000
Total	149,220	99,045	207,715	245,115	120,000

2.3 Management Inefficiencies

Following observations are made.

- (a) The Authority had awarded a contract to the Government Factory at a cost of Rs.1,154,234 (inclusive VAT) for the sealing of windows to safe guard from rain water using rubber beading and silicon gum in the main building in 2010. Even though the task had not been completed properly, the Authority had paid a sum of Rs.515, 283 without examining the quality of the service provided by the contractor and the balance payment had been shown in the financial statements as work _in_ progress.
- (b) The Authority had entered into an agreement with a company through IAEA for purchase of some scientific equipment. According to the agreement, the company should provide a training regarding this equipment. It was observed that the Authority had paid a sum of Rs.582, 713 as training expenses to the above company without receiving the above facility, which was already included in the purchase price.
- (c) Obtaining Licenses relating to the Regulations on Ionization Radiation Protection

In terms of provisions in paragraph 3 of Chapter I of the Government Gazette Notification No. 1142/30 of 28 July 2000 relating to Regulations on Ionizing Radiation Protection, no person shall be engaged in any practice specified in Sections 18, 19 and 20 of Atomic Energy Authority Act No.19 of 1969 who are involving exposure to, or the likelihood of exposure to ionizing radiation or to radio active substances or irradiating apparatus, without the authority issued by the Atomic Energy Authority in such practice.

Such authorization process would be in the nature of registration and / or the issue of the license and that is subjected to annual renewal.

Nevertheless, it was observed that, contrary to the above provisions of the Gazette Notification, 89 institutions which use radiation had been used radiation equipment without obtaining a license or renewal of such licenses for a number of years. The Authority had not taken any course of action whatsoever up to 31 December 2011 for taking legal action against such institutions. Details are as follows.

Year	No. of Registered Institutions	No. of Licenses Issued	Not obtained License or Renewal of license
2008	308	155	101
2009	319	188	123
2010	369	274	95
2011	507	418	89

2.4 Revision of the Atomic Energy Authority Act No 19 of 1969

The International Atomic Energy Authority (IAEA) by its letter No. AUT/MULT/IAEA/22 of 01 January 2006 had informed the Authority that the present Act is adequate at the time it was promulgated and in view of the current international safety standards and increased application of radiation technologies in health/agriculture and other areas, the above Act needs to be revised. Further, a revision of the present Act is needed since it had not been demarcated the regulatory and promotional functions of the Authority in order to avoid any conflict of interest. Even though a Committee had been appointed in 2006 to review the weaknesses of the present Act and to prepare a new draft Act, that task had not been succeeded even up to 31 December 2011.

2.5 Uneconomic Transactions

Following observations are made.

- a) It was observed that a balance of Rs.105, 000 had remained in idle in a bank account of the Authority for a long period.
- b) According to the Board Paper dated 12 August 2012, the Authority had approved to carry out a study of verifying the ingress area of the leak of the Samanala wewa Reservoir using Authority's funds and get reimbursement from the Ceylon Electricity Board (CEB). It was observed that a sum of Rs.1, 736,117 had been spent by using Authority's funds for this project and had been shown in the financial statements as Research and Development Projects without obtaining reimbursement from CEB.
- c) It was observed that a sum of Rs. 4,102,318 had remained in a bank account of the Authority at 31 December 2011 without being used effectively.

2.6 Accountability and Good Governance

- a) The Authority had entered into a memorandum of understanding with a private company to prepare a Corporate Plan for the period 2011-2015. According to the Memorandum of Understanding (MOU), the Corporate Plan should be submitted to the Authority within ninety days from the date of the MOU signed. However it had not been submitted up to the date of audit inspection on 06 June 2012. Further payment of Rs.600, 000 had been made by the Authority for the preparation of Corporate Plan without receiving the Corporate Plan.
- b) Internal Audit

The Internal Auditor is responsible to review systems and procedures, to ensure the smooth operations of the Authority and the Internal Audit Programme is being prepared annually for that purpose. However it was observed in audit that most of the areas in the Annual Audit Programme of the year under review had not been covered and it was further observed that Internal Audit Division of the Authority consisted of only one officer and additional works also had been assigned to that officer.

2.7 Budgetary Control

Significant variances were observed between the budget and the actual, thus indicating that the budget had not been made use of as an effective instrument of management control.

3. Systems and Controls

Deficiencies in systems and controls observed during the course of audit for the year under review were brought to the notice of the Chairman of the Authority by my detailed report issued in terms of the section 13(7)(a) of the Finance Act. Special attention is needed in respect of the following areas of control.

- a) Tax liability
- b) Property Plant and Equipment
- c) Accounts Receivables
- d) Inventory Items
- e) Human Resource Management
- f) Corporate Plan
- g) Budget
- h) Compliance with Laws , Rules , Regulations etc.