

Atomic Energy Authority – 2012

1. Financial Statements

1.1 Opinion

In my opinion, except for the effects on the financial statements of the matters referred to 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 2012, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Comments on Financial Statements

1.2.1 Sri Lanka Public Sector Accounting Standards (SLPSAS)

Even though the Authority had disclosed in the notes to the financial statements that the measurement base applied was historical cost adjusted for revaluation of assets, the Authority had not revalued its property plant and equipment to ensure that the carrying amounts did not differ materially from the fair value, which would be determined at the date of financial position, as stipulated in SLPSAS 7 – Property, Plant and Equipment. Further, fully depreciated assets of which the historical cost was Rs. 103.44 million had continued to be used by the Authority without taking action to revalue the relevant assets.

1.2.2 Accounting Deficiencies

It was observed that the balances of assets of the Authority as per Fixed Assets Register differ from the closing balances of the ledger accounts and the total difference amounted to Rs. 1,113,835 as at the date of the statement of financial position. Details are shown below.

Type of Asset	Balance as per Ledger Accounts	Balance as per Fixed Assets Registers	Difference
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	Rs.	Rs.	Rs.
Scientific Equipment	89,372,171	90,203,890	831,719
Other equipment	449,717	446,780	2,937
Office equipment/Furniture	9,673,112	9,393,933	279,179
Total			----- 1,113,835 =====

1.2.3 Accounts Receivable and Payable

The following observations are made

- (a) Although the Authority had called confirmation from all debtors in respect of outstanding balances of Rs. 4,604,649 (before bad debt provision) remains as at the end of the year under review, confirmation was not received by audit.
- (b) Age analysis of debtors as at 31 December 2012 is shown below.

Category	Total	Less than one year	01-03 years	03-05 years	More than 05 years
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	Rs.	Rs.	Rs.	Rs.	Rs.
General Scientific Equipment	1,309,939	486,696	155,966	65,595	601,682
Radiation Protection	2,188,968	1,299,345	446,934	90,922	351,767
Non Destructive Testing (NDT) Inspection	257,093	203,718	36,075	-	17,300
Non Destructive Testing (NDT) Training Courses	586,699	553,430	-	27,400	5,869
Food testing	261,950	184,140	75,310	-	2,500
Total	4,604,649	2,727,329	714,285	183,917	979,118
	=====	=====	=====	=====	=====

According to the above age analysis a sum of Rs. 1,877,320 had been remained unsettled for more than one year and the balances amounting to Rs. 979,118 remained unsettled for more than 5 years which had included a sum of Rs. 715,966 receivable from government sector institutions.

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

The Advisory Committee, appointed by the Minister of Power and Energy had not met since 1999 in line with Section 31 of the Atomic Energy Authority Act No. 19 of 1969. Even though a new Committee had been nominated by the Authority in 2006, the Committee was not appointed even up to the end of the year under review.

1.2.5 Lack of evidence for audit

Radiation Facility and Sport Equipment amounting to Rs. 867,552, shown under property, plant and equipment could not be satisfactorily vouched in audit due to non-availability of sufficient and appropriate evidence.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the working of the Authority for the year under review had resulted in a deficit of Rs. 10,150,353 as compared with the corresponding net surplus of Rs. 3,297,783 for the preceding year, thus indicating a deterioration of Rs. 13,448,136 in the financial results. The increase of total expenditure is higher than the increase of the total income during the year under review as compared with preceding year is the main reason for this deterioration.

3. Operating Review

3.1 Performance

As per the Corporate Plan, the Atomic Energy Authority (AEA) functions as the focal point of Sri Lanka for the coordination and implementation of Technical Cooperation Programmes of International Atomic Energy Agency (IAEA) in order to develop nuclear technology in the country. Accordingly, IAEA provides funds to member countries for various projects that linked to the Country Programme Framework or to the national development plans where there is no Country Programme Framework under their Technical Cooperation Programmes. However, the IAEA expects the AEA to complete the implemented projects within the given period of time with coordination of the relevant Recipient Institutes and Counterpart(s).

The following observations are made with regard to the implementation of Projects.

- (a) Under the Technical Cooperation Programme of 2012–2013, the IAEA had approved a sum of Euro 741,724 equivalent to Rs. 58,579,470 as core financing and Euro 1,014,584 equivalent to Rs. 80,129,257 as Footnote Financing, for 8 projects to be implemented during the said period. According to the information made available to audit, out of the above approved 8 projects, the AEA was supposed to implement 4 projects and the other 4 projects were planned to be implemented by some other Government Institutions as follows.

Project No.	Core Financing Approved			Footnote Financing	Utilization of core financing (approved for the year 2012) as at 31 December 2012		Recipient Institutes and Counterpart(s)
	2012	2013	Total (2012/2013)		Amount	Percentage	
	Euro	Euro	Euro		Euro	%	
SRL/0/010	61,035	42,000	103,035	50,000	39,061	64	AEA
SRL/1/007	67,866	18,000	85,866	150,000	46,770	69	AEA
SRL/2/008	62,000	47,000	109,000	80,875	43,262	70	Ministry of Power and Energy, University of Moratuwa, Ceylon Electricity Board
SRL/2/009	70,775	89,621	160,396	-	50,000	71	AEA, Ministry of Environment
SRL/5/043	48,097	-	48,097	-	21,196	44	AEA, University of Peradeniya
SRL/5/044	35,460	38,150	73,610	133,709	24,212	68	University of Peradeniya, Anti-malaria Campaign
SRL/6/032	63,000	27,000	90,000	350,000	68,885	109	University of Peradeniya Teaching Hospital Jaffna
SRL/6/033	26,810	44,910	71,720	250,000	14,493	54	Teaching Hospital Jaffna
Total	435,043	306,681	741,724	1,014,584	307,879	71	

The following observations are made in this regard.

- (i) Out of total core financing of Euro 435,043 approved for the year 2012, the AEA had utilized only a sum of Euro 307,879 or 71 per cent as at the end of the year under review.
- (ii) Even though a sum of Rs. 1,014,584 had been approved as footnote financing for the years of 2012–2013, the AEA and other Recipient Institutes and Counterparts were not being able to utilize any amount of footnote financing facilities so far due to delays in implementing core financing.
- (iii) Sufficient and appropriate evidences were not made available to audit that the AEA had taken proper actions to implement projects by coordinating Recipient Institutes and Counterpart in terms of the technical corporation programme of the IAEA for the 2012–2013 biennium. *“As per the Chairman of the Authority, the International Division performs these with very limited staff and the Division also carried out all the Human Resources matters until recent past. This Division performs activities more than it can do utilizing its available staff. However, the*

AEA has appointed Project Evaluation Committee comprising eight most Senior Officers of AEA to evaluate and review the implementation of Projects.”

- (iv) Opportunities for obtaining new projects might have been obstructed due to delays in implementing the existing projects.
- (b) According to the status report of 2009–2011 prepared by the IAEA, following projects should have been completed as at the end of the year 2011. However, due to delay in implementation of activities, AEA was unable to utilize such funds as expected. Fund utilizations out of the fund approved for the above period as at 30 June 2013 are as follows.

Project No.	Core Finance Approved				Utilization of core financing as at 30 June 2013		Recipient Institutes and Counterpart(s)
	2009	2010	2011	Total	Amount	Percentage	
	Euro	Euro	Euro	Euro	Euro	%	
SRL/9/009	92,600	173,275	45,000	310,875	370,708	119	AEA, Disaster Management Center
SRL/8/020	82,900	87,155	66,300	236,355	7,770	3	AEA, Central Environmental Authority,
SRL/6/031	145,400	103,500	35,975	284,875	213,720	75	University of Kelaniya
SRL/5/042	129,576	85,116	94,675	309,367	239,192	77	University of Kelaniya, Veterinary Research Institute Kandy, University of Peradeniya
SRL/8/019	207,715	245,115	120,000	572,830	240,930	42	AEA
Total	658,191	694,161	361,950	1,714,302	1,072,320	63	

“As per the Chairman of the Authority, Project SRL/8/020 was failed due to reasons beyond the control of the Authority. The project was submitted to IAEA, assuming that the KOICA support could be obtained with the concurrence of the Department of National Planning. The Department of National Planning assigned a low priority for the project and the Authority, together with Central Environmental Authority were unable to secure the technical assistance from KOICA. Due to this reason the project was failed, but the IAEA has utilized the funds already approved for Sri Lanka for provision of assistance to project SRL/6/032, to procure a Gamma Camera with a component of government cost sharing.”

- (c) Even though following projects should have been completed at the end of the year 2008, it was observed that those projects had been completed only in the year 2012 after long delay.

Project No.	Time Period	Financial Approval	Actual Expenditure	Percentage of Utilization of Funds as at 30 June 2013	Date of Completion
		Euro	Euro		
SRL/6/030	2007-2008	190,680	160,994	84	22 May 2012
SRL/2/007	2007-2008	187,040	170,622	91	04 December 2012

“As per the Chairman of the Authority, these projects have been delayed due to implementation of fellowships and expert mission as finding of suitable fellowship institutes had become difficult”.

- (d) IAEA technical cooperation provided on the basis of the recipient Member State does not have the necessary expertise and nuclear facilities at the national level to utilize nuclear techniques to address national development issues and contribute to the achievement of socio economic goals. Therefore, projects should be designed to fill a well identified national gap in expertise, capabilities or infrastructure.

Even though the AEA was expected to implement projects and utilize the available funds provided by the donor agencies in an effective and efficient manner (with an implementation rate of 95 per cent), it was observed that implementation rate of some projects were at a very lower rate and it had evidenced that project designs and work plans had not properly focused on country requirements from such projects. Instances of failures of some of such projects are shown below.

Project No.	Finance Approved						Utilization of total financing as at 30 June 2013		Recipient Institutes and Counterpart(s)
	2007	2008	2009	2010	2011	Total	Amount	Percentage	
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	%	
SRL/5/040	74,100	143,495	-	69,395	-	286,990	57,450	20	Coconut Research Institute
SRL/8/020	-	-	82,900	87,155	66,300	236,355	7,770	3	AEA, Central Environmental Authority

3.2 Transactions of Contentious Nature

The following observations are made.

- (a) Without preparing a proper incentive scheme and obtaining the necessary approval from the General Treasury in accordance with the Public Enterprises Circular No. 95 of 14 June 1994, a sum of Rs. 735,796 had been paid by the Authority to its employees as incentives for the year under review.
- (b) The Authority had paid an amount of Rs. 1,172,351 as overtime payment during the year under review and for the same period 266 ½ days of lieu leave had also been obtained by the employees of the Authority. The Board meeting held on 19 March 2013 had taken a decision to stop such practice and to provide only one benefit in this regard.

3.3 Idle and Under Utilized Assets

The following observations are made.

- (a) The assets (equipment) valued at Rs. 9,417,746 had been donated by the IAEA to the Multi-purpose Gamma Irradiation Facility (MGIF) through the Authority on 31 May 2010. However, such assets were remained idle due to the MGIF had not started its operational activities even up to 31 December 2013, and this amount had been shown under other long term assets of the Authority.
- (b) According to the Board decision taken on 26 May 2008, an obsolete stock of Ammonia Sulphate, valued at Rs. 397,758, had been decided to be issued to schools or to the ITI institute. However, such stock had been remained idle up to the date of audit inspection on 15 August 2013.

3.4 Procurement of Machinery and Equipment

According to the audit test checks carried out on procurement of machinery and equipment during the year under review, following observations are made.

- (a) Procurement of an Impact Echo Tester
 - (i) The highest bidder had been selected and awarded the contract at the price of Rs. 3,091,200 and the TEC had rejected lowest bidder without valid reasons.

- (ii) According to the information made available, only the deviation for the rejection of the lowest bidder, when compared to the selected bidder, was excluding the clause of “Notebook Computer and two BCN cables” which had been mentioned as a requirement in the specifications. According to the catalog provided by the said company, “the data is easily uploaded to a PC for inclusion in reports and data analysis. Data communication takes place via the RS-232 port and Windows compatible PC software.” Accordingly, it was revealed that such items were not so important for the functionality of the system.

As per the Procurement Guidelines 7.8.3, deviations that has no effect on the functionality, quality or delivery of the Goods or Services offered, and that can be quantified and given value which can be added to or subtracted from the price for purposes of comparison can be identified as minor deviations.

Accordingly, it was observed that,

- Even though, “Notebook Computer and two BCN” cables had been identified as critical in the bidding documents, such items could have been identified as minority deviations.
 - The loss incurred by the Authority as a result of rejecting the lowest bidder was amounting to Rs. 771,690.
 - Notebook Computer and two BCN with high capacity could be bought from the market at very lower price when compared to the loss incurred by the Authority.
- (iii) This instrument had not been tested at the time of acquisition, and the technical viability and operational ability had been tested 6 months after the acquisition. However, a capable officer was not available to test it and accordingly, an expert invited from India had done some tests satisfactorily. Therefore, it was observed that the training requirement on the operation of the equipment had not been considered.
- (iv) This equipment had not been used for any commercial purposes up to 30 September 3013.

(b) Procurement of Moisture Meter for Concrete Testing

- (i) Only three suppliers had responded for the invitation of bids for the purchasing of “Moisture Meter” during the year 2012. The highest bidder, had been selected

and awarded the contract at the price of Rs. 355,000 and rejected the lowest offer by giving unacceptable reasons.

- (ii) As a result of rejecting the lowest offer, the loss incurred by the Authority was amounted to Rs. 123,875 and also, it was 35 per cent higher than the lowest offer.
- (iii) This equipment had not been used for any commercial purposes up to 30 September 2013.

(c) Procurement of Pile Integrity Testing Equipment and Pile Eco Tester

Authority had purchased the above equipment for the purpose of pile testing based on sonic pile testing method. Both equipment could be used for the same purpose but, the Pile Integrity Testing Equipment was technologically more advanced equipment than the Pile Eco Tester. Accordingly, it was revealed that the Authority could have achieved its pile testing objective by acquiring only the Pile Integrity Testing Equipment. Hence it was observed that the expenditure incurred by the Authority amounting to Rs. 1,545,600 for the purchase of Pile Eco Tester would be a fruitless expenditure. It was also observed that this equipment had not been used for any commercial purposes up to 30 September 2013.

3.5 Human Resources Management

Twenty four vacancies in different categories of the staff, including 10 of staff grade, 10 of clerical and allied grades and 4 of minor grades, were existed as at the end of the year under review due to failure of maintenance of realistic cadre level and periodic review of the cadre. Information relating to the staff of the Authority is shown below.

Category of Staff	Approved Cadre	2012	
		Actual Cadre	Vacancies
Staff Grades	62	52	10
Clerical and Allied Grades	50	40	10
Minor Grades	25	21	04
Total	137	113	24

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

The International Atomic Energy Agency (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 the date of this report.

3.7 Renting out a part of the Authority's building

The Authority had rented out three rooms, with 545 square feet, in the second floor of the building owned by the Authority to a private company at a rate of Rs. 100 per square feet per month. Following observations are made in this regard.

(a) The rental had been decided without obtaining the service of the Chief Valuer.

(b) Charges for the usage of auditorium, car park, etc. had not been decided.

4. Accountability and Good Governance

4.1 Internal Audit

It was observed in audit that most of the areas in the Annual Audit Programme for 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.

4.2 Audit Committee

Several instances of non-responding by the Board of Directors for the decisions taken by the Audit Committee were observed.

4.3 Procurement Plan

Even though a procurement plan had been prepared by the Authority, it was not in line with the Action Plan and the budget prepared by the Authority for the year under review.

4.4 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.

5. Systems and Controls

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

- (a) Property, Plant and Equipment
- (b) Debtors and Other Receivables
- (c) Compliance with Laws, Rules, etc.
- (d) Procurements
- (e) Utilization of Resources
- (f) Human Resources Management
- (g) Assets Management
- (h) Payment of incentive to the staff
- (i) Budgetary control