

Sri Lanka Atomic Energy Regulatory Council - 2015

The audit of financial statements of the Sri Lanka Atomic Energy Regulatory Council for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 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 risks 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. Subsections (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 the 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.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, 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 2015 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 Sri Lanka Public Sector Accounting Standards

The Council 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 Sri Lanka Public Sector Accounting Standard 7 – Property, Plant and Equipment. Further, action had not been taken to revalue in terms of the standard to show the fair value of the assets fully depreciated costing Rs.4,698,221 as at 31 December 2015 which was continued to be used .

2.2.2 Accounting Deficiencies

Even though the value of the stocks should be accounted as the closing stock identified by the Board of Survey conducted at the end of the year, the book balance of Rs. 740,593 had been accounted as the closing stock despite the year end physical verification had been carried out.

2.2.3 Unreconciled Control Accounts

A difference of Rs.144,250 was observed between the balances of 05 Revenue Heads shown in the Financial Statements and the balances as per the schedules.

2.2.4 Unexplained Differences

The following observations are made.

- (a) A difference totalling Rs.13,488,488 was observed when the Regulatory Council had brought to account as opening balances of 06 accounting balances vested to the Regulatory Council since 01 January 2015.
- (b) A difference totalling Rs.4,466,846 was observed when the value of 3 Heads of assets was brought to the books of the Council vested to the Council according to the Letter dated 30 September 2015 of the Senior Deputy Director (Finance and Administration) of the Atomic Energy Board.
- (c) Even though according to the accounts of the Atomic Energy Board, there was a balance of Rs.1,198,533 payable to the Council , such a balance had not been identified as per the accounts of the Council.

- (d) Even though the Council had shown a balance of Rs.4,610,165 as a debtor according to the accounts of the Atomic Energy Board, the same balance had been shown as Rs.4,591,857 according to the books of the Council.

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

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.256,500 had been allocated by the Council to its employees as incentives for the year 2015.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Council for the year under review had resulted in a deficit of Rs. 3,479,000.

4. Operating Review

4.1 Performance

- (a) According to the Sri Lanka Atomic Energy Act, No.40 of 2014, establish requirements for the protection of persons and the environment against the risks associated with exposure to ionizing radiation and for the safety and security of sources and facilities, as appropriate, take all appropriate steps to ensure the protection of persons and the environment from harmful effects due to any source, ensure compliance with International Standards and obligations in the field of nuclear energy, which are required to be complied with by Sri Lanka is the objective of the Council. The Authority to enact rules made thereunder had been given for the Council by Section 87 (1) of the Act. Accordingly, the Council had formulated two rules and one Order and published in the Gazette Extra Ordinary No.1924/27 and dated 21 July 2015 during the year 2015. Even though, according to the Action Plan of the Council it had been planned to formulate the other rules relevant to the matters from (a) to (h) of Section 87(1) of the Act, it was observed that the activities of formulation of relevant rules had been delayed due to failure to direct the officers who were with an expertise knowledge in this field.

4.2 Personnel Administration

The following observations are made.

- (a) Twenty vacancies in the Council including one of Senior Staff Grades, 09 of tertiary levels, 06 of secondary level, 04 of primary grades had existed as at the end of the year under review due to failure in maintaining realistic cadre level and periodic review of the cadre, though the approved cadre was 39.
- (b) It was observed in audit that the delay of the radioactive examinations carried out by the Council due to the vacancies existed in the Scientific Officers in the Council and

failure to assign adequate duties in the Accounts Division and the Establishments Division due to vacancies existed in the posts of Management Assistants.

5. Accountability and Good Governance

5.1 Internal Audit

An internal Audit Division had not been established or an officer had not been appointed during the year 2015 for the examination and report the activities of the Council .Action had not been taken to prepare and implement an Internal Audit Plan as well.An Internal Audit Officer had been appointed since 01 February 2016 and no any other officer had been attached to assist him for his duties.

6. Systems and Controls

Special attention is needed in respect of the following areas of control.

(a) **Fixed Assets Control**

Valuation, documentation and protection of property, plant and equipment and utilization of the resources of the Council efficiently for the purpose of fulfilling the objectives.

(b) **Debtors Control**

Recovery of debtors and other receivables without delay and accounting them.

(c) **Human Resources Management**

Management of human resources according to the role and the extent for the achievement of the objectives of the Council.

(d) **Budgetary Control**

Made use as a control instrument, being prepared realistically.