

Sri Lanka Atomic Energy Regulatory Council – 2016

The audit of financial statements of the Sri Lanka Atomic Energy Regulatory Council for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 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 the 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

The 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 2016 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 Lack of Evidence for Audit

The verification of balances in respect of debtor balances amounting to Rs. 242,773 as at 31 December, 2016, had not been made presented to audit.

2.3 Accounts Receivable

Action had not been taken to recover the debtor balances amounting to Rs. 228,773 that had been transferred when the Atomic Energy Regulatory Council had been dissociated from the Atomic Energy Authority in the year 2015.

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

In terms of Department of Public Enterprises Circular, No. 95, dated 14 June, 1994, only the benefits specifically approved either by the Ministry of Public Administration or the Treasury should be paid under the approval of the relevant Board of Governance. Contrary to that, a sum totalling Rs. 70,780 had been paid in the year under review at Rs. 2,000 per person only under the approval of the Board of Directors for conducting tests relating to radiation safety.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Council for the year under review had resulted in a deficit of Rs. 973,993 as compared with the corresponding deficit of Rs. 3,479,000 for the preceding year. As such, a decrease amounting to Rs. 2,505,007 was observed in the deficit of the year under review as compared with the preceding year. Although the expenditure had increased by Rs. 15,529,745, the increase in the total income by a sum of Rs. 18,034,753 had attributed to the said decrease in the deficit.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) In terms of Sri Lanka Atomic Energy Act, No. 40 of 2014, the objectives of the Council include : to provide for adequate protection of individuals, 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, thereby taking measures to ensure the safety of individuals and the environment; and to fulfill its obligations under relevant international instruments in the field of nuclear energy in particular, the Treaties and Agreements. However, only 60 per cent of those objectives could be achieved in the year under review.

- (b) In terms of Section 87 (1) of this Act, the Council may make rules in respect of the matters for which rules are authorized or required to be made, and accordingly, the Council had made 02 rules during the year 2016. However, no rules had been made by the Council with respect to the matters specifically mentioned from 87 (1) (a) to (h) in the Act.

4.2 Staff Administration

The approved cadre of the Council had been 41, whereas the actual cadre had been 29 as at 31 December, 2016, thus indicating 12 vacancies in the Council including one vacancy in the senior staff grade, whilst 02 vacancies in the tertiary level, and 09 vacancies in the secondary level. The vacancies in the secondary level had hampered the adequate implementation of the testing methodology being used by the Council as an internal control to minimize the errors.

5. Accountability and Good Governance

5.1 Budgetary Control

As variances ranging from 30 per cent to 288 per cent were observed between the actual and the budgeted expenditure in respect of 13 Objects, the budget had not been made use of as an effective instrument of management control.

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.

Area of Systems and Controls -----	Observation -----
(a.) Debtor Control	Failure to take action to promptly recover the monies receivable.
(b.) Staff Administration	Failure to manage the human resources in accordance with the number of personnel and the functions relating to the fulfilment of the objectives of the Council.
(c.) Budgetary Control	The Variances between the budgeted and actual expenditure.
(d.) Control of Payments	Payment of benefits without obtaining the relevant approval in terms of the provisions of the Circulars.