

Sri Lanka Atomic Energy Board – 2017

The audit of financial statements of the Sri Lanka Atomic Energy Board for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 Board 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 statements.

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 judgment, 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 controls relevant to the Board’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 Board’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.

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 Board as at 31 December 2017 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

In view of the failure to review the effective life of the non-current assets annually in terms of paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07, fully depreciated 545 items of assets costing Rs.33,505,859 of which the book value being zero, had been in further use. The action for the revision of the estimated error resulting there from had not been taken in terms of the Sri Lanka Public Sector Accounting Standard 03.

2:2:2 Accounting Deficiencies

The following observations are made.

- (a) The expenditure of Rs.797,950 incurred by the Board in respect of the Geiger Muller Counter Project which completed as at 31 December of the year under review, had been shown under work- in- progress in the financial statements without being capitalized.
- (b) Value Added Tax amounting to Rs.4,099,074 payable for the sum of Rs.38,258,027 payable as at 31 December 2017 to the Sri Lanka Land Reclamation and Development Corporation in respect of construction of the building of National Centre for Non-Destructive Testing of the Sri Lanka Atomic Energy Board, had not been brought to account.

2:3 Accounts Receivable and Payable

Out of the balance of Rs.7,381,202 receivable as at 31 December 2017, trade loan balances amounting to Rs.422,988 was receivable as at 06 June 2018 while proper course of action had not been taken over 04 years to recover a sum of Rs.117,667 included therein.

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

Even though ad hoc sub imprest should be settled immediately after the completion of the said purpose in terms of Public Finance Circular No.03/2015 of 14 July 2015, advances for local purchases totalling Rs.52,156 granted in 3 instances in the years 2015 and 2016 had not been settled even by 06 June 2018.

3. Financial Review

3:1 Financial Results

According to the financial statements presented, the financial results of the Board for the year under review had been a surplus of Rs.1,456,454 as compared with the corresponding surplus of Rs.3,864,974 for the preceding year thus indicating an deterioration of Rs.2,408,520 in the financial result as compared with the preceding year. Even though the income of the Gamma Centre had increased by Rs.26,353,650, the decrease in the recurrent grants received from the Treasury and the income from the testing of food samples by Rs.12,500,000 and Rs.5,052,334 respectively and also the increase in expenditure of the National Centre for Non-Destructive Testing by Rs.5,080,732 despite the lack of improvement in its income had been the main reasons for the above deterioration. Even though the Head office of the Sri Lanka Atomic Energy Board and the Gamma Centre together had earned a surplus of Rs.18,009,720 for the year 2017, the deficit amounting to Rs.16,553,267 of the National Centre for Non-Destructive Testing for the year 2017 had been the reason for the decrease up to Rs.1,456,453 in the total surplus of the Sri Lanka Atomic Energy Board.

An analysis of financial results of the year under review and 02 preceding years revealed that net loss of the year 2015 amounting to Rs. 20,985,774 had converted to a net loss of Rs.3,864,974 by the year 2016 but it had been deteriorated again up to Rs.1,456,454 in the year under review. However, in readjusting the employees' remuneration, depreciation for the non-current assets and payment of Government tax to the financial result, the contribution of the Board of the year 2015 amounting to Rs.69,922,744 had gradually increased up to Rs.107,936,639 by the end of the year 2017.

4. Operating Review

4.1 Performance

4.1.1 Function and Review

One of the objectives of the Sri Lanka Atomic Energy Board established under the Sri Lanka Atomic Energy Act, No. 40 of 2014 is to provide radiation protection services to meet regulatory requirements relating to nuclear applications.

Accordingly the Sri Lanka Atomic Energy Board was the only institution in Sri Lanka to provide the Thermo Luminescence Dosimeters (TLD) service for the implementation of a regulatory program conforming to international standards on radiation safety, to ensure protection of workers from potentially harmful effects of ionizing radiation.

Even though 171 employees of 04 institutions had applied TLD cards during the year under review, those cards could not be obtained despite a lapse of 06 months.

As such, even though the powers for achievement of said objectives were conferred to the Board by Section 5 of the Act, the Board had failed to provide the service in granting Thermo Luminescence Dosimeters cards to the institutions or persons who applied for such cards without delay. Thus, the said service had not been provided effectively by the Board.

4.2 Operating Activities

The following observations are made.

- (a) Government grants amounting to Rs.125,000,000 had been granted on 28 December 2015 for the supply, transportation and installation of Cobalt 60 Source 205 KCi with a view to improving capacity of the Sri Lanka Gamma Centre. Nevertheless, the order for the Cobalt 60 Source had not been placed as expected due to the cease of orders from the main customer of the Gamma Centre. Even though it was emphasized that the sum of Rs.125,000,000 granted by the Treasury should be utilized only for the relevant purpose, it had not been returned to the Treasury. Instead, the said money had been deposited in a Savings Account of the Peoples Bank during the period from 14 January 2016 to 31 December 2017 based on the approval of the Board of Directors dated 08 January 2016 and an interest income of Rs.8,593,347 had been earned under a normal annual deposit interest of 4 per cent during the said period. As the normal interest rate for treasury bills in the years 2016 and 2017 stood at 8.43 per cent and 9.2 per cent respectively, an interest income of Rs.17,450,745 could have been earned if the said money was invested thereunder. However, the opportunity cost of the Government on the deposit under normal deposits amounted to Rs. 8,857,398.
- (b) The Board had not taken action to obtain the sum of Rs. 3,591,200 remitted in excess to the International Atomic Energy Agency for the purchase of Spectra Meter System – LSD. Further, a total sum of Rs. 14, 056, 478 had been paid to that company for the purchase of Isotope Radio Mass Spectrometer and X-Ray equipment on 02 December 2015 and 20 February 2017 respectively. Nevertheless, that equipment had not been received to the Board even by the date of this report.

4.3 Staff Administration

The following observations are made.

- (a) There were 38 vacancies including 10 vacancies in the Senior Staff Grades, one vacancy in the Tertiary Level and 17 vacancies in the Secondary Level as at the end of the year under review due to reasons such as the failure to maintain a realistic service level and to carry out timely review of the cadre.
- (b) Even though a Scheme of Recruitment in respect of the Sri Lanka Atomic Energy Board was being prepared even by 30 May 2018, the date of audit, the Scheme of Recruitment of the Atomic Energy Authority was being further adopted by the Board due to the said delay.

- (c) Even though a Human Resource Development Plan should be prepared by the institution in terms of 05(2)(c) of the Public Finance Circular No.01/2014 of 17 February 2014, a Human Resource Development Plan had not been prepared by the Sri Lanka Atomic Energy Board in terms of the Circular. Non-availability of a Human Resource Development Plan had been the reason for the failure to fill the vacancies in essential posts in the staff of the Board.
- (d) A Management Assistant Officer had been appointed with effect from 04 June 2015 to cover up duties of the post of Supply Officer of the Board on the Order of the Board of Directors dated 28 August 2015. Even though covering up the duties does not entitle any allowance in terms of Section 12.2.5 of Chapter VII of the Establishments Code, an additional remuneration amounting to Rs.149,340 consist of allowances totalling Rs.126,559, Employees Provident Funds of Rs.18,984 and Employees Trust Funds of Rs. 3,797 had been paid during the period from June 2015 to April 2018. However, if a special additional remuneration was paid in this manner having considered as act in a post in terms of Section 12.3 of Chapter VII of the Establishments Code, that remuneration should have been approved by the Director of Establishments in terms of Section 12.1 of Chapter VII of the Establishments Code. Nevertheless, action had not been taken accordingly.

5. Achievement of Sustainable Development Goals

Every Government Institution should act in terms of the 2030 “Agenda” for Sustainable Development of the United Nations and the Atomic Energy Board had been aware of the manner in implementing the functions that come under its scope. The following observations are made in this connection.

- (a) Even though Government institutions, private institutions and civil organizations had been identified as parties interested on the function of the Atomic Energy Board in achieving Sustainable Development Goals, awareness programmes had not been conducted in respect of those parties.
- (b) Even though an accurate basis of data is essential to evaluate the performance of any task, it was observed that the Board had not taken action to create an accurate basis of data to evaluate the achievement of Sustainable Development Goals.

6. Accountability and Good Governance

6.1 Procurement and Contract Procedure

6.1.1 Procurements

The following observations are made.

- (a) In terms of Guideline 4(2) of the Government Procurement Guidelines 2006, a procurement plan should be prepared on the procurement activities envisaged at least for a period of three years and in terms of Guideline 4 (2) (2) a detailed procurement plan

should be prepared describing in chronological order, steps of each individual procurement action, from the point of commencement until its completion. Nevertheless, the Board had prepared a procurement plan in respect of 56 items valued at Rs.100 million only for the year 2017 while a detailed procurement plan had not been prepared relating to the said procurement plan.

- (b) Regular updating of the procurement plan is a responsibility of the procurement institution as set out in Guideline 4 (2) (3) of the Government Procurement Guidelines. Nevertheless, the budgeted capital expenditure had been revised as Rs.24.9 million based on the decisions of the Board of Directors in the year 2017 and even though capital goods valued at Rs.3,185,555 not included in the procurement plan had been procured, the procurement plan had not been updated accordingly.
- (c) Even though procurement activities pertaining to 15 procurements valued at Rs.21,842,028 had been commenced, those could not be completed as at 31 December 2017 despite a lapse of period ranging from 03 months to 09 months, due to the weaknesses in planning and implementation of the procurement process.
- (d) Even though a cost of Rs.6.5 million had been allocated in the procurement plan and budget for the Digital Detector Array with Software requested for carrying out tests by the National Centre for Non-Destructive Testing, the procurement had to be abandoned half way as the bid submitted therefor has exceeded the budgeted provision by 400 per cent and due to the specifications not complied with it. As such, the physical resources had not been provided within the due period, thus the activities to be carried out by using the relevant equipment could not be completed efficiently.

6.1.2 Deficiencies in Contract Administration

According to the Public Finance Circular No.02/2012 of 08 August 2012, when it is apparent that cost variation exceeded 10 per cent of the total cost estimate of procurements under the authority limit of Cabinet Appointed Procurement Committees or when the approved scope of work is changed, reports of Technical Committees with regard to proposals for cost estimate revisions should be sent to the Director General of Public Finance in order to submit them to the Cost Estimate Examination Committee.

Even though the initial total cost estimate for the construction of building of the National Centre for Non-Destructive Testing amounted to Rs.308, 653,543, the revised total cost of the building completed in the year 2014 had been Rs.428, 981,984. As such, the estimate of that construction of which the cost variation being 39 per cent, had not been submitted to the relevant Committee. Even though the approval only for the expenditure of Rs.42,533, 542 being 35 per cent of the total variation, had been sought from the Standing Cabinet Appointed Procurement Committee on 28 June 2016, it had not been received even by 20 June 2018.

6.2 Budgetary Control

Variances ranging from 15 per cent to 58 per cent were observed in the budgeted and the actual expenditure of 22 Recurrent Objects of the year under review and out of the budgeted provision for capital expenditure amounting to Rs.100.1 million, only Rs.23 million or 23 per cent had been spent. As such the budget had not been made use of as an effective instrument of management control.

7. Systems and Controls

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

Areas of Systems and Controls

Observations

(a) Accounting of Assets	Failure to carry out annual review of the effective life of property, plant and equipment.
(b) Balances Receivable	Failure to recover the receivables without delay.
(c) Human Resources Management	Failure to carry out proper management of human resources to achieve the objectives of the Board.
(d) Budgetary Control	Failure to prepare the budget realistically and make use of it as an instrument of control.