

## **Sri Lanka Atomic Energy Regulatory Council - 2020**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Sri Lanka Atomic Energy Regulatory Council for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, statement of changes in net equity and cash flow statement and notes to financial statements for the year then ended including a summary of significant accounting policies, 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 provisions of the National Audit Act, No. 19 of 2018 and the Finance Act, No. 38 of 1971. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 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 2020, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1.2 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 1.5 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Authority.

#### **1.4 Auditor's Responsibilities for the Audit of the Financial Statements**

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Council and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Council has complied with applicable written law, or other general or special directions issued by the governing body of the Council ;
- Whether the Council has performed according to its powers, functions and duties; and
- Whether the resources of the Council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Audit Observations on the Preparation of Financial Statements

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### 1.5.1 Internal Control over the Preparation of Financial Statements

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The Council is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

### 1.5.2 Accounting Policies

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| Audit Observation<br>-----  | Comment of the Management<br>-----  | Recommendation<br>-----                         |
|---|---|---|
| Assets valued at Rs. 14,044,902 and liabilities valued at Rs. 5,414,755 had been vested by the Atomic Energy Authority with the Sri Lanka Atomic Energy Regulatory Council at the time of its inception in the year 2015. As such, the net capital grant received by the Council from the Government had been identified as Rs. 8,630,147 in the same year. However, amortization of the grant against the annual revenue had exceeded the total value of the grant, and hence, the value of the accumulated fund | It is kindly informed that corrective measures will be taken in the year 2021 after thoroughly studying this matter pointed out by the Audit. | Correct accounting policies should be followed. |

shown in the financial statements of the Atomic Energy Authority had become a debit balance of Rs. 3,821,793 as at 31 December 2020.

### 1.5.3 Non-compliances with Laws, Rules, Regulations, and Management Decisions, etc.

| Reference to Laws, Rules, and Management Decisions etc.  | Non-compliance  | Comment of the Management   | Recommendation   |
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| (a) Sri Lanka Atomic Energy Act, No. 40 of 2014.<br>Section 82 (1).  | Every member, of the Council , shall, before entering upon his duties, sign a declaration pledging himself, to observe strict secrecy respecting all matters connected with the workings thereof. However, the Council had not done so. | It is clearly mentioned in Paragraph 16 of all the letters of appointment. The employees have pledged and signed in compliance therewith. | Section 82(1) of the Act should be followed.   |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.<br>Financial Regulation 128 (1) (I) | Five officers of the Council had obtained their first vehicle permits prior to 01-06 years of becoming entitled to that perk.   | Action will be taken in accordance with the decision returned by the court, and clarifications made by the Attorney General's Department. | Corrective measures should be taken in accordance with Financial Regulation 128 (1) (I). |

(c) Establishments  
Code of the  
Democratic  
Socialist Republic  
of Sri Lanka.

(i) Paragraph 9:1 of Chapter II. A service extension of 6 months was provided for the present Director General with effect from 01 March 2021 without prior approval of the Cabinet. The present Director General has been appointed on contract basis for the 06 ensuing months by virtue of the powers vested in the Minister in terms of Section 71(3) of the Sri Lanka Atomic Energy Act. The present Cabinet approval should be sought to provide service extensions beyond the age of retirement.

(ii) Paragraph 15:1 (ix) of Chapter II. The Council had not conducted Efficiency Bar examinations contrary to the said Chapter. Officers had been provided with salary increments without them passing the Efficiency Bar examinations. The delay in taking action to conduct Efficiency Bar examinations, was correct. Measures should be taken to conduct the Efficiency Bar examinations on time.

(d) Circulars relating to the management of assets.

Assets Management Circular, No. 01/2017, dated 28 June 2017. Particulars relating to 152 items valued at Rs. 33,100,727 and purchased during 2018-2020, had not been furnished to the Comptroller General. Out of that, assets worth Rs. 15,057,003 had been purchased from the provision granted by the Information had been furnished in accordance with the instructions given by the Comptroller General. Action will be taken in due course to provide the other information. Accurate information on the assets purchased should be furnished to the Comptroller General within the specified period.

Ministry whereas assets valued at Rs. 18,043,724 had been received as donations.

**2. Financial Review**  
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**2.1 Financial Results**  
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Operating result of the year under review was a deficit of Rs. 4,752,640 as compared with the corresponding deficit of Rs. 8,874,702 for the preceding year thus observing an improvement of Rs. 4,122,062 in the financial result. The decrease in the total expenditure by a sum of Rs. 4,008,662 and the increase in total revenue by Rs. 113,400 had mainly attributed to this deterioration.

**3. Operating Review**  
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**3.1 Operating Inefficiencies**  
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| Audit Observation  | Comment of the Management  | Recommendation  |
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| (a) Section 11(f) of the Act necessitated the formulation of a national policy and strategy on protection against ionizing radiation, the safety and security of sources and nuclear and other radioactive material and on radioactive waste management, but it had not been done so ever after 06 years of the Council's establishment. | The draft policy has been published on the website of the Council in view of obtaining public opinion.                               | Formulation of the policy should be expedited.                      |
| (b) The Council had not given approval to the Board as the radiation protection services supplier, nor had procedures or a mechanism been established in that connection contrary to Section 12(j) of the Act.   | The Board has been authorized for those services through the Act.  | Functions mentioned in the Act should be discharged by the Council. |
| (c) A list of nuclear material, equipment and technologies to be imported into and exported from Sri Lanka should be prepared and published in the Gazette in terms of Section 49 of the Act, but the  | The said list could be prepared only after the security agreement is signed by Sri Lanka. Action is being taken to sign the security | That Section of the Act should be followed.                         |

Atomic Energy Regulatory agreement.  
Council had not done so.

- (d) According to Section 86(1) of the Act, the Minister may make regulations in respect of Regulations, all matters which are prescribed under this Act and in respect of which regulations are authorized to be made. Nevertheless, the Atomic Energy Regulatory Council had not done so.
- Directives relating to radiation protection and precaution have been drafted, and the final draft has been reviewed by an expert of the International Atomic Energy Agency.
- Directives should be made relating to the matters stated in the Act.
- (e) As per Section 87(1) of the Act, the Council should make rules relating to the transport of radioactive material and radioactive waste to and from the Republic of Sri Lanka ; preparedness for and responding to the hazards posed by nuclear or radiological emergencies; and setting criteria for the qualifications of radiation workers. However, it had not been so done.
- At present, the regulations issued by the International Atomic Energy Agency are followed for transporting the radioactive material. Those regulations will be used *mutatis mutandis* in due course to make rules with respect to the context in Sri Lanka.
- Rules should be made with respect to all the matters for which the Council has been authorized to make rules.