

Sri Lanka Atomic Energy Board - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Atomic Energy Board for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended and notes to the financial statements including material accounting policy 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 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 to the Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2023, and of its financial performance and their cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 qualified opinion.

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

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 determine 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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board 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 Board.

1.4 Audit Scope

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, misrepresentations, 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 Board'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 Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's 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 auditor's report. However, future events or conditions may cause the Board 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 Board, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to its powers, functions and duties; and

- Whether the resources of the Board 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

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comments	Recommendation
(a.) The recognition policy of capital grants received until 2020 as deferred revenue had been changed during the year under review according to the transitional provisions of the SLPSAS 11. Accordingly, as per paragraph 24 of SLPSAS 3, the relevant policy change should be applied retrospectively. However, the deferred income of Rs. 86.8 million received in the previous year was not retrospectively adjusted as a change in accounting policy in the year under review.	No answers provided.	Shall comply with the Sri Lanka Public Sector Accounting Standards.
(b.) The unaccounted centralized storage of hazardous waste facility worth Rs. 81.48 million in the year 2020 had been accounted in the year under review. However, the financial statements were not adjusted retrospectively as per paragraph 47 of the SLPSAS 03. Due to this, the retained surplus of the previous year presented by Rs. 76.67 million deficit and the fixed assets of the previous year were presented Rs. 76.67 million deficit.	No answers provided.	Financial statements should be revised and corrected retrospectively when correcting the prior period errors.
(c.) A scientific equipment received and not accounted in the year 2017 as grants for Rs. 3.29 million was accounted during the year under review. However, the financial statements were not revised and adjusted retrospectively as per paragraph 47 of SLPSAS 03. As a result, the retained surplus of the previous year was Rs. 2.41 million and fixed assets by Rs. 2.41 million had been understated.	No answers provided.	Financial statements should be revised and corrected retrospectively when correcting the prior period errors.
(d.) The error of under-calculating depreciation of Cobalt 60 element for the years 2021 and 2022 by Rs.11.59 million was not revised and retrospectively adjusted in the the financial statements in accordance with the	No answers provided.	Financial statements should be revised and corrected retrospectively when correcting the prior

paragraph 47 of SLPSAS 03 in the year under review. Due to this, the retained surplus of the year under review was Rs. 11.59 million and fixed assets by Rs. 11.59 million had been overstated.

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| (e.) | In accordance with paragraph 13 of the Standard, tangible assets with a useful life of more than one reporting period for use in the provision of services or for rental to others or for administrative purposes shall be recognized as property, plant and equipment. However, Rs. 24.1 million worth of TLD cards and holders with an effective useful life of about 50 months used to provide personal monitoring service/TLD Service and the land where the gamma center is located had not been accounted as property and equipment. | No answers provided. | Shall be complied with Sri Lanka Public Sector Accounting Standards. |
| (f.) | As per paragraph 13 of Sri Lanka Public Sector Accounting Standard 07, the value of electronic equipment, office equipment and computer equipment valued at Rs. 2.9 million, Rs. 0.57 million and Rs. 5.8 million respectively had been understated and scientific equipment valued at Rs. 9.27 million had also been overstated. Due to this, the depreciation expense for the year under review had been understated by Rs. 258,597. | No answers provided. | The asset class should be correctly identified in accordance with public sector accounting standards. |
| (g.) | According to paragraph 15 of Sri Lanka Public Sector Accounting Standard 07, spare parts expected to be used for more than one year should be identified as property, plant and equipment. However, spare parts belonging to the Gamma Irradiation Plant consisting of 183 individual items and 10 sets of items owned by the Gamma Center were not valued and accounted as property, plant and equipment. | No answers provided. | Shall be complied with Sri Lanka Public Sector Accounting Standards. |
| (h.) | Works completed had not been identified and adjusted in the work-in-progress account balance of more than 05 years old valued at Rs. 4.14 million as of 31 December 2023 and adjustments had not been made for provisions for impairment losses as per paragraph 77 of the Standard. 2023 | No answers provided. | Shall be complied with Sri Lanka Public Sector Accounting Standards. |

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| (i.) | <p>In accordance with the paragraph 65 of Sri Lanka Public Sector Accounting Standard 07, the useful life of the assets carried on the cost model shall be reviewed annually and, if expectations differ from estimates, the changes shall be accounted as per SLPSAS 3. However, the 833 fixed assets items which cost Rs. 83 million and book value was nil as of 31 December 2023 continued to be used by the Board had not been dealt accordingly. According to the Note 1.3.1 of the Financial Statements, the Board stated that the property, plant and equipment reported on the cost or revaluation model. However, no details were given regarding the asset classes which use cost model and the revaluation model.</p> | <p>No answers provided for the year 2023.</p> <p>Answer given in the year 2022:-
Among the assets with zero value, scientific instruments are being revalued. A committee had been appointed to identify the equipment that is difficult to identify in the comparison of the list of fixed assets and revalued equipments and further actions have been taken to proceed on the recommendations of the committee.</p> | <p>Shall be complied with Sri Lanka Public Sector Accounting Standards.</p> |
| (j.) | <p>The Board had not correctly identified the inactive equipments as of 31 December 2023 and not made provisions for impairment losses as per paragraph 77 of the Standard. Further, required disclosures as per paragraphs 86 and 91 had not been made.</p> <p>According to the information submitted to the audit as of 31 December 2022, there were 475 inactive equipment items. However, the number of inactive equipment items had been listed as 132 for the year under review. The reasons for those changes were not revealed in the audit.</p> | <p>No answers provided for the year 2023.</p> | <p>Shall be complied with Sri Lanka Public Sector Accounting Standards.</p> |
| (k.) | <p>According to paragraph 30 of Sri Lanka Public Sector Accounting Standard 07, no provision was made for the expenditure required for the disposal of the Cobalt 60 element purchased in the year 2021 for Rs. 195.6 million.</p> | <p>No answers provided for the year 2023.</p> <p>Answer given in the year 2022:-
According to Sub Clause No. 07 of the Cobalt 60 Source Procurement Contract Agreement procured in the year 2021, The authority has to bear the cost of disposal, Therefore, the costs for the re-exportation will be estimated and arrange the necessary funds allocation in the financial statements for the year 2023.</p> | <p>Shall be complied with Sri Lanka Public Sector Accounting Standards.</p> |

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| (l.) | In accordance with paragraph 118 of the Sri Lanka Public Sector Accounting Standards No. 11, the accounting policy for non-exchange revenue should be revised within 3 years from the year of commencement of application of the standard in order to recognize and account those transactions. Accordingly, two capital grant reserves worth Rs. 1,921.3 million as of 31 December 2023 and stated at the effective date of the standard were not accounted in that manner. | No answers provided. | Shall be complied with Sri Lanka Public Sector Accounting Standards. |
| (m.) | In accordance with the paragraph 77 of the Sri Lanka Public Sector Accounting Standard 19 – Employee Benefits, the gratuity provision was not calculated using the actuarial valuation method. Further, the disclosures required by section 141 of the Standard were not made in the financial statements. | No answers provided. | Provision for gratuity should be calculated using actuarial method and required disclosures should be made in the financial statements. |

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(a.) An appropriate accounting policy was not formulated for depreciating plant on the basis of useful life. The Gamma Irradiation Plant (plant) worth Rs. 176 million is included in the category of scientific equipment under property, plant and equipment and 5 percent of that is Rs. 8.8 million had been depreciated annually.	No answers provided.	Appropriate accounting policies should be used in depreciating assets.
(b.) Instead of weight lifting machine worth Rs. 3.35 million is identified as machinery and being depreciated at an appropriate rate, it is treated as office equipment and had been depreciated 7.5 percent as Rs. 251,250.	No answers provided.	Depreciation rates should be determined and depreciation adjustments should be made by correctly identifying the asset class.
(c.) According to the agreement entered into with a private company for conducting welding courses, the ownership of the 24 machines provided by that company should be vested in the board at the end of the contract period.	No answers provided.	All information should be disclosed in the financial statements.

However, records related to the relevant machines were not maintained formally and disclosures about those machines were not made in the financial statements.

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| (d.) | Stock verification reports of Rs.15.81 million at the end of the year under review and basic documents in relation to assess the settlement of Rs. 1.03 million income tax asset balance were not submitted to the audit. | No answers provided. | Acceptable documents must be submitted to substantiate all balances shown in the financial statements. |
| (e.) | Without identifying the debtors with the risk of non-recovery nor updating provisions for impairment losses out of Rs. 46.7 million trade debtors, the losses recognized in the year 2021 of Rs. 501,441 had been remain unchanged. | No answers provided. | Debtors with risks must be identified and allocate provisions for impairment losses. |

1.6 Receivables

Audit Issue	Management Comment	Recommendation
The trade debtor balance of Rs. 7.6 million debtors consisted of debtor balances due from 1 year to 12 years out of trade debtor balances of Rs. 46.72 million as of 31 December 2023. Out of that, Rs. 4.75 million debtors consisted of debtors with age of less than one year and Rs. 2.85 million consisted of debtor balances with age ranging from two years to 10-12 years.	No answers provided.	Trade debtors should be collected.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a.) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulations 102 and 104	In two laboratories of the National Center for Non-Destructive Testing, Rs. 230,113 worth of an instrument and three other scientific instruments of which there is no value information were missing. However, no actions had	No answers provided.	Shall be complied with the financial regulations.

been taken in accordance with the respective financial regulations.

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| (ii) | Financial Regulations 570 and 571 | Unpaid retention balances of Rs. 11.9 million within 2 years from the date of project completion had not been dealt with respective financial regulations. | No answers provided. | Shall be complied with the financial regulations. |
| (b.) Public Enterprises Circular No. 01/2021 dated 16 November 2021 | | | | |
| (i.) | Paragraph 4.3 and paragraph 1 of Annexure 01 of the Guidelines for Corporate Governance in Public Enterprises | The assessment of risks in various sectors of the board had not been discussed at the management and audit committee meetings and a set of forecasted financial statements in line with the strategic plan of the board had not been prepared. | No answers provided. | Shall proceed as per the provisions of the circular. |
| (ii.) | Paragraph 6.6 of the Operations Manual for Public Enterprises | The Board had not submitted the draft annual report along with the financial statements. | No answers provided. | Shall proceed as per the provisions of the circular. |
| (c.) | The Guideline issued by the Asset Management Circular No. 04/2018 dated 31 December 2018 | Although non-financial assets should be revalued once in every five years, other non-financial assets except the cars owned by the board which cost Rs.2,995 million had not been revalued. | No answers provided for the year 2023.

Answer given in the year 2022:- Scientific equipment revaluation activities is being carried out and a committee has been appointed to reconcile the differences between the fixed assets register and the revaluation register. Further actions will be taken based on the recommendations of the committee. | Shall proceed as per the provisions of the circular. |

2 Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 74.5 million and the corresponding deficit in the preceding year amounted to Rs. 19.4 million. Therefore an improvement amounting to Rs. 93.9 million of the financial result was observed. The main reason for the improvement is receipt of Rs. 163.2 million grant from the International Atomic Energy Agency for the year under review.

2.2 Trend Analysis of major Income and Expenditure items

Financial Statement Line Item	2023	2022	Variance	Variance Percentage
	Rs. Mn	Rs. Mn	Rs. Mn	%
Ionizer Service Revenue - Gamma Center	70.9	58.9	12	20.3
Nondestructive Research Services Revenue	64	46.3	17.7	38
Welding qualification course revenue	28.4	5.3	23.1	436
Salaries and employee benefits expense	141	152	(11)	7.2
Cost of supplies and consumables	59.8	31.3	28.5	91

2.3 Ratio Analysis

Ratio	2023	2022	2021	2020	2019
Current Ratio	2.67	2.36	2.69	4.53	2.87
Return on Equity	2.76	0.75	4.9	0.15	1.6
Return on Total Assets	2.6	0.7	4.6	0.1	1.5

3 Operational Review

3.1 Management Activities

Audit Issue	Management Comment	Recommendation
(a.) According to Section 4 (i) of the Sri Lanka Atomic Energy Act No. 40 of 2014, the Board shall investigate the existence of radioactive mineral resources within Sri Lanka. Accordingly, no system had been established to effectively utilize the relevant radioactive mineral resources by carrying out formal explorations in collaboration with the Geological Survey	In collaboration with the Geological Survey and Mines Bureau, a study of the natural sources of radioactivity in the country has been carried out under an IAEA technical cooperation project (SRL/02/009). In this initiative, the officers of the Geological Survey and Mines Bureau have been imparted the necessary technical know-how and	Shall act according to the provisions of the act.

and Mines Bureau.

they have also been provided with the necessary equipment sets. As the bureau has been entrusted with the responsibility for collecting information about the natural resources available in the country, the Atomic Energy Board has already provided the necessary knowledge related to nuclear technology. Therefore, this has enabled them to conduct future survey activities more easily. The RPTS Division provided technical assistance for radiation monitoring and covered Matale, Pallegama, Dambulla and Alahera areas. Furthermore, it was answered in the year 2022 that gamma measurements were carried out in the identified high background areas in Kaudupallalla, Naula and Elahera areas, but there was no answer in this regard in the year 2023.

- (b.) The procurement activities of the procurement for design, development, installation, implementation, care and maintenance of an Enterprise Resource Planning System (ERP) had been commenced in the year 2021 without allocation of adequate provision as per Procurement Guidelines 4.1.1.(c). Further, an external member having knowledge of the subject of procurement was not appointed for the technical evaluation committee as per the guideline 2. 8. 4. (d). In March 2022, an agreement for Rs. 6.87 million had been entered for the respective work and Rs. 2.43 million (35 percent) of the agreed amount had been paid by May 2023. The contract period had been ended on 16 December 2023. The relevant work had not been completed and due to the expiry of the contract period, the board had sent a board paper to unilaterally cancel the contract. Thereafter, the board of directors had appointed a committee and called a report in this regard.

No answers provided.

After making adequate provisions, procurement activities should be started and shall be act in accordance with the provisions of the procurement guidelines.

3.2 Operational Activities

Audit Issue	Management Comment	Recommendation
<p>(a.) The generator worth Rs. 8.2 million, which was established in the National Center for Non-Destructive Testing in the year 2015, had been out of service since February of the year under review. However, which had not been repaired by even the date of audit October 2024. Further, it was observed that in a situation where the relevant machine is not working, other devices can also be damaged. The service contracts and service details of the machine needed to check whether the machine was properly maintained were not submitted to the audit.</p>	No answers provided.	Prompt actions shall be taken to utilize the assets efficiently.
<p>(b.) In order to assess the marine environmental damage caused by the Express Pearl ship accident in 2021 and to mitigate the damage, the International Atomic Energy Agency agreed to provide 22 technical equipments worth Rs. 127 million (Euro 363,498) to the board through a short-term support project that was approved in that year. However, no allocation was made for customs duties to release those equipments. Due to this, 11 items of equipment worth Rs. 55 million (Euro 158,782) remained idle at customs without being released by the date of audit on 30 September 2024. Eventhough, the board mentioned that the remaining 11 items worth Rs. 72 million (Euro 204,716) released from the customs had been handed over to the University of Sri Jayewardenepura and the National Aquatic Resources Research and Development Institute (NARA), physical existence of those equipments could not be able to verified since those items had not been formally transferred in accordance with the Financial Regulations 751, 752 and 753. Further, it was observed during the audit that the information presented under the notes to the financial statements regarding the project was incorrect. The board had not carried out any necessary coordination activities to take measures to reduce the damage to the marine environment caused by the ship accident, which was the primary objective of the project using the relevant equipment.</p>	No answers provided.	Appropriate provision should be made and the relevant equipment should be released and used for the relevant purposes. Further, relevant information should be submitted to the audit.

(c.)	<p>A service agreement had not been entered for the equipment (ICP-MS) worth Rs. 23 million which was established in the biological laboratory in the year 2019 and cost benefit analysis had not been carried out before purchasing the equipment. This equipment was out of order in the year 2021 and after repair it was out of order again in the year 2022 and had not been repaired by the date of audit September 2024. Therefore, the income was not estimated and from the date of purchase only Rs. 256,000 had been earned.</p>	<p>No answers provided for the year 2023.</p> <p>Answer given in the year 2022:- In response to our requests, the relevant supplier company informed us that they cannot provide the relevant foreign training for the the supply of relevant mobile application, Four Argon Gas Cylinders and the equipment due to the fact that delay charges had been charged and the devaluation of the rupee against the dollar,.</p> <p>A disagreement for subsequent revision of prices to maintain a service agreement submitted with the bid documents continued. However, the disagreements regarding the service agreement were resolved and it was agreed to maintain a service agreement under the prices in the tender document at the subsequent discussions held by the company, As this equipment is a specialized equipment, it must have specialized knowledge to repair it and accordingly the repair work was done by another company after inviting bids and with the permission of the Director General. Also, according to the recommendation of the supplier company, the necessary parts to restore the equipment should be purchased from the parent company and installed on the equipment. At present, the approval of the Major Department Procurement Committee has been obtained to make the above purchase and it has been submitted for the approval of the Secretary of the</p>	<p>The assets should be used more efficiently by analyzing cost benefits.</p>
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Line Ministry for its implementation. The equipment is expected to be repaired as soon as possible and the planned analysis will be done. Although the income earned during this period was only Rs. 256,000, different business and research development samples of 350 were analyzed during this period.

- (d.) During the construction of the Gamma Center with the Multipurpose Gamma Irradiation Plant by incurring Rs. 670 million in the year 2014, it was expected to earn a large amount of foreign exchange by making Sri Lanka a global food center by exporting local fish, dryfish, vegetables and fruits to foreign countries in compliance with international standards. However, no strategic program required for that has been implemented by the Board till the date of audit. Due to this, local food manufacturers and exporters have not resorted to using this technology to irradiate the above food items.
- No answers provided.
- In order to achieve the objectives initially set up in establishing an organization, the corporate strategic plan should be prepared and implemented accordingly.

3.3 Transactions of Contentious Nature

Audit Issue	Management Comment	Recommendation
<p>The in-house welding division of the National Non-Destructive Testing Center had entered in to an agreement with a private company in July 2023 to expand the welder performance qualification certification service and to cover maintenance costs to be borne by the board. However, the respective company had been selected without a competitive procurement process. According to the agreement, a fee of Rs. 87,904 was charged for issue of certificate to an applicant, of which Rs. 32,968 to the Board and Rs. 54,936 to the private company.</p> <p>An internal control system was not established so that an invoice would be issued to all the applicants who registered and issued certificates through the private</p>	<p>No answers provided.</p>	<p>All government procurement should be done in accordance with the Procurement Guidelines. The internal control system should be arranged so that invoices are issued to every applicant and should be done in such a way that the objectives of the board are met.</p>

company and invoices had been issued to only 11 people. According to the attendance register of the Security Section, around 200 applicants had joined this course in August 2023. As per condition 6 (l) of the agreement, the company shall register minimum 100 applicants per month for courses continuously and from August 2023 to 31 December 2023, for at least 500 applicants, certification fee of Rs. 16.48 million should be earned but only Rs. 2.14 million for 65 applicants had been earned.

During the year under review, the in-house welding division generated Rs. 28 million revenue, however after working with the private company, the revenue had decreased to 3.3 million and only Rs. 2.9 million had been received until August 2024 for issue of certificates through that private company. Accordingly, the objectives of the agreement were not achieved.

3.4 Idle or underutilized Property, Plant and Equipment

Audit Issue	Management Comment	Recommendation
The five (05) scientific instruments worth Rs. 61 million received to the board as a foreign grant in the year 2023 remained idle without using as of the date of the audit of September 2024,	No answers provided.	Assets should be used efficiently.