

Sri Lanka Atomic Energy Regulatory Council - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Atomic Energy Regulatory Council 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 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 Finance Act No. 38 of 1971. My comments and observations which I consider should be report to 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 Council as at 31 December 2023, and of its financial performance and its 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 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 Council.

1.4 Audit Scope (Auditor's Responsibilities for the Audit of the Financial Statements)

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 skepticism 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 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 entity'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 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 performed according to its powers, functions and duties; and
- Whether the resources 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

Audit Observation	Management Comment	Recommendation
(a) Contrary to paragraph 27 of Sri Lanka Public Sector Accounting Standard No. 01 (SLPSAS 01) regarding the presentation of financial statements, exhibits worth of Rs.7.36 million had been recorded in the financial statements of the year under review without recording in the books of the Council. Further, the disclosures as required by the paragraph 11 of Sri Lanka Public Sector Accounting Standard No. 07 (SLPSAS 07) property, plant and equipment were not available.	Proper accounting has been made prior to the fully depreciation of assets. The above goods are maintained in separate fixed asset registers with zero balance as exhibit goods, and annual inventory verification is made in relation to those goods. Further, though it has been mentioned that no disclosures have been made regarding these goods as per the Sri Lanka Public Sector Accounting Standard 07, Regulatory Council is of the view that no separate disclosure is required since these exhibits recorded with a zero balance in the note of property, plant & equipment.	Actions should be taken in accordance with Sri Lanka public sector accounting standards.
(b) Contrary to paragraph 22 of Sri Lanka Public Sector Accounting Standard No. 02 (SLPSAS 02), capital grants worth of Rs.7 million received during the year under review were not disclosed as cash flows generated from operating activities, and disclosed as cash flows from investing activities.	The capital fund of Rs.7 million was the funds received for the acquisition of capital goods to the Regulatory Council during the year under review. Therefore, kindly note that it is accurate to show under investment activities.	Actions should be taken in accordance with Sri Lanka public sector accounting standards.
(c) The Council had not calculated the value of the retirement benefit obligation as at the end of the year under review in accordance with paragraph 76 of Sri Lanka Public	Kindly inform that the relevant corrections will be made in the next accounting year.	Actions should be taken in accordance with Sri Lanka public sector accounting standards.

Sector Accounting Standard No.19 (SLPSAS 19) relating to Employee Benefits. Further, the relevant disclosures as per paragraph 141 of the Standard had not been made in the financial statements.

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| <p>(d) As per the paragraph 14 (a) of Sri Lanka Public Sector Accounting Standard No. 07 Property, Plant and Equipment, though only assets with inflow of probable future benefits or service potential associated with the asset to the entity should be recognized as property, plant and equipment under non-financial assets, 66 equipment worth of Rs. 111,003 as office equipment and 19 equipment worth of Rs. 26,000 as electrical equipment were identified and accounted without having such potential.</p> | <p>Kindly inform that corrections will be made as indicated by the audit.</p> | <p>Actions should be taken in accordance with Sri Lanka public sector accounting standards.</p> |
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1.5.2 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
<p>Depreciation of Rs.14.04 million for the years from 2015 to 2020 relevant to the net amount of fixed assets amounting to Rs. 14.04 million received to the Regulatory Council at the establishment in the year 2015 from the Atomic Energy Authority which was the predecessor of the Regulatory Council was not recognized against the income of the Regulatory Council in respective years and was deducted against the accumulated fund received from the Atomic Energy Authority, resulting to negative accumulated fund of Rs.3.8 million of the Authority.</p>	<p>Audit observation is correct. Kindly inform that the mistake will be corrected in the final account of the year 2024.</p>	<p>Negative balance should be corrected by adjusting accumulated fund balance of the authority.</p>

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

Reference to Laws, Rules Regulation etc.	Non- compliance	Management Comment	Recommendation
(a) Regulations on Ionizing Radiation Protection of the Atomic Energy safety Regulations No. 1 of 1999			
(i) Regulation 4(1) (a).	<p>Although the Council should grant licenses for the possession of radioactive materials, necessary licenses were not provided for the possession of 50 x-ray equipment imported to Sri Lanka by the police headquarters in 2019 for 50 equipment until 31 December 2020, for 35 equipment until years 2021-2023, for 34 equipment in years 2024 -2026 and for 16 x-ray equipment imported by a private company in 2019 until years 2019-2021. Therefore, Rs.1.38 million which should be recovered as license fees had not been collected. Further, licenses for the possession had not been granted for license closed files of 27 X-ray equipment in Colombo and Gampaha districts until receiving the application for disposal since as per the regulation, the decommissioning and disposal of radiation equipment should be made</p>	<p>A license for an X-ray facility is granted after the installation of the machine and a radiological inspection of the facility after confirming radiation safety. Therefore, the machine must be installed and should be in working condition. X-ray machines which are contained or stored with packaging will not be licensed by the Regulatory Council. Therefore, it is not possible to charge the relevant money under the prevailing practice. However, the process of issuance of possession permits is expected to be investigated further as per the audit observations. Follow up procedure will be introduced for continue usage of X-ray equipment which files were closed and completed.</p>	<p>A safe and orderly procedure should be developed for the disposal of X-ray equipment where license files were closed.</p>

with the permission of Council.

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| (ii) Regulation 4(1)(b) | Although the Council should grant licenses for activities related to natural sources of radiation that may expose the public or employees to significantly higher exposures, licenses had not been provided for activities such as mining, processing, storage and sale of mineral deposits carried out by institutes involved in the radioactive mineral sands industry. | As indicated by the audit, the Regulatory Council expects the possibility of granting licenses to the relevant places and arrange the necessary activities accordingly. | Actions should be taken as per the regulation. |
| (iii)Regulations 22 (c) ,27 (i) (j) & 34 (d) | As a precondition for engagement of workers who are not permanent employees or workers with occupational exposures from prior employment, the previous occupational exposure history of such workers and information including health records of such employees as may be necessary to provide protection and safety shall be obtained and though every radiation protection officer should compulsorily maintain health records of radiation employees, records of given training and advice to radiation workers in order to provide safety and security in accordance with these regulations, 5 licensed institutions that were audited in the year under review had not been acted accordingly. However, Council had renewed the licenses without paying attention in this regard. | The audited licensed institutes are medium risk facilities. As such, the Regulatory Council proceeds to renew the licenses by paying attention on the records and information required to be maintained in relation to those facilities and on completion basis if there is any deficiency. | Actions should be taken as per the regulation. |

(iv) Regulation 27 (d) (ii)	Although the licensed institutions should provide personal monitoring devices to all radiation workers, four institutions that were field tested had not been provided personal monitoring devices for their radiation workers. The Council had renewed the licenses without paying attention in this regard.	Licensees are informed in writing in this regard and attend during inspections. However, actions will be taken in future to obtain personal monitoring devices for the institutions that had been field tested as indicated by the audit.	Actions should be taken as per the regulation.
(v) Regulation 37 (e)	Although the radiation warning symbol or warning signs should be displayed on every radiation equipment, the institutions that tested for sample in field inspections had not displayed such warning signs and the valid license was not displayed in the institutional premises as per the license conditions.	At the time of renewal of a license, this license is issued on the basis that if the symbol was not displayed it should be displayed. The Regulatory Council expects to inform the relevant institutions regarding the display of above radiation warning symbol at the renewal of licenses in future.	Actions should be taken as per the regulation.
(b) Section 9(b) of Public Finance Circular No.01/2020 dated 28 August 2021	A sum of Rs.797,000 was paid as adhoc sub imprest for 4 training programs during the year under review contrary to circular instructions.	As per the relevant circular, a staff officer should be given interim advance only up to a maximum of Rs.100,000 at a time and the accounting officer should obtain the prior approval of the General Treasury through the Chief Accounting Officer in case of exceeding that amount. However, it has not mentioned the inability of getting advance money for one work in several days. The staff officer has applied Rs.100,000 at a time and less than Rs.100,000 and therefore, that amount has been released as per 09 (b) of the Public Finance Circular 01/2020.	Actions should be taken as per the Circular instructions.

2 Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.29.7 million and the corresponding surplus in the preceding year amounted to Rs.8.9 million. Therefore, an improvement of Rs. 20.8 million of the financial result was observed. The main reason for the improvement was receiving of Rs. 41 million as Government Recurring Grants.

2.2 Variance Analysis of major Income and Expenditure items

Financial Statement Item	2023 Rs.million	2022 Rs.million	Variance Rs.million	Percentage of Variance %
License fee revenue	19.4	18.2	1.2	6.6
Import & Export Approval fee	5.09	4.63	0.46	9.9
Training course fee income	2.42	1.15	1.27	110
Room plan approval fees	1.03	0.97	0.06	6.2
Salary expenses	20.4	24.13	3.73	15.4
Fuel costs	2.25	1.21	1.04	86
Asset maintenance costs	4.48	3.11	1.37	44
Total Assets	162	119.3	42.7	35.7
Total Equity	128.2	86.7	41.5	47.8

2.3 Ratio Analysis

Ratio	2023	2022	2021	2020	2019
Current Assets Ratio	1.08	0.69	1.43	0.62	1.26
Return on Total Assets Ratio	18.3%	7.45%	11.2%	(5.82%)	(11.56%)

3 Operational Review

3.1 Management Activities

	Audit Observation	Management Comment	Recommendation
(a)	Though the approval had been granted by the Cabinet Decision No. 18/0522/727/013 dated 03 April 2018 to	The signing of the Additional Protocol requires the amendment of the Sri Lanka Atomic Energy	Prompt action should be taken to ensure effective and

implement the draft additional protocol in Sri Lanka subject to conditions until the statutory issues are fulfilled to formally effect the additional protocol under the convention signed by Sri Lanka to prevent proliferation of nuclear weapons in terms of Section 12(e), 59(2) and 60 of the Atomic Energy Act No. 40 of 2014, the Council had not fulfilled the necessary statutory requirements up to the end of the year under review. Further, to ensure productive and efficient exercising of responsibilities in Article 39 of the said Convention, Sri Lanka should have prepared the affiliated provisions in detail, but the Council had not involved in that connection after the year 2019.

Act No. 40 of 2014. The Regulatory Council has contacted the newly appointed Legal Officer and is coordinating with other stakeholders to sign this Additional Protocol. Also, a committee has been appointed by the Honorable Minister of Justice to make a new law necessary for the use of nuclear power in electricity generation of Sri Lanka.

productive exercising of responsibilities with respect to international agreements signed by Sri Lanka.

(b) According to Section 18 of the Act, the Council is responsible for licensing and regulating all practices related to ionizing radiation carried out by all persons, including the Atomic Energy Board. Accordingly, in terms of the powers of Section 12(1) of the Act, though the Council is required to establish procedures and mechanism for monitoring and regulating services such as measurement of radioactivity levels provided by the Board, radiation measurement equipment calibration service, personal monitoring service and site monitoring services, the Council has not prepared such procedures and mechanism.

Based on the approval of the Board of Directors, several rules, policies and regulations to be prepared in accordance with the Act are being drafted including the procedure and mechanism to be prepared in accordance with Section 12 (1) of the Act as indicated by the audit. The approval of the Board of Directors will be sought for making other rules, regulations and terms to be prepared under the Act after the preparation of these rules and regulations. Preparation of these regulations and rules is a big challenge for the Regulatory Council during daily duties with the limited number of employees.

Necessary mechanism should be prepared promptly so that all activities related to ionizing radiation can be regulated according to the sections of the Act.

(c) Though a national strategy should be developed for promptly gaining or regaining control over orphan radioactive sources as per the Section 46 of the Act, such national strategy was not formulated.

This strategy is being prepared with several rules, policies and regulations that should be prepared primarily according to the Act upon the approval of the Board of Directors and it has become a big challenge for the Regulatory Council to prepare

Actions should be taken as per the provisions of the Act.

these regulations and terms during daily duties with a limited number of employees.

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| (d) | Actions had not been taken even by March 2024 to formulate the rules on requirements and procedures to be adopted for granting approvals for the export of radioactive sources based on internationally accepted guidelines as per the Section 48 (2) (a) of the Act and approval of the Parliament in accordance with Section 87 (3). | The final draft of the rule related to the careful transportation of radioactive materials was prepared and approved by the Board of Directors at the meeting held on 30.04.2024. The draft will be prepared based on the views and suggestions of the relevant stakeholders and get the approval of the Parliament after the review of experts of International Atomic Energy Agency, and finalize as a rule. | Actions should be taken as per the provisions of the Act. |
| (e) | In terms of Section 49 of the Act, although a list of imported and exported nuclear materials, equipment and technologies shall be prepared in compliance with international obligations and commitments of Sri Lanka and the list shall be given sufficient publicity as the Council may decide and publish in the Gazette, had not act accordingly. | According to Section 49 of the Act, nuclear materials, equipment and technologies are controlled items and are specified in the Additional Protocol. Sri Lanka has not yet signed the Additional Protocol. This list can only be prepared after the signing of this Additional Protocol. | Actions should be taken as per the provisions of the Act. |
| (f) | In terms of section 69 (1) of the Act, establish requirements for the protection of workers, the public and the environment that are required to be complied with all individuals carrying out activities related to mining and processing operations which generate radioactive material shall be imposed as rules by the Council and those who do not comply should be punished in terms of section 69(2). However, the Council had not prepared the necessary rules even by March 2024. | A committee consisting of two Deputy Directors has been appointed to draft this rule and preparation of the preliminary draft has been commenced. the Regulatory Council expects to get comments and suggestions from the Geological Survey and Mines Bureau after finalizing the draft, and enforce as a rule in near future. | Actions should be taken as per the provisions of the Act. |
| (g) | In terms of section 86 (2) of the Act, the Minister had not made regulations to decommissioning of irradiation | The regulation for decommissioning of irradiation installation in terms of Section | Actions should be taken as per the provisions of the Act. |

installation and formulation of a compensation scheme to compensate radiation workers for diseases or losses caused due to exposure to harmful ionizing radiation.

86 (2) has already been drafted and incorporated in the Radiation Protection Regulation which has been approved by the Board of Directors. The Regulatory Council expects to implement this regulation in accordance with the prescribed procedures after receiving the views and suggestions of the stakeholders.

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| (h) | Rules for criteria for qualification of radiation workers were not prepared in terms of Section 87(1) (d) of the Act. | As already indicated by the audit, the approval of the Board of Directors is sought for making rules to be made in terms of Section 87 (1) (d) of the Act along with the criteria for the Qualification of Radiation Workers, regulations, and directions. | Actions should be taken as per the provisions of the Act. |
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3.2 Operational Activities

Audit Observation	Management Comment	Recommendation
Though the Council should inspect any articles or commodities imported into Sri Lanka and which are available locally, and to take samples for the purpose of testing of radioactivity and where the Council deems it necessary and appropriate, to publish the results of such tests for the information of the general public and all relevant authorities as per the Section 12 (n) of the Act, even random checks had not been conducted to identify imported consumer products that may contain radioactive materials other than imported milk powder.	These inspections are conducted by the Atomic Energy Board, and the Council conducts random inspections as appropriate. Accordingly, the samples of consumer milk powder from four selected districts were randomly checked from the Atomic Energy Board and the reports have already been submitted to the Ministry and the Auditor General.	All other hazardous foods should be tested randomly.

3.3 Transactions of Contentious nature

Audit Observation	Management Comment	Recommendation
In terms of section 30 (2) of the Act where a licensee fails to apply for an application	In terms of section 30 (2) of the Act where a licensee fails to submit an	As regulations have not been prepared

for the renewal of license prior to the date of its expiry, although the relevant premises to be sealed immediately after the expiry of the said license and an application should be made to the Magistrate Court to obtain an order confirming the sealing of the premises within 7 days of the said sealing and issuing directions to the licensee regarding the safety and security of the radioactive source for the protection of human life and the environment, had not act accordingly and as per the sample audit tested, temporary licenses had been issued for 5 places from 1 January 2024 to 31 May 2024. The implementation of the provisions of Section 30 (2) of the Act had been prevented due to issuing temporary licenses by the Council under the provisions of Section 28(2) of the Act. Section 28 (2) of the Act does not clarify the procedure for issuing temporary licenses and therefore, though the Minister should issue regulations in accordance with Section 86 (1) of the Act, only guidelines approved by the Board of Directors had been used.

application for renewal of a license prior to the date of its expiry, though the Regulatory Council may proceed to seal the relevant premises immediately after the expiry of the license, the Council should direct the licensee to submit an application if the licensee intends to renew the license despite the failure of submission of an application and may issue a temporary license to the licensee until the renewal of the license is completed as per the Section 28(2) of the Act. Currently, a temporary license is issued under a specific procedure for a fixed time period and only after payment of all license fees, licenses will be extended for the remaining license period. Further, the license period of a temporary license and the occasions when licenses should be issued are clearly documented in the Procedure for Authorization, which is the guideline approved by the Board of Directors.

regarding the issuance of temporary licenses, the opinion of the Attorney General should be sought and act accordingly.

3.4 Human Resources Management

Audit Observation

18 vacancies were available in the Regulatory Council as at the end of the year under review as 06 vacancies in senior staff ranks, 04 vacancies in tertiary level positions, 05 vacancies in secondary level positions and 03 vacancies in primary level positions. Since it was high as 40 percent of the approved cadre, it had hindered the implementation of an efficient and effective regulatory control process to protect the public from the potential adverse effects of ionizing radiation.

Management Comment

Approval sought from the Department of Management Services through Ministry of Power and Energy to fill vacancies was unsuccessful. Approval has been received at the end of December 2023 to fill positions of Deputy Director, Internal Auditor, Administrative Officer, 04 Management Assistants and 03 Scientific Officer posts and recruitment made in the first quarter of 2024. A request has already been made to the Secretary of the Ministry to fill the remaining vacancies.

Recommendation

Actions should be taken to recruit adequate staff sufficient to achieve the objectives of the Council.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Management Comment	Recommendation
Budgeting was not used as an effective control tool as there were variations ranging from 35 percent to 100 percent between the budgeted cost and the actual cost in relation to 16 recurring expenditure items.	This situation has occurred due to the impact of unexpected employee turnover, government expenditure management circulars and other external factors.	The budget should be prepared prudently so that it can be used as an effective control instrument.