

## **Sri Lanka Atomic Energy Board - 2022**

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### **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 2022 comprising the statement of financial position as at 31 December 2022 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 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 Sri Lanka Atomic Energy Board as at 31 December 2022, 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**

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

My responsibilities in relation to the Financial Statements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this 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 Statement**

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 matters related to going concern and using the going concern basis of accounting unless management either intends 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 Scope of Audit (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 misstatements, 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 guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detected 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 a part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and value the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design 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 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 disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit was expanded as far as possible to examine the following matters in any time as required.

- In the point of presentation of information, whether the organization, systems, procedures, books, records and other documents had been planned properly and adequately as to evaluate the activities of the Board continuously and whether the systems, procedures, books, records and other documents are maintained effectively.
- Complying with any applicable written law or other general or special directions issued by the governing body of the Board.
- Performed according to its powers, functions and duties.
- Procured and utilized the resources economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Observations on the preparation of Financial Statements**

### **1.5.1 Non-compliance with the Sri Lanka Public Sector Accounting Standards**

<b>Non-compliance</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) A total of 223 items of scientific equipment costing Rs. 65.04 million with a zero book value as at 31 December 2022, were further in use. Although the useful life of those assets should be reviewed annually, as stipulated Paragraph 65 of Sri Lanka Public Sector Accounting Standard 07 and if expectations differ from previous estimates, the changes shall be reviewed in terms of Sri Lanka Public Sector Accounting Standard 03. Nevertheless, action had not been taken accordingly.	Revaluation of scientific equipment from among the assets with zero value is currently underway. Having appointed a committee to recognize the equipment that was challenging to recognize when comparing the register of fixed assets and the list of revalued items, further action will be taken in accordance with the recommendations of the committee.	Action should be taken in accordance with Sri Lanka Public Sector Accounting Standard.
(b) As the errors in the preceding years had been retrospectively restated, seven line items in the audited financial statements of the preceding year had been revised by Rs. 2,065.4 million. However, necessary disclosures on these revised items had not been made in terms of Sri Lanka Public Sector Accounting Standard 03.	It is informed that the aforementioned error will be corrected in 2023.	-Do-

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| (c) | A total of 475 items that remained dysfunctional as at the end of the year under review had not been disclosed in the financial statements in terms of Sri Lanka Public Sector Accounting Standard 07.   | Items requiring repairs, can be retired, potential use for exhibition purposes, and items that need to be removed, as identified in the 2022 annual verification of stores, are being dealt with in compliance with the relevant financial regulations and action will be taken to disclose them in the financial statements on completion of those activities. | -Do- |
| (d) | Foreign grants of Rs.12.2 million and Treasury grants of Rs.9.83 million received by the Board during the year under review had not been disclosed as required by Paragraphs 106 and 107 of the Sri Lanka Public Sector Accounting Standards 11. | It is informed that the aforementioned error will be corrected in the preparation of final accounts in 2023.  | -Do- |

### 1.5.2 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) The centralized radioactive waste storage valued at Rs. 81.48 million which had been built by a foreign project and handed over to the board by the Road Development Authority in the year 2019, eighty three items in the physical protection system belonging to that facility and a radiation measuring instrument worth Rs. 1.6 million received as foreign aid in the year 2017 had not been valued and stated in the financial statements.	The value of that building has been informed in writing by the Road Development Authority on 23.05.2023. As there is no sufficient information to account for the radiation measuring equipment, steps will be taken to further examine in this regard and account for or disclose it in the financial statements in due course.	The value of the assets being used by the Board should be assessed and state/disclose in the financial statements.
(b) According to the CUSDEC related to the import of Cobalt 60 element, the customs duty to be paid at the end of the reviewed year amounted to Rs. 34.34 million, whereas it had been shown as Rs. 30.28 million. As such, the	As the custom duty of Rs.4.06 payable in the re-exportation of empty containers previously filled with the Cobalt 60 element was incorrect, it was not accounted for and action will be taken to settle the matter and account for it in the year 2023.	The accurate custom duty should be accounted for after making relevant corrections.

current liabilities had been understated by Rs. 4.06 million.

- (c) Provision for depreciations on Cobalt 60 element had been understated by Rs.4.69 million and Rs.6.9 million in the preceding year and the year under review, respectively. As such, the provision for depreciations by the end of the year under review had been understated by Rs.11.59 million.
- The expenditure on depreciation of the Cobalt 60 element had been accounted for based on the information received from the Sri Lanka Gama Center. Since the correct value of the expenditure on depreciation has been identified at present, action will be taken to adjust it in the accounts of the year 2023.
- Accurate amounts for depreciations should be identified and brought to account.
- (d) A total of 2,762 TLD cards issued on rent basis for 119 cliental institutions had not been assessed and accounted for as assets.
- Since it is challengeable to assess the useful life of these TLD cards, the Board has not decided to account it for as a fixed asset. Arrangements have been made to maintain a stock account and a stock control account under the Accounts Division since the year 2023 for the TLD cards issued on a rent basis.
- The fair value should be assessed and they should be accounted for as assets.
- (e) When completing the use of Cobalt 60 element worth Rs. 120.7 million purchased in the year 2021, provision had not been made for necessary expenditure for their disposal.
- After estimating the expenditure for re-exportation, action will be taken make necessary provisions in the financial statements, 2023.
- Provisions should be made for the expenditure requisite for the disposals.
- (f) According to the financial statements prepared by the New Kelani Bridge Construction Project Unit as at 31 December 2021, computers, furniture and office equipment worth Rs.0.89 million had been received from the Board. Nevertheless, these assets had not been eliminated from the financial statements of the Board.
- As our Board lacks information to substantiate these matters at present, this will be inquired from the ministry that had been charged with the responsibility on the Kelani Bridge Construction Project and further action will be taken accordingly.
- Action should be taken to correct the financial statements.
- (g) Due to the failure to identify revenue heads, the online deposits of Rs.2.43 million
- As the clients did not provide relevant information to confirm the deposits, these deposits could not be identified
- The relevant system should be developed so as to correctly

received in the preceding year and the year under review had been stated as unidentified deposits under the current liabilities. in the relevant year itself and among these deposits, deposits valued at Rs.1,380,455.71 have been identified by 06.07.2023. Every possible efforts will be made to identify the remaining amounts. identify the online deposits.

- (h) Although scientific equipment repair cost of Rs.3.28 million in the year under review had been capitalized, relevant provision for depreciation had been understated by Rs.0.16 million. This will be corrected in the year 2023. Provision for depreciation should be correctly computed and brought to account.

**1.6 Non-compliance with laws, rules, regulations and management decisions.**

<b>Reference to laws, rules, regulations etc.</b>	<b>Non-compliance</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) Section 12.2.6 of Chapter VII of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.	Even though the approval of the Secretary to the Ministry concerned should be obtained for the payment of salary of an acting position, the Board had paid Rs.2.41 million as salaries of acting position for 05 officers from the year 2020 without obtaining such approval.	The Board of Directors' approval has been received for the payment of acting positions. Furthermore, despite seeking approval for this payment from the Department of Management Services through the Ministry, the Additional Secretary to the Ministry has informed that the payment for these acting positions has not been approved.	Action should be taken in pursuance to the provisions of the Establishment's Code and the payments that have not been approved by the Department of Management Services should be suspended.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Without obtaining prior approval from the General Treasury, a sum of Rs.2.74 million had been paid exceeding Rs.100,000 financial limit to the non-staff grade	Due to the fuel shortage experienced in the country during that time, cash advances were provided in order to obtain fuel from fuel station. Furthermore,	Action should be taken in accordance with Financial Regulations.

Financial Regulation 371(2)b and (5)	officers on 16 occasions upon recommendation of the Chief Accounting Officer. Furthermore, without being used for the relevant purpose, the advances totalling Rs.0.26 million obtained in 09 instances had been retained in hand over a period ranging from 14 to 79 days from the date of issuance of imprests.	advances exceeding Rs.100,000 had to be granted owing to the increase in the fuel price. However, action will be taken to adhere to the Financial Regulations and to strength the internal control systems in the future.	
(c) State Accounts Circular No. 30/94 dated 20 April 1994	During the year under review, foreign grants totaling Rs.14.16 million had been directly obtained by the Board without obtaining them through the General Treasury.	A system is currently being prepared to receive foreign aid related to foreign projects through the Department of External Resources.	Action should be taken in accordance with circular provisions.
(d) Guideline issued by Asset Management Circular No. 04/2018 dated 31 December 2018	Although non-financial assets are required to be assessed once every five years, non-financial assets worth Rs.3,245 million owned by the Board had not been so assessed.	Revaluation of scientific equipment is in progress and a committee has been appointed to reconcile the differences between the Register of Fixed Assets and the revaluation register and further steps will be taken based on the recommendations of the committee.	-Do-

## 2 Financial Review

### 2.1 Financial Result

The operations of the Board for the year under review resulted in a deficit of Rs.19.47 million as against the surplus of Rs.129.49 million for the preceding year. Accordingly, a deterioration of Rs.148.96 of the financial result was observed. This deterioration was mainly due to the decrease in the total income by Rs.121.4 million.

## 3 Operating Review

### 3.1 Management Inefficiencies

	<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a)	Pursuance to Section 4 (i) of the Sri Lanka Atomic Energy Act No. 40 of 2014, the Board shall explore the	In collaboration with the Geological Survey and Mines Bureau, a study of the natural	According to the provisions of the Act, necessary research

availability of radioactive mineral resources within Sri Lanka, and as per Section 4 (a), the radioactive materials should be utilized for national development. Nevertheless, the Board had not prepared a system that is capable of using radioactive minerals for national development.

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 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. Further, the Gamma measurements have been carried out in the identified high elevations in Kaudupallella, Naula and Elahera areas.

should be conducted to develop the methodologies that can maximize benefit to the national economy by adding value to the radioactive minerals.

(b) The Cobalt 60 element which is required for the operations of the Gamma Center should be top-upped once every four years and Government grants of Rs.358 million had been provided for this purpose from the year 2013 to 2021. It was observed that the procuring funds may be challengeable in the future due to non-implementation of a funds management programme with an investment that could support the replenishment of depreciating elements with the use of revenue generated by the Gamma Center, without burdening to the General Treasury.

Not commented.

Measures should be taken to replenish the elements with self-generating income without obtaining funds from the General Treasury.



- (d) The land in Orugodawatta, where the head office is located and was obtained by the Board from the Urban Development Authority had been acquired for the Kelaniya New Bridge Construction Project. Subsequently, a building had been constructed through the project on another land leased to the National Apprentice and Industrial Training Authority of Sri Lanka by the Urban Development Authority. No action had been taken to transfer the ownership of the relevant land legally to the Board even by June 2023.
- A sum of Rs.181 million has been paid for the land in Malambe and as action has not been taken to recover the lease rent related to the period during which the old land was not occupied, arrangements have been made to recover the due compensation to the Board by informing that matter to the Urban Development Authority as well as the Road Development Authority. Despite the conduct of discussions headed by the officials of the relevant ministries with the officials of the relevant institutions in this regard, no clear response been received thus far. As per the instructions of the Secretary to the Line Ministry, a letter dated 30.01.2023 has been forwarded to the Ministry requesting a discussion with the secretaries to the relevant ministries in this connection.
- Action should be taken to transfer the relevant land to the Board as soon as possible.
- After acknowledging this issue to the Parliament Sectorial Oversight Committee meeting held on 08 May 2023, a report has been submitted to that committee according to the instructions given to refer that issue to the committee.

### 3.2 Operating Inefficiencies

Audit Observation	Comment of the Management	Recommendation
<p>In terms of Section 5 (e) of the Sri Lanka Atomic Energy Act, the Atomic Energy Board is the exclusive institute responsible for providing services related personal dosimetry service (TLD) in Sri Lanka. It was observed during the course of audit test check on the licences of the Atomic Energy Regulatory Council that there were 600 licensed institutions (medical and technical) using radioactive</p>	<p>Written requests have been made to conduct discussions at the chairmen’s level with regard to the institutions that had not been registered with the Board for the aforesaid service and steps have been taken to make the Council aware of the particulars on the institutions that do not obtain such service.</p> <p>Apart from this, the Board has sent letters to each institution that does</p>	<p>Action should be taken to provide the service related to personal dosimetry service for all licensees in coordination with the Regulatory Council.</p>

technology in Sri Lanka. not obtained the aforementioned  
 Nevertheless, the Board had service. The Board is taking  
 provided services only for 206 of measures to take future action after  
 the aforementioned institutions. further discussions with the  
 Accordingly, the Board had failed Regulatory Commission in this  
 to earn income that could have regard.  
 been earned by providing services  
 to 400 licensed institutions.

### 3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comment of the Management	Recommendation
<p>Even though a Concrete Core Drilling machine had been purchased at a cost of Rs.1.66 million in February 2018 for testing concrete without conducting a proper study, it remained idle even by July 2023 from the date of its purchase due to the lack of a crusher with the Board.</p>	<p>Due to the economic instability in the country from the year 2019, it has not been possible to purchase the aforesaid machine thus far.</p>	<p>Appropriate measures should be taken to use the machine effectively.</p>

### 3.4 Transactions of Contentious Nature

Audit Observation-	Comment of the Management	Recommendation
<p>In making the payment for the land in Malambe selected for the construction of the head office building of the Board, the payment should have included a deduction of the future lease rental of Rs. 7.66 million paid to the Urban Development Authority in respect of the land in Orugodawatta with the old building, in which the Board was maintained according to the Cabinet Decision No. 14/0277/526/002 dated 24 February 2014. Nevertheless, payment had been made without</p>	<p>This matter has been informed to the Urban Development Authority as well as the Road Development Authority in writing and accordingly, action has been taken to recover the compensation receivable to the Board. As per the instructions of the Secretary to the Line Ministry, a letter dated 30.01.2023 has been forwarded to the Ministry requesting a discussion with the secretaries to the relevant ministries in this connection. After acknowledging this issue to the Parliament Sectorial Oversight Committee meeting held on 08 May 2023, a report has been submitted to that committee according to the instructions given to refer that issue to the committee.</p>	<ol style="list-style-type: none"> <li>1. Action should be taken in accordance with the Cabinet decisions and payments should be made only upon the Government valuation.</li> <li>2. Action should be taken to recover the receivables to the Board.</li> </ol>

deducting that amount. Similarly, irrespective of the Government valuation comprising the market value of Rs.116 million of the Malambe land and its lease value for 30 years amounting to Rs.75.5 million, a sum of Rs.181 million had been paid to the Urban Development Authority for the land in Malambe.

### 3.5 Procurement Management

Audit Observation	Comment of the Management	Recommendation
<p>In accordance with the agreement that has been in effect from 08 January 2020 for the design and development an official website for the Board, the relevant activities were supposed to be completed within 90 days. Nevertheless, such activities had not been completed even by September 2023. However, the total contracted amount of Rs.450,000 had been paid by March 2022. Furthermore, the Audit did not find evidence to the effect that the term of the agreement would be extended and advance of Rs.45,000 had been paid without obtaining an advance security as outlined in Guideline 5.4.4 of the Government Procurement Guidelines. Similarly, late fee of Rs.45,000 that should have been levied as per Clause No.18 of the agreement had not been recovered.</p>	<p>The contract for designing and developing an official website for the Sri Lanka Atomic Energy Board has been awarded to the Cyber Concept Pvt Ltd for an amount of Rs. 450,000.00. Although the agreement was prepared to be effective from 08.01.2020 and actions were taken accordingly, the completion of the task within the stipulated timeline was challengeable due to the prevailing Corona pandemic situation in the country. However, late fees have not been recovered since the both parties acted upon a mutual agreement.</p>	<p>The relevant activities should be carried out within the contracted period and the Government Procurement Guidelines and the terms of the agreements should be complied with.</p>