

Lakshman Kadiragamar Institute of International Relations and Strategic Studies -2012

The audit of financial statements of the Lakshman Kadiragamar Institute of International Relations and Strategic Studies for the year ended 31 December 2012 comprising the statement of financial position as at 31 December 2012 and the statement of financial performance, statement of changes in equity, and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971 and Section 10(3) of the Sri Lanka Institute of Strategic Studies Act, No.45 of 2000 as amended by the Sri Lanka Institute of Strategic Studies (Amendment) Act, No.32 of 2006. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Section 14(2)(c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan to perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Audit General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. **Financial Statements**

2.1 **Opinion**

In my opinion, the financial statements give a true and fair view of the financial position of the Lakshman Kadiragamar Institute of International Relations and Strategic Studies as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 **Non-compliance with Laws, Rules, Regulations and Management Decisions**

Non-compliance with the following laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliance

 (a) Sri Lanka Institute of Strategic Studies
 Act, No. 32 of 2006
 Section 10(e)(1)

 The Bandaranaike International Diplomatic Training Institute should be transferred to the Lakshman Kadiragamar Institute of International Relations and Strategic Studies with effect from the date the Institute coming into force and that Institute should function as a Unit responsible for the conduct of Training Programmes and other Study Courses. Nevertheless, these two Institutes had functioned as separate Institutes even up to the end of the year under review.

(b) Employees Trust Fund Act, No. 46 of 1980

A surcharge Rs.11,934 had been paid by the Institute due to the failure to remit the contributions for the period from September 2011 to May 2012 as prescribed in the Employees' Trust Fund Act.

(c) Public Enterprises Circular No. PED/12 of 02 June 2003
 Section 9.3.1

The Institute had not taken action to formulate a Scheme of Recruitment and Promotion for the approved posts and obtain the approval of the Treasury.

3. Financial and Operating Reviews

3.1 Financial Review

3.1.1 Financial Results

The operating results of the Institute for the year under review had been a surplus of Rs.3,367,328 as against the deficit of Rs.563,642 for the preceding year, thus indicating an improvement of Rs.3,930,970 in the financial results for the year under review. Even though the expenditure for the year under review as compared with the preceding year had increased by a sum of Rs.8.9 million, the increase of income by Rs.12.9 million had been the reason for the improvement.

4. Accountability

4.1 Presentation of Financial Statements

In terms of Section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the financial statements should be presented to the Auditor General within 60 days after the close of the year of accounts. Nevertheless, the financial statements for the year under review had been presented only on 8 January 2016 after a delay of 2 years and 10 months.

4.2 Corporate Plan

A Corporate Plan in terms of Section 5.1.3 of the Public Enterprises Circular No. PED/12 of 02 June 2003 had not been presented.

4.3 Action Plan

An Action Plan for the year under review had not been prepared and as such it was not possible to be satisfied in audit with regard to the adequacy of the achievement of the objectives of the Act.

4.4 Budgetary Control

A budget for the year under review had not been prepared in terms of Section 5.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

4.5 Tabling of Annual Reports

Action had not been taken to table the Annual Reports from the year 2007, in Parliament.

5. Systems and Controls

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

- (a) Staff Management
- (b) Budgetary Control