

Lakshman Kadirgamar Institute of International Relations and Strategic Studies - 2023

The audit of the operating activities of the Lakshman Kadirgamar Institute of International Relations and Strategic Studies for the year ended 31 December 2023 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. My comments and observations which I consider should be report to Parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report.

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

As per 16 (1) of the National Audit Act No. 19 of 2018, each audited entity 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 on that entity. In terms of Sub-section 16 (2) of the said Act, the Chief Accounting Officer is required to submit the Annual financial statements to the Auditor General along with the draft annual reports, within such period as may be provided by rules. In pursuance of Sub-section 38 (1) (d) of the Act, the Chief Accounting Officer shall ensure the timely preparation and submission of annual and other financial statements and in addition the Chief Accounting Officer shall be required to submit annual reports to Parliament pertaining to the audited entity.

1.3 Submission of Financial Statements to the Audit

Although financial statements together with the draft annual report of the Institute for the year under review shall be submitted to the Auditor General within 60 days from the end of the financial year in terms of Section 6.6 of the Public Enterprises Circular No. 01/2021 dated 16 November 2021, the financial statements for the year 2023 had not been submitted even by the date of this report.

1.4 Status of Assets and Liabilities as at 31 December 2022

Details of assets, liabilities, income and expenses shown in the financial statement which was prepared by the institution at last as at 31 December 2022 are given below.

Financial Statement Item	Value		
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	Rs.		
<u>Assets</u>			
Non-current Assets	163,361,208		
Current Assets	4,299,622		

Total Assets	167,660,830		
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Equity and Liabilities			
Equity	165,680,032		
Liabilities	1,980,798		

2. Audit Observations	167,660,830		
	=====		
2.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.			
Total Income	47,564,977		
Total Expenditure	44,664,903		

Surplus	2,900,074		
	=====		
Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Sri Lanka Institute of Strategic Studies (Amendment) Act No. 32 of 2006			
(i) Section 10 (a)	Although the Board of Management of the Institute should appoint an International Advisory Council consisted of five persons, such an	A Memorandum has been submitted to the Meeting of Board of Directors on 17 November 2023 for the appointment of the International Advisory Council. Actions will	An International Advisory Council should be appointed in accordance with the provisions of the Act.

	Advisory Council had not been appointed.	be taken to present in this regard to the Meeting of Board of Directors in the future.	
(ii) Section 10 e (1) and Section 10 e (2)	The Bandaranaike International Diplomatic Training Institute should be taken over to this Institute with effect from the date on which the Act comes to be enacted, that is from 29 September 2006 and the training programmes and other academic courses should be conducted as a unit of the Institute. Further the officers and the employees who have been deployed in the service of the Institute should be considered as the officers and the employees of the Institute. Nevertheless, those requirements had not been met accordingly.	All the expenditures therein have been made by the money earned by conducting courses by the Institute up to 2020. The Ministry of Foreign Affairs has taken a policy decision to allocate funds to pay the rental of the Institute from the year 2020.	The Training Institute and its staff should be transferred to this Institute in accordance with the provisions of the Act.
(iii) Section 10 e (2) (i)	Although all the money that was in credit in any account maintained by the Bandaranaike International Diplomatic Training Institute before the effective date of the Act should be transferred to the	As the money in the accounts maintained by the Training Institute is self-earned by the Institute and also the provision from the government for its expenses is not received, actions have not been taken to transfer the money to	The balance in the bank account of the Training Institute should be transferred in accordance with the provisions of the Act.

Fund of the Institute, it had not been so done. another account.

- (b) Section 11 of the Finance Act No. 38 of 1971
- Although the concurrence of the Minister of Finance and the approval of the respective Minister should be obtained while investing the surplus money, the Training Division of the Institute had invested Rs.23,156,825 in 10 fixed deposits and Rs.2,923,679 in Treasury Bills by 31 December 2023 on the approval of the Board of Directors without obtaining such concurrence.
- It was noted to follow the instructions given whenever possible, to invest surplus money henceforth.
- When investing the surplus money, necessary approvals should be obtained as per the provisions of the Finance Act.
- (c) Paragraph (01) of Management Services Circular No. 39 dated 26 May 2009
- Although the provisions had been made by Acts relating to Corporations and Statutory Boards for the determination of wages and allowances to the employees of the Institute, the Minister-in-charge or the Board of Directors should refrain from approving such provisions without obtaining the recommendation of the Salaries and Cadre Commission
- It is accepted that monthly payments have been made as incentives to the officers assigned by the Ministry on the approval of the Board of Directors. Actions will be taken to recruit staff after receiving the approval for the Scheme of Recruitment.
- Allowances should not be paid without obtaining approval of the Department of Management Services.

and the approval of the Department of Management Services.

Nevertheless, a total of Rs.785,000 had been paid as allowances during the year under review for 04 officers assigned to the Institute from the Ministry of Foreign Affairs on the approval of the Board of Directors.

(d) Operational Manual Introduced by Public Enterprises Circular No. 01/2021 dated 16 November 2021

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| (i) Section 3.2.1 | Although the approval of the Department of Management Services is required for Scheme of Recruitment, actions had not been taken accordingly. | Scheme of Recruitment have been prepared and submitted for approval. The Department of Management Services informed to rectify the deficiencies in Scheme of Recruitment and present . | The approval of the Department of Management Services should be obtained for the Scheme of Recruitment as per circular provisions. |
| (ii) Section 6.6 | Although Annual Reports should be tabled in Parliament within five months of the end of the financial year, the Institute had not tabled Annual Reports since 2007. | Annual reports from 2007 to 2015 and from 2016 to 2020 were presented to Parliament on 23 July 2024 and it has been informed to correct the deficiencies in those reports and send them. | Arrangements should be made to table the Annual Reports in Parliament as per circular provisions. |

Actions will be taken to submit those reports as soon as possible accordingly.

3. Operating Review
3.1 Management Inefficiencies

Audit Observations	Comments of the Management	Recommendation
Although the laptop computer balance in inventory as at 31 December 2021 was 16 as per the Board of Survey Report of the year 2023, thus the actual balance was 15 there was a shortage of one laptop.	Although it has been informed that one laptop computer was given to the Sri Lanka Army in the year 2018, it is kindly informed that written evidence cannot be found.	Arrangements should be made in terms of Financial Regulation 104 in respect of shortage of goods.