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1.0. CORPORATE GOVERNANCE STATEMENT

Name of the Institute	: Sri Lanka Institute of Local Governance (Incorporated by an Act of Parliament No. 31 of 1999)
Date of commencement of the Operations	: 15.10.1999
Registered Office	: No. 17, Malalasekara Mawatha, Colombo 07.
Auditors	: Auditor General Department of the Auditor General
Bankers	: Bank of Ceylon Independence Square Branch, Colombo 07.
Overseas Associations	: (a) Commonwealth Local Government Forum (CLGF)
Local Associations	: a) The Asia Foundation - Colombo b) Care International - Sri Lanka
Affiliated Projects	: (a) Disaster Resilient Project

2.0. GOVERNING COUNCIL W.E.F. FEBRUARY 2015

The Governing Council of the Institute comprises thirteen (13) members including eight (08) ex officio members and four (05) appointed members.

2.1. The ex officio and the appointed members are as follows,

- Mr. J. Dadallage - Chairman
Secretary – Ministry of Public Administration, Local Government
and Democratic Governance (from February to July 2015)
and
Mr. H.T. Kamal Pathmasiri
Secretary – Ministry of Provincial Councils and Local Government
(from September to December 2015)

- Ms. W.G. Chandrika - Member
Director - Public Finance (Feb. to May 2016)
and
Ms. N. Godakanda
Department of Management Services (from June to Dec. 2016)

On behalf of
Secretary – Ministry of Finance & Planning

- Mr. K. Hettiarachchi - Member
Secretary – Ministry of Urban Development,
Water Supply and Drainage

- Mr. Shantha Bandara - Member
Additional Director (Rural Development)
Ministry of Housing and Samurdhi

On behalf of
Secretary – Ministry of Housing and Samurdhi

- Eng. N. Rupasinghe - Member
Secretary – Ministry of Mahaweli Development and Environment

- Prof. Willie J. Mendis - Member
Professor Emeritus , University of Moratuwa

- Mr. S.A.D.S.L. Weerasinghe - Member
Managing Director – Irritec (Pvt) Ltd.

- Mr. Chaminda K. Gamage - Member
Media Secretary to the Hon. Minister of Public Administration, Provincial Councils, Local Government and Democratic Governance
- Mr. Suranjan Kodithuwakku - Member
Chairman – Green Movement of Sri Lanka
- Mr. Mahinda Mathugamage - Member
Attorney – at – Law
- Prof. Athula Ranasinghe – Member
Dean – Faculty of Arts, University of Colombo
- Mr. Kasthuri Anuradhanayake - Member & Convenor
Director – Sri Lanka Institute of Local Governance

Mrs. Nayana Nathavitharana
Additional Secretary (Admin. & Finance)
Ministry of Provincial Councils and Local Government
&
Acting Director – Sri Lanka Institute of Local Governance

Secretary of the Governing Council

- Ms. Niranjala Perera
Board Secretary cum PA to the Director/CEO

3.0. AUDIT AND MANAGEMENT COMMITTEE

The following members were engaged in activities of the Audit and Management Committee during year 2015.

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| (a) Ms. W.G. Chandrika
Director - Public Finance (Feb. to May 2016)

and

Ms. N. Godakanda
Department of Management Services (from June to Dec. 2016) | - Chairman |
| (b). Mr. Mahinda Mathugamage
Attorney – at – Law | - Member |
| (c). Mr. S.A.D.S.L. Weerasinghe
Managing Director – Irritec (Pvt) Ltd. | - Member |
| (d). Mr. Kasthuri Anuradhanayake
Director – Sri Lanka Institute of Local Governance | - Member |
| (e). Mr. Ranjith Liyanarachchi
Internal Auditor
Sri Lanka Institute of Local Governance | - Convener |

External Observers

- | | |
|--------------------------------------------------|--|
| (f). Ms. Udeni Perera
Superintendent of Audit | |
|--------------------------------------------------|--|

Secretary to the Audit & Management Committee

- | | |
|-------------------------------------------------------------------------|--|
| (g). Ms. Niranjala Perera
Board Secretary cum PA to the Director/CEO | |
|-------------------------------------------------------------------------|--|

4.0 Review of the Mandate and the Role of the Institute in Improving the Performance of Provincial Councils and Local Authorities

Sri Lanka Institute of Local Governance (SLILG) emerged in the background of the search for a developmental vision for Local Government in the country. In order to make this vision a reality, a Presidential Commission was appointed in 1997 to carry out a study and make recommendations in this regard. This Commission emphasized the importance of creating a national institute in order to cater to the need of enhancing the performance of the local governance sector. The Presidential Commission noted that the local governance sector should be considered as an independent sector with self-authority which can directly contribute to the development activities and provide people with an efficient and satisfactory service to achieve their aspirations in order to uplift their living standards. Sri Lanka Institute of Local Governance was believed to be the most appropriate institute that can work towards achieving these goals. As an institute that is closest to the public, this has the ability to act as a representative body of the general public. With these objectives, Sri Lanka Institute of Local Governance was established under the parliament act No. 31 of 1999. Its functions were commenced in October the same year.

The prime objective of this institute is to improve their organizational systems and management excellence of the provincial councils and local authorities in order to enable them to provide people with an efficient and satisfactory service. Decentralization of administrative powers was commenced with the introduction of the 13th amendment to the constitution in 1987. It is an essential condition that the powers that are vested be implemented correctly in order to achieve the objectives of transferring administrative powers and the primary objectives of democracy. Accordingly, it was expected to establish an institutional administrative role at provincial council level.

It has been twelve (12) years since the establishment of Sri Lanka Institute of Local Governance as mentioned above. During this period it has implemented the plans that should be put into operation annually by the institute and has effectively conceptualized the aims and objectives of the Institute under the guidance of the Governing Council of the Institute. The Institute has received invaluable co-operation of international local government institutes as well as local training institutes in achieving its conceptualized aims and objectives successfully within a short period of time. The contribution of the staff of the Institute, particularly that of the consulting staff, and the research contribution have helped immensely in achieving the expected objectives of the Institute.

However, the decentralization programme seems to have distanced itself especially in the process of implementation. For example:

- Increase of efficiency resulting from decentralization and ensuring the distribution of resources for addressing the immediate and prioritized needs of society.
- Ability to enhance the responsiveness of decentralization in policy making and implementation of policies in addressing the needs of target groups.
- Effectiveness of decentralization in poverty reduction and development activities.
- Implementing the decisions taken at these levels to reflect the high priority placed on citizens, especially the poor categories.
- Concerns of decision making with the involvement of grass root communities in order to uplift their living standards.

Thus, the goal of every year would be to consider showing the path way leading to provincial level democratic processes to which local authorities and provincial councils are committed and to orient the capacity enhancement process in local authorities & provincial councils accordingly.

4.1. MANDATE OF THE INSTITUTE

Sri Lanka Institute Local Governance was established as a public sector agency to perform the following functions as stated in the strategic plans.

- Train the members, officers and other employees attached to provincial councils and local authorities and building up of a cadre of competent officers in those institutes with a view to ensuring good governance in the country.
- Providing consultancy services for improving the organizational structures and management capabilities of provincial councils and local authorities.
- Providing a forum for the critical appraisal of management systems and processes of provincial councils and local authorities.
- Assisting Provincial Management Development Training Units in management development.
- Providing necessary information to the Hon. Minister for formulating the national policies in local government.
- Collaboration with local and international networks for publishing books and magazines on provincial and local government, disseminating information and conducting seminars and workshops.

4.2. Vision

“A Provincial and Local Government System which is Vibrant and Accountable and Assures High Quality service delivery to the Community”

4.3. Mission

“Develop human capital to promote sustainable development and good governance in provincial councils & local Government through advocacy, training & researches”

4.4 OBJECTIVES

The above mission leads towards the achievement of following objectives;

1. To formulate programmes for improvement of performance in order to enhance institutional strengthening of provincial and local governance in partnership with Provincial Management Development Training Units.
2. To strengthen the capacity of Provincial Management Development Training Units towards formulating and delivering training programmes for improving the performance of provincial councils and local government bodies giving assistance for the same.
3. To function as a resource center for provincial councils and local government providing technical and other information to the stakeholders local governance.
4. To function as the central institute for provincial and local governance in collaboration with relevant national and international institutions.
5. To provide special support services in the development of human resources, improvement of management systems and facilitating organizational changes to sub national government institutions .
6. To improve the performance of Sri Lanka Institute of Local Governance to enable efficient and effective provision of training, consultancy and research services for strengthening provincial and local government institutions.

4.5 CONSULTANCY SERVICE OF SRILANKA INSTITUTE OF LOCAL GOVERNANCE

SLILG has established six (06) major divisions for consultancy services, namely:

- a. Engineering
- b. General Management & HRD division
- c. Physical Planning
- d. Financial Management
- e. Legal and Legislative Affairs
- f. Research and Development
- g. Training

4.6 TARGET GROUP

The beneficiaries of training, research and consultancy services, etc. are the nine provincial councils and the 335 local government bodies which comprise 455 and 4486 elected representatives respectively. The total strength of office staff, field staff and the employees of other grades that draws our concern amounts to around 50000.

Each category of the target group differs from one another. Therefore programmes have been designed to cater to the needs identified through training need analysis and discussions with Provincial Management Development Training Units. The SLILG has also played a supporting role in designing provincial level programmes.

The total component of activities for year 2015 was set out bringing forward the training programmes that had been scheduled for year 2015 as well and in addition to those that are set out for year 2014.





4.7 CO-ORDINATION AND MONITORING

Co-ordination and monitoring of training activities implemented by Provincial Management Development Training Units and Local Government Commissioners are considered to be important activities implemented by this institute. The progress of these activities is reviewed through monthly review sessions conducted by Provincial Management Development Training Units and the SLILG.

4.8 BUSINESS PROMOTION

The past experience of the SLILG makes it clear that various governmental and non-governmental organizations seek the support of the SLILG for the implementation of their projects related to local governance. It is necessary to filter these activities in order to identify the result-oriented projects. These business promotion activities are under the supervision of the Director of the SLILG. After negotiating with the relevant organizations, the Director has taken measures for the appropriate implementation of the programmes with the approval of the Governing Council as well.

4.9 LINKAGES WITH NATIONAL / INTERNATIONAL TRAINING AND EDUCATIONAL INSTITUTIONS

Sri Lanka Institute of Local Governance is linked with both national and international organizations. These linkages have been maintained in a way that both parties are mutually benefited. The linkages thus established have helped in creating the opportunity for enhancing overseas training opportunities with their facilitation (CLGF). SLILG expects to exchange information with LOGOTRI, UNESCAP, JICA, CITYNET, USAID, UN-HABITAT during the year 2015.

4.10. MANAGEMENT STRUCTURE OF SLILG

All the decisions related to the functioning and management of the Institute is made by the Governing Council. The Governing Council of the Institute consists of secretaries to specified ministries and representatives of professional organizations. The chairperson is the Secretary to the Ministry of Local Government & Provincial Councils.

The Director of SLILG, who is also the convener of the Council, is the Chief Executive of the Institute. He acts on the overall guidance of the Governing Council. The Director is assisted by the Additional Director and a team of Consultants, Deputy Directors, Assistant Director (Finance) and the support staff.

SLILG is presently organized into seven divisions, namely the Human Resources Development Division, Engineering Division, General Management Division, Physical Planning Division, Financial Management Division, Legal and Legislative Affairs division, Research and Publications division, and Administration and Accounts division.

4.11. EXPANSION OF THE SUPPORT STAFF

There has been an increase in the human resources factor in all the local government bodies with the recent appointment of graduates as Development / Programme Assistants, which is a positive factor. However, improvement of performance and quality of work of the staff is essential in order to ensure efficient and effective services to local government sector.

Therefore, SLILG has organized various staff development programmes to improve their knowledge and understanding with a view to ensuring effective and efficient service provision.

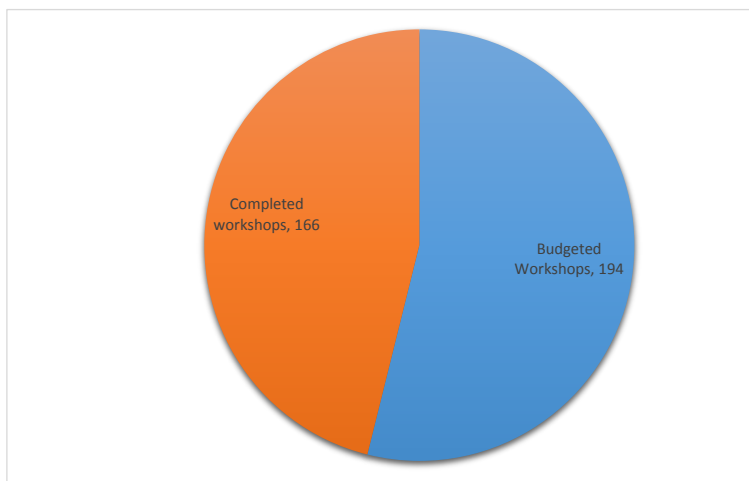
5.0 CADRE POSITION OF THE INSTITUTE DURING YEAR 2015

The total cadre position for year 2015 is as follows

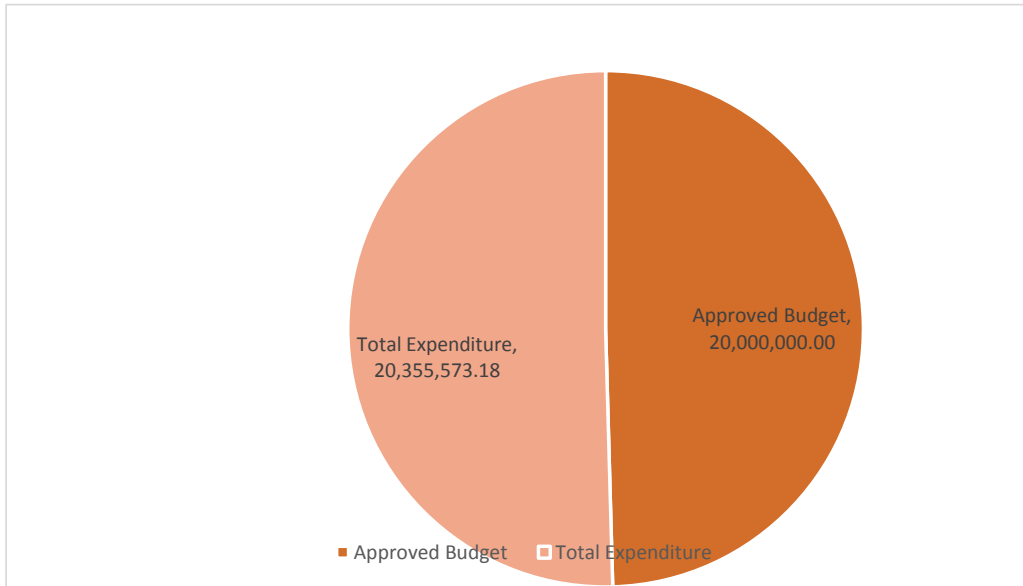
Division	Approved Cadre Position			Actual Cadre		
	Executive	Non Executive	Total	Executive	Non Executive	Total
Administration Division	09	24	33	04	20	24
Engineering Division	02	01	03	01	01	02
General Management & HRD Division	02	01	03	--	01	01
Physical Planning Division	02	01	03	01	01	02
Financial Management Division	02	01	03	01	01	02
Legal & Legislative Affairs Division	02	01	03	--	--	--
Research & Development Division	03	01	04	02	01	03
Training Division	04	--	04	02	--	02
Accounts Division	02	01	03	02	01	03
Total			59		Total	39

6.0 OVERALL PERFORMANCE OF THE INSTITUTE DURING YEAR 2015

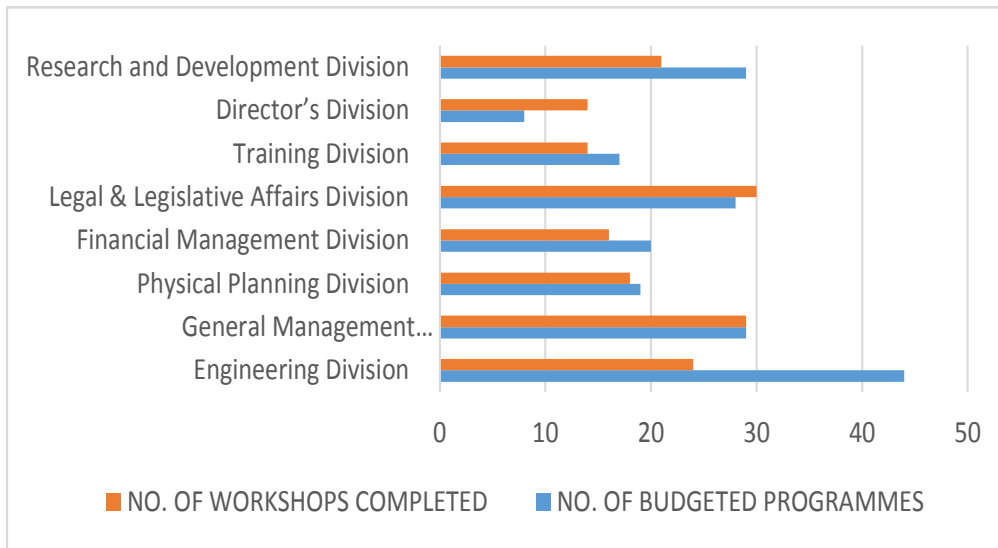
6.1 COMPLETED PROGRAMS



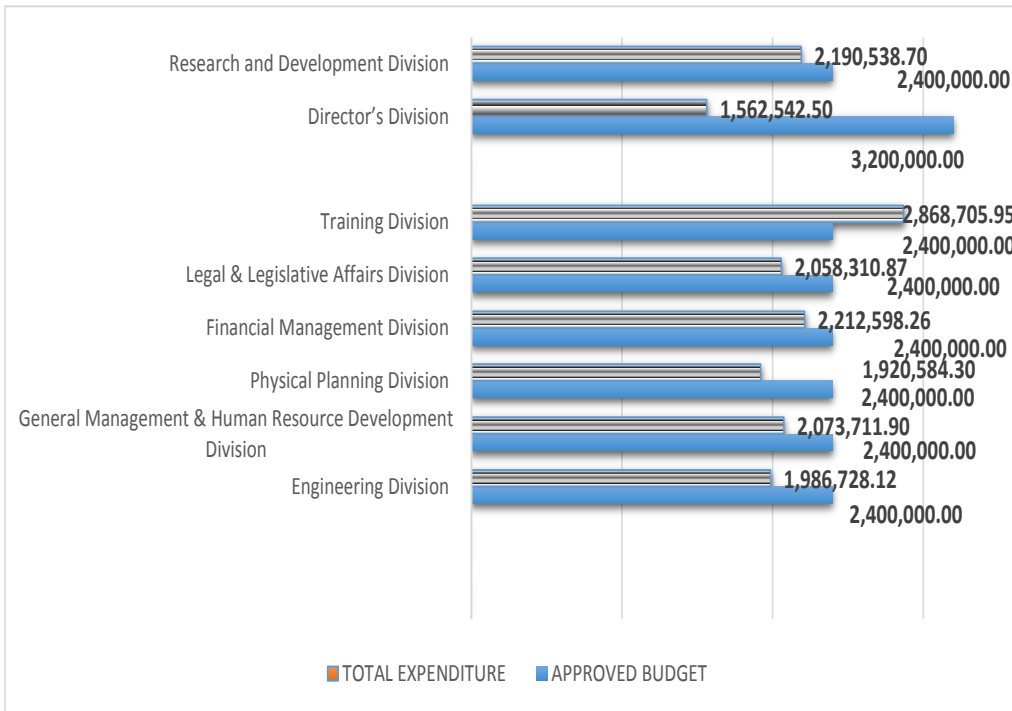
6.2 APPROVED BUDGET & TOTAL EXPENDITURE



6.3 COMPLETED WORKSHOPS



6.4 BUDGET ALLOCATION AND TOTAL EXPENDITURE FOR ALL DIVISIONS

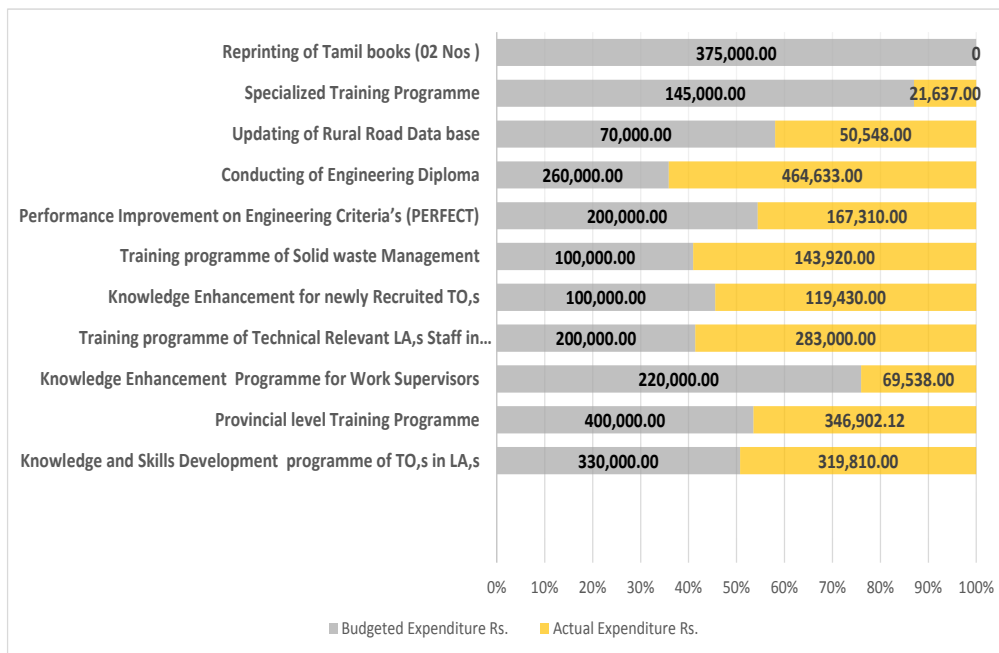


7.0. INFORMATION ON THE PERFORMANCE OF EACH DIVISION OF THE INSTITUTE

7.1. ENGINEERING DIVISION

Engineering Division of SLILG bears the complete responsibility of improving the performance of Technical Departments of Local Authorities and Engineering Divisions of Provincial Councils. These objectives are expected to be achieved through training and research activities designed in accordance with the institutional objectives. Engineers, Work Superintendents and Technical Officers were given training on relevant areas that were selected. In addition, programmes on capacity building were provided to Technical Officers and Provincial Engineers attached to Provincial Councils.

- Funds utilized from the allocated Budget (LKR 000') - Rs. 1,986/-
- No. of Programmes / Workshops etc. completed - 24
- Usage percentage of funds - 82.78



7.2. GENERAL MANAGEMENT & HUMAN RESOURCE DEVELOPMENT DIVISION

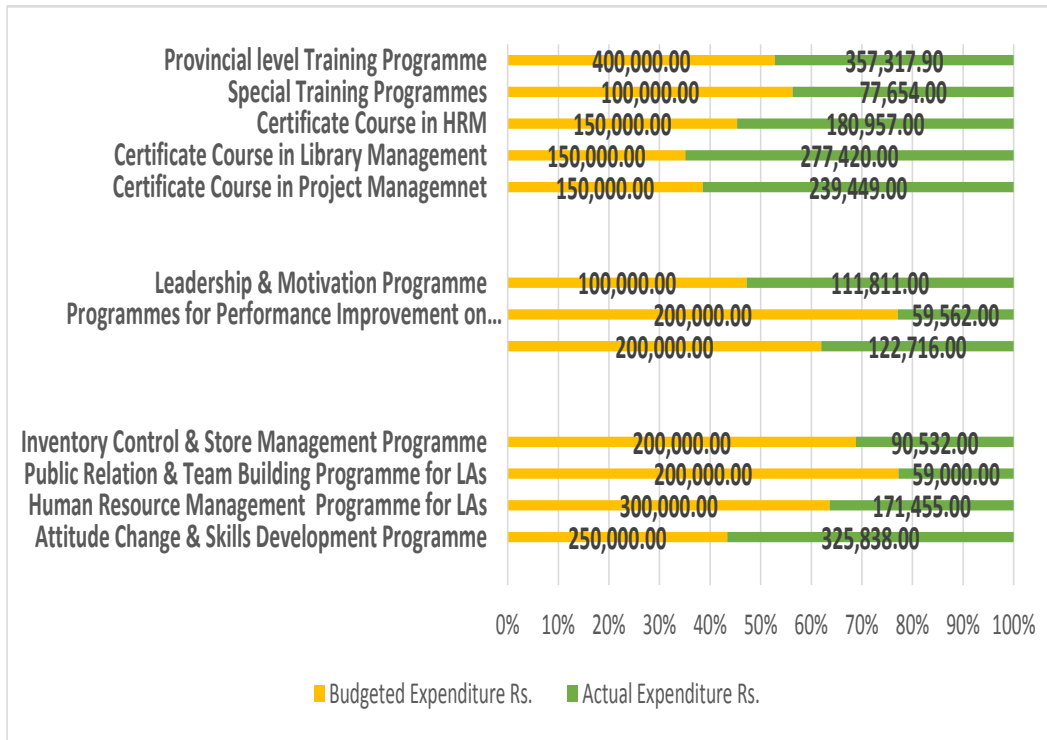
The General Management Division of the SLILG is set up to enhance the managerial capabilities of the elected members and the staff of the Provincial Councils and the Local Government Institutions in Sri Lanka. The Institutional strengthening programmes implemented under the division especially focused on the contemporary capacity building needs of the PCs and LAs. Priority is given to raise the general awareness on devolution and good governance among political leaders, government officials and the civil society. In addition to the national level programs, customized programs too are to be introduced according to needs.

The action plan for every year is formulated after scrutinizing the best practices in local governance in the country as well as in the region. Especially the present situation and the existing capacity levels in the provincial councils and local authorities are taken into accounts.

Objectives of the Division

- ❖ Improve managerial capabilities of elected members and officials of Provincial Councils and Local Authorities for good governance.
- ❖ Strengthen the capacity of elected members and officials of PCs and LAs to improve their performances and changing attitudes to provide better public service to the community.
- ❖ Develop private public partnership to eliminate any barriers for the development in sub national level.
- ❖ Improve the institutional efficiency, effectiveness and productivity to provide better service to general public and other customer satisfaction.

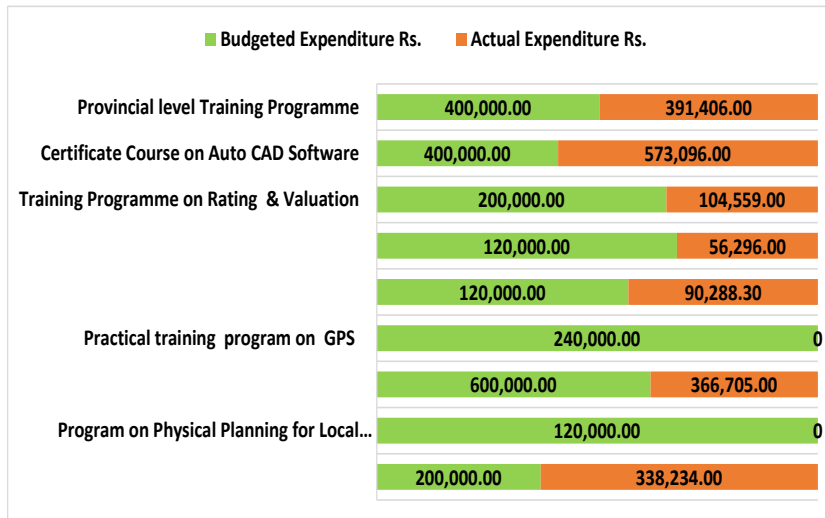
- Funds utilized from the allocated Budget (LKR 000') - Rs. 2,073/-
- No. of Programmes / Workshops completed - 29
- Usage Percentage of Funds - 86.4%



7.3. PHYSICAL PLANNING DIVISION

The main objective of this Division is to improve the performance of political representatives and other relevant officials of the local government bodies and provincial councils of Sri Lanka through the improvement of knowledge, attitudes, skills and quality of service, training and consultancy services in the area of physical planning. The ultimate goal is to improve the living standards and the environment in the relevant local government area.

- Funds utilized from the allocated Budget (LKR 000') - Rs. 1,920/-
- No. of Programmes / Workshops completed - 18
- Usage Percentage of Funds - 80.02%



7.4 FINANCIAL MANAGEMTN DIVISION

The Financial Management Division mainly focuses on;

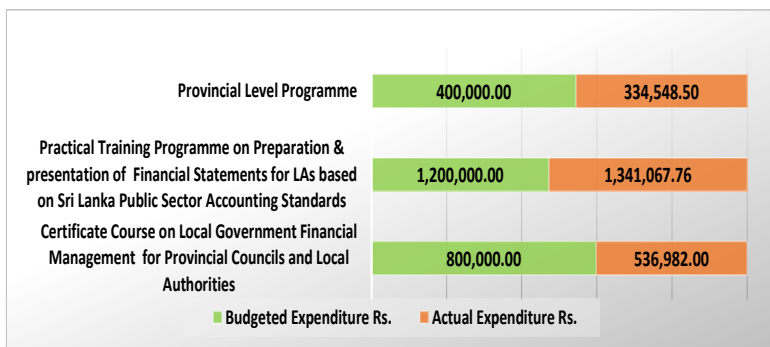
- ✧ improving the knowledge and understanding of local authority staff on financial management
- ✧ conducting workshops for elected members on financial management
- ✧ providing consultancy services to local authorities for improving their efficiency in financial management
- ✧ training of trainers on financial management

The programmes developed by the SLILG in this respect have been very effective in improving the performance of Local Authorities. Yet the demand for knowledge in Financial Management still exists. Training programmes have also been conducted in the following areas based on the requirement.

- ✧ preparation and presentation of financial statements
- ✧ preparation of budgets, budgetary controls and monitoring
- ✧ raising awareness on Sri Lanka Accounting Standards and their applications
- ✧ preparation of cash flow statements and fund flow statements
- ✧ raising awareness on auditing and auditing standards in Sri Lanka

- ✧ raising awareness on internal control systems
- ✧ conducting diploma courses in Local Government Financial Management
- ✧ providing on-the-job training lagging local government bodies on preparing financial statements

- Funds utilized from the allocated Budget (LKR 000') - Rs. 2,212/-
- No. of Programmes / Workshops completed - 16
- Usage Percentage of Funds - 92.2%



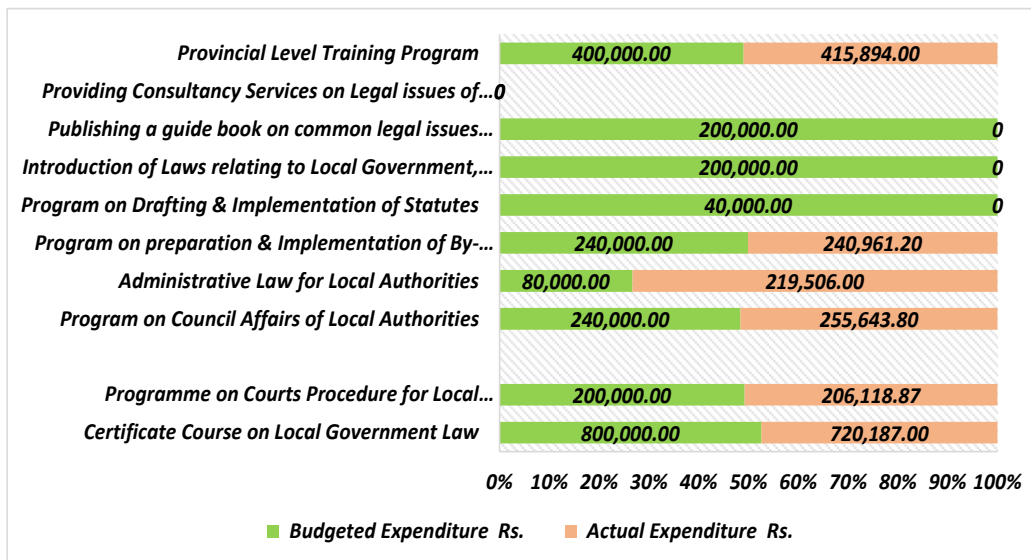
7.5 Legal & Legislative Affairs Division

The Legal and Legislative Affairs Division of SLILG is mandated to strengthen the legislative capacities of elected members and officials of Sub – National Government Institutions in Sri Lanka. The Provincial Councils and Local Authorities, which constitute the Sub – National Government of the country, derive their legal mandate by the respective governing legislations. Therefore the constitution, establishment, powers and functions of them have been built on a legislative foundation.

It has been observed that, elected members and officials of PCs and LAs lack the legislative capacities namely drafting, reviewing, validation and approving By-Laws and Statutes as well as applying the prevailing laws in day to day activities. This has been identified as a major drawback which led PCs and LAs to face with wide range of legal issues, irregularities, malpractices and violation of laws.

The programs of the Legal and Legislative Affairs Division are specially designed having identified and assessed the present situation, training needs and requirements of PCs and LAs and to address them effectively. Moreover a new program titled “Certificate Course on Local Government Law “ has been introduced in order to fill the existing knowledge gap of LAs on general laws of the country with a deeper emphasis on the Constitution, By-Laws, Administrative Law, Court Procedure and Council Affairs of LAs.

Having focused on the overall objective of strengthening legislative capacities of PCs and LAs, the following specific objectives will be addressed by the division.



7.6. TRAINING DIVISION

Training division of the institute has carried out the following activities relating to human resource development of officers and elected members of provincial councils and local authorities.

- Assessment of Training needs
- Identification of target groups
- Development of training manuals and modules
- Conduct training of trainers programme
- Arrange training programmes in key areas for members and staff of Provincial Councils and Local Government Institutions
- Conduct the National level Diplomas / Certificate Courses on Local Governance.
- Disseminate information on Local Governance
 - Quarterly Newsletter (Tamil/Sinhala)
 - Governance Journal (Annually)
- Establish and maintain an up to date Library on Local Governance
- Support and strength the MDTUs and PCLGs for conducting Provincial and Local Government training.
- Co-ordinate, monitor and evaluate the training programmes conducted by MDTUs and PCLGs t local levels.

Funds Utilized from the allocated budget (LKR 000')	= Rs. 3,900
No of programmes / Workshops Completed	= 100
Usage Percentage of Funds	= 163 %

Budget Code	Programme / Activity	No of Budgeted Days	No. of Actual Days	Budgeted Expenditure Rs.
T/01	Meeting of Management Development and Training Units	04	02	300,000.00
T/02	News Letter (Sinhala/Tamil)	4 issues for the year	01 issues for the year	300,000.00
T/03	Training Manuals and Training Guidelines	03 Manuals & Training Guidelines	02 Manuals & Training Guidelines	300,000.00
T/04	Local Governance Journal (Sinhala/Tamil)	One issue for the year	One issue for the year	200,000.00
T/05	Library Development	-	476 Books for Library	200,000.00
T/06	Provincial Level Training Programmes	08	09	400,000.00
T/07	Certificate Course on Community Development	01	-	For preliminary works Rs.100,000 and Course fee Rs.20,000/- per participant
T/08	Advanced Diploma in Local Governance in 2015/16	01	01	For preliminary works Rs.600,000 and Course fee Rs.50,000 per participant
T/09	Diploma in Local Governance in 2015/16	01	-	For preliminary works Rs.600,000 and Course fee Rs.50,000 per participant
T/10 (2014)	Advanced Diploma in Local Governance 2014/15 (Continued from 2014/15 Academic Year)	01	01	Continued from 2014/15 Academic Year
T/11 (2014)	Diploma in Local Governance 2014/15 (Continued from 2014/15 Academic Year)	01	01	Continued from 2014/15 Academic Year
T/12	Publication Unit	N/A	N/A	N/A
T/13	Preparation of Progress reports & Other relevant Reports of the Institute	N/A	N/A	N/A

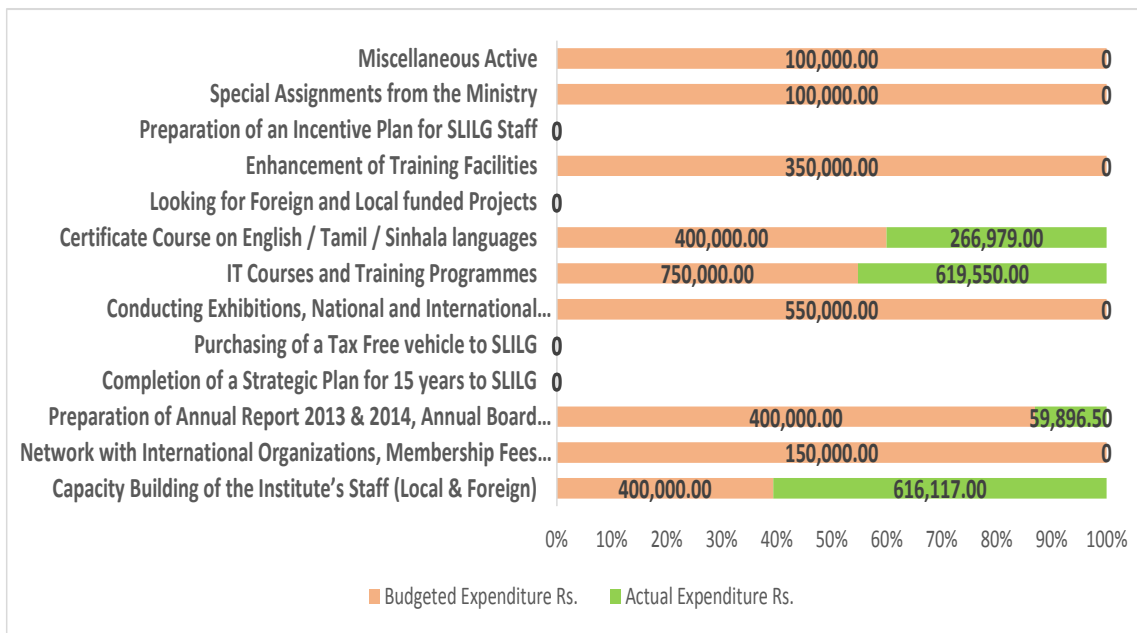
* A portion from the External Funds as Course Fee

7.7. CAPACITY BUILDING OF SLILG

Having passed several landmarks during the period of past seventeen (17) years, it is important that the SLILG, as an Institute, looks back on its own performance up to now and gain from the exercise to guide its functions in specialized functional agendas and need to asses the impact in achieving its goals and objectives. It was expected to perform the functions of the institute eliminating isolation.

- Funds utilized from the allocated Budget (LKR 000') - Rs. 1,562/-
- No. of Programmes / Workshops completed - 14
- Usage Percentage of Funds - 48.82%

** IT Certificate Course is a self-funded programme.

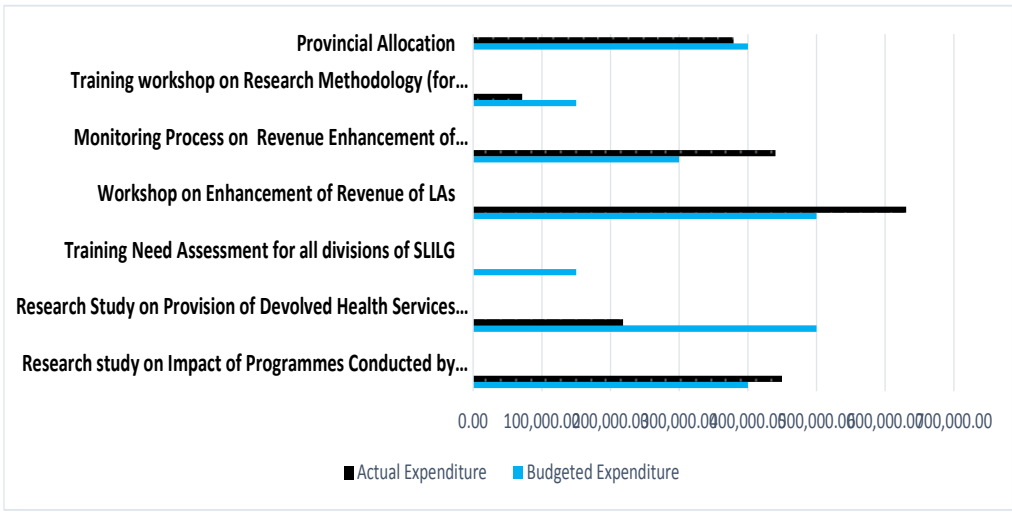


7.8. Research & Development Division

The Research & Development Division of the SLILG is mainly concern on supporting Local Authorities & Provincial Councils by conducting Research & Surveys and dissemination of results and necessary Information for policy makers to strengthen the Local Government & Provincial Council sector. Additionally the Division is conducting training programmes on related activities based on research findings.

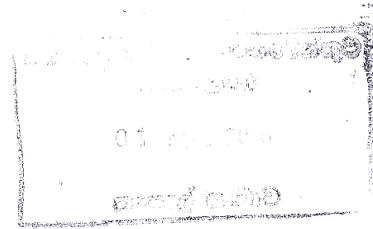
Objectives:

- ❖ To undertake and promote Research Studies of Local Authorities and Provincial Councils to improve and develop their capacities.
 - ❖ Dissemination of Research findings among relevant Policy Makers & Implementing Agencies.
 - ❖ Link with National as well as International Research Bodies in the area of Governance.
 - ❖ To unearth areas of Importance for new Research initiatives.
 - ❖ Maintain a Data Base of Provincial Councils & Local Authorities.
 - ❖ Documentation of Research outputs.
 - ❖ Publishing relevant publications related to Local Government & Provincial Councils.
 - ❖ Conducting Research Methodology courses for relevant officials of the Local Government and Provincial Council sector at National, Provincial & District levels
 - ❖ Provide required training for Elected Members, Officials of Local Authorities and Provincial Councils on Development issues based on research findings.
-
- Funds utilized from the allocated Budget (LKR 000') - Rs. 2,190
 - No. of Programmes / Workshops completed - 21
 - Usage Percentage of Funds - 91.27%



Ministry of Provincial Councils and Local Government

SRI LANKA INSTITUTE OF LOCAL GOVERNANCE



FINANCIAL STATEMENTS

For the Year Ended 31st December 2015

*No. 17, Malalasekara Mawatha,
Colombo - 07*

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Fax : 011-2580316

E-mail : info@slig.gov.lk

Web Site : www.slig.lk

SRI LANKA INSTITUTE OF LOCAL GOVERNANCE

STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 31st December 2015

	<i>Notes</i>	<u>31/12/2015</u>	<u>31/12/2014</u>
Operating Revenue			
Government Contribution - Recurrent	01	53,859,000	48,167,000
Other Income	02	8,227,582	13,151,735
Total Operating Revenue		<u>62,086,582</u>	<u>61,318,735</u>
Operating Expenses			
Administration & Establishment Expenses	03	33,727,491	30,772,840
Human Resources Development Expenses	04	19,597,500	21,466,810
Consultancy Services Expenses	05	-	2,116,854
Retirement Benefit Obligations and Depreciation	06	10,688,864	9,464,935
Total Operating Expenses		<u>64,013,855</u>	<u>63,821,439</u>
Surplus / (Deficit) for the year		<u>(1,927,273)</u>	<u>(2,502,704)</u>


SRI LANKA INSTITUTE OF LOCAL GOVERNANCE

STATEMENT OF FINANCIAL POSITION


As at 31st December 2015

	<u>Notes</u>	<u>31/12/2015</u>	<u>31/12/2014</u>
ASSETS			
<i>Non-Current Assets</i>			
Property, Plant & Equipment	07	432,349,238	25,152,769
		<u>432,349,238</u>	<u>25,152,769</u>
WORKING CAPITAL			
Construction Building	08	44,757,072	44,757,072
<i>Current Assets</i>			
Stocks	09	1,803,878	2,035,695
Pre - Payments & Receivables	10	1,013,437	1,881,470
Staff Debtors & Advances	11	12,772,438	13,889,551
Cash and Cash Equivalents	12	13,330,158	3,995,904
		<u>28,919,911</u>	<u>21,802,620</u>
Total Assets		<u>506,026,221</u>	<u>91,712,462</u>
EQUITY & LIABILITIES			
Government Contribution - Capital		508,434,195	85,885,195
Accumulated Fund		(16,571,222)	(5,965,004)
UNDP Grant		714,659	714,659
Projects Contribution - Capital		1,782,084	1,595,825
Grant from Asia Foundation		291,000	291,000
		<u>494,650,716</u>	<u>82,521,675</u>
<i>Non Current Liabilities</i>			
Retirement Benefit Obligations	13	6,693,463	5,239,265
Retention Money		1,512,000	1,512,000
		<u>8,205,463</u>	<u>6,751,265</u>
<i>Current Liabilities</i>			
Provisions - Audit Fees		1,013,336	500,000
Creditors & Accrued Charges	14	2,156,707	1,939,522
		<u>3,170,043</u>	<u>2,439,522</u>
		<u>506,026,221</u>	<u>91,712,462</u>

The Accounting Policies & Notes on pages 05 to 14 from an integral part of these Financial Statements. These financial statements give a true and fair view of the state of affairs of Sri Lanka Institute of Local Governance as at 31st December, 2015 & its Surplus / (Deficit) for the ended 31st December 2015


K.R.K. Amarasena
Asst. Director (Finance)


Sujeewa Samaraweera
Director/ C.E.O.


H.T. Kamal Pathmasiri
Chairman - SLILG/
Secretary - Ministry of
PCs & LG

SRI LANKA INSTITUTE OF LOCAL GOVERNANCE

CASH FLOW STATEMENT

For the Year Ended 31st December 2015

	31/12/2015	31/12/2014
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Surplus / (Deficit) from Ordinary Activities</i>	(1,927,273)	(2,502,704)
Adjustments for Non - Cash Movements		
<i>Prior Year Adjustment</i>	8,515,610	-
<i>Land & Building Valuation</i>	(422,549,000)	-
Depreciation	8,836,716	7,916,241
Interest Income	-	-
Provision - Audit Fees	513,336	-
Provision for Gratuity	1,454,198	-
Assets Disposal	213,300	(403,015,840)
Operating Surplus Before Working Capital Changes	(404,943,112)	5,413,537
Working Capital Changes		
(Increased) / Decreased Stocks	231,817	(181,014)
(Increased) / Decreased Pre Pay/Receivable	868,033	(1,200,736)
(Increased) / Decreased Sundry Debtors & Advances	1,117,113	(145,129)
Increased Retirement Benefit	-	1,548,694
Increased Creditors	217,184	1,119,923
Cash generated from Operation	(402,508,964)	6,555,275
Gratuity paid	-	-
Cash flow before extraordinary item	-	-
Extra Ordinary Items	(8,515,610)	-
Net cash from operating activities	(411,024,574)	6,555,275
Cash flows from investing activities		
Purchase of fixed assets	(2,203,285)	(43,140,715)
Disposal of equipment	(106,650)	9,325
Net cash from investing activities	(2,309,935)	(43,131,389)
Cash flows from Financing Activities		
Valuation of Government Grant - Land & Building	422,549,000	40,000,000
UNHABITAT Grant	186,259	-
Interest Income	-	-
Interest/Gratuity paid	-	-
Net Cash used in Financing Activities	422,735,259	40,000,000
Net Increase in Cash and Cash Equivalents	9,400,750	3,423,885
Cash and Cash Equivalents At Beginning of period	3,995,904	572,019
Cash and Cash Equivalents At End of period (see Note 1)	13,330,158	3,995,904

Note No 1

Cash at Bank

<i>Cash at Bank - Bank of Ceylon A/C No. 2323344</i>	8,997,605	943,151
<i>Cash at Bank - Bank of Ceylon A/C No. 2323350</i>	1,561,995	1,406,059
<i>Savings Account - Bank of Ceylon A/C No. 2329975</i>	2,770,558	1,646,694
	13,330,158	3,995,904

- 04 -

Description	Government Contribution Capital	Accumulated Fund	UNDP Grant	Project Contribution - Capital	Grant from Asia Foundation	TOTAL
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01/01/2015	85,885,195	(5,965,004)	714,659	1,595,825	291,000	82,521,675
Surplus / Deficit for the period	-	(1,927,273)	-	-	-	(1,927,273)
Transfer for the period	-	-	-	-	-	-
Prior year Adjustments (Note No.-02)	422,549,000	(8,678,946)	-	-	-	-
UNHABITAT Grant for the period	-	-	-	-	-	413,870,054
Balance as at 31/12/2015	<u>508,434,195</u>	<u>(16,571,222)</u>	<u>714,659</u>	<u>1,782,084</u>	<u>291,000</u>	<u>494,650,716</u>
Balance as at 01/01/2014	45,885,195	(3,462,300)	714,659	1,595,825	291,000	45,024,379
Surplus / Deficit for the period	-	(2,502,704)	-	-	-	(2,502,704)
Transfer for the period	40,000,000	-	-	-	-	40,000,000
Prior year Adjustments	-	-	-	-	-	-
Balance as at 31/12/2014	<u>85,885,195</u>	<u>(5,965,004)</u>	<u>714,659</u>	<u>1,595,825</u>	<u>291,000</u>	<u>82,521,675</u>

Note No.-02

Movements in Prior Year Adjustment

	Government Contribution Capital	Accumulated Fund
	Rs.	Rs.
Land & Building Ownership Transfer & Valuation Incorporate	422,549,000	-
Incorporate PAYE Payable which was not Incorporate Payable As at 31-12-2014	-	4,361
Consumable Inventory Treated as Expenses	-	13,250
Building Depreciation (2004 to 2014)	-	8,612,450
Last Year Un-settle accrued expenses write-off	-	(114,451)
Under Provision for Audit Fees Up to 2013	-	163,336
	<u>422,549,000</u>	<u>8,678,946</u>

ACCOUNTING POLICES

1. GENERAL ACCOUNTING POLICES

- 1.1 Financial Statements of the institute are prepared in accordance with Sri Lanka Public Sector Accounting Standards and generally accepted accounting principles on a historical cost basis.
- 1.2 Fixed Assets have been shown in the Balance Sheet at cost less depreciation. Capital working progress is treated as Fixed Assets.
- 1.3 There was no any adjustment made for inflationary factors affecting the accounts in the primarily financial statements.
- 1.4 Certain Assets had been transferred from Ministry of Provincial Council and Local Government without any cost. As per the information's available the said assets were purchased before 1995.

Therefore they were treated as fully depreciated but decided to shown in records with residual value of LKR 100.00 per each.
- 1.5 Among the items transferred from Ministry of Provincial Council and Local Government certain items were appeared immaterial in pricing. A decision was taken to continue these items only on quantity basis in records without a valuation.
- 1.6 Stock valuation is made on basis of First in First out (FIFO) method.
- 1.7 Depreciation is provided the date of use of the assets during the year 2015 on straight line basis.
- 1.8 Land & Buildings valuation for Accounts purpose was carried out from Department of Valuation during the year 2015 which was Owner ship transferred from the Ministry of Public Administration during the year of 2004. Depreciation for Buildings was calculated from the year 2004 and retrospective impact adjusted to Accumulated Funds.

1.9 For the purpose of depreciation the effective life time Assets are as given below

Category of Assets	Life Time Year	Depreciation Rate
Machinery & Office Equipments	10	10%
Computers & Accessories	5	20%
Vehicles	5	20%
Library Books	10	10%
Buildings	20	5%
Furniture & Fittings	10	10%

2. LIABILITIES AND PROVISIONS

2.1 A provision of LKR 6,693,462.76 had been made in the accounts for terminal benefits under the Gratuity Act no 12 of 1983 and this had been grouped under non Current Liabilities in the Balance Sheet. Half month salary for every year of service to employees on retirement has been provided. This Position is prudent, fair and reasonable.

3. CAPITAL EXPENDITURE

Expenditure incurred for the purpose of acquiring extending or improving Assets of a permanent nature by means of which to carry on the objectives or for the purpose of increasing the earning capacity had been treated as Capital Expenditure.

SRI LANKA INSTITUTE OF LOCAL GOVERNANCE

NOTES TO THE ACCOUNTS

For the Year Ended 31st December, 2015

Note 01 - Government Contribution - Recurrent :-

	<u>31/12/2015</u>	<u>31/12/2014</u>
2100 - 02 General Treasury		
Total	<u>53,859,000</u>	<u>48,167,000</u>
	<u>53,859,000</u>	<u>48,167,000</u>

Note 02 - Other Income :-

1505 - 01 Miscellaneous Income		
1505 - 02 Interest on Loan to Employees	10,749	120,427
1505 - 03 Sales of Publication	483,577	508,855
1505 - 05 Interest on FD &SA	44,217	71,378
2101 - 10 Local Government Diploma Course	69,939	28,147
2101 - 15 UNHABITAT Project	6,362,475	7,285,000
DMC Project	-	3,532,509
2101 - 16 Expansion of Rural Road Pilot Project - Min. of PC. & LG	1,140,000	-
2101 - 17 Others	-	1,603,951
Total	<u>116,625</u>	<u>1,468</u>
	<u>8,227,582</u>	<u>13,151,735</u>

SRI LANKA INSTITUTE OF LOCAL GOVERNANCE

NOTES TO THE ACCOUNTS

For the Year Ended 31st December. 2015

	<u>31/12/2015</u>	<u>31/12/2014</u>
Note 03 - Administration & Establishment Expenses :-		
<i>Personal Emoluments</i>		
1503 - 01 - 01	<i>Salaries & Wages</i>	
1503 - 01 - 02	<i>E. P.F</i>	9,706,253
1503 - 01 - 03	<i>E. T.F</i>	2,323,994
1503 - 01 - 04	<i>Holiday Payments & O.T</i>	580,999
1503 - 01 - 05	<i>Other Allowance</i>	404,948
1503 - 02 - 01	<i>Travelling Expenses - Local</i>	10,267,799
	<i>Supplies</i>	182,371
1503 - 03 - 01	<i>Stationary</i>	
1503 - 03 - 02	<i>Fuel Lubricants</i>	1,445,077
1503 - 03 - 03	<i>Uniform</i>	1,399,944
	<i>Maintenance Expenses</i>	36,000
1503 - 04 - 01	<i>Vehicles</i>	
1503 - 04 - 02	<i>Plant, Machinery & Equ.</i>	2,012,792
1503 - 04 - 03	<i>Building</i>	440,651
	<i>Contractual Services</i>	871,196
1503 - 05 - 02	<i>Telephone</i>	
1503 - 05 - 03	<i>Postal Charges</i>	571,401
1503 - 05 - 04	<i>Water & Electricity</i>	187,563
1503 - 05 - 05	<i>Newspapers & Periodicals</i>	1,081,106
1503 - 05 - 06	<i>Security Service</i>	39,945
1503 - 05 - 07	<i>Others</i>	953,464
1503 - 05 - 08	<i>Advertising Expenses</i>	597,524
		624,465
	Total	33,727,491
		30,772,840

SRI LANKA INSTITUTE OF LOCAL GOVERNANCE

NOTES TO THE ACCOUNTS

For the Year Ended 31st December, 2015

<i>Note 04 - Human Resources Development Expenses :-</i>		<u>31/12/2015</u>	<u>31/12/2014</u>
2201 - 05 - 01	H.R.D Expenses - National Level Training Programme		
2201 - 05 - 01 - 01	H.R.D. Expenses - National Level Training - Human Resource Development	14,990,563.37	12,342,807.01
2201 - 05 - 01 - 02	H.R.D. Expenses - National Level Training - Engineering	-	-
2201 - 05 - 01 - 03	H.R.D. Expenses - National Level Training - General Management	1,963,148.62	2,076,876.65
	Certificate Course in Project Management	2,183,664.25	1,264,672.43
	Certificate Course in Library Management	-	226,333.50
2201 - 05 - 01 - 04	H.R.D. Expenses - National Level Training - Physical Planning	-	372,153.50
	Certificate Course on AutoCAD Software	1,677,947.78	1,607,818.49
2201 - 05 - 01 - 05	H.R.D. Expenses - National Level Training - Financial Management	-	338,595.00
	Diploma in Local Government Financial Management (DLGFM) - 2014 for Provincial Councils and Local Authorities	1,537,135.30	2,532,462.68
2201 - 05 - 01 - 06	H.R.D. Expenses - National Level Training - Legal	-	727,934.40
2201 - 05 - 01 - 07	H.R.D. Expenses - National Level Training - Academic	1,698,032.52	2,186,326.96
	Certificate course in local Government Law- Subsidized Course	5,930,634.90	16,500.00
2201 - 05 - 02	H.R.D Expenses - Provincial Level Training Programme	-	993,133.40
	Advanced Diploma in Local Governance - Sinhala/Tamil	-	2,729,048.21
	Diploma in Local Governance - Sinhala/Tamil	-	962,478.00
2201 - 05 - 03	H.R.D Expenses - Capacity Building of SLILG	-	1,471,224.00
2201 - 05 - 04	H.R.D Expenses - Research, Library & Publications	2,213,995.25	1,733,749.15
2201 - 05 - 05	H.R.D. Expenses - Certificate Course of Computer Application	1,293,998.71	2,227,503.85
	DMC Project Expenses	-	-
	Total	<u>1,098,942.71</u>	<u>-</u>
		<u>19,597,500.04</u>	<u>21,466,810.22</u>

SRI LANKA INSTITUTE OF LOCAL GOVERNANCE

NOTES TO THE ACCOUNTS

For the Year Ended 31st December. 2015

		<u>31/12/2015</u>	<u>31/12/2014</u>
Note 05 - Consultancy Services Expenses :-			
1504 - 05	Expenses Account - Common		
	<i>Total</i>	-	2,116,894
		-	2,116,894
Note 06 - Retirement Benefit Obligations and Depreciation			
2102 - 03	Gratuity		
2102 - 04	Audit Fees	1,502,148	1,548,694
2105 - 02	Depreciation	350,000	-
	<i>Total</i>	8,836,716	7,916,241
		<u>10,688,864</u>	<u>9,464,935</u>

SRI LANKA INSTITUTE OF LOCAL GOVERNANCE

NOTES TO THE ACCOUNTS

For the Year Ended 31st December, 2015

Note 07 - Property, Plant & Equipment :-

	Cost as at 01/01/2015	Additions 2015	Removals 2015	Total As at 31/12/2015	Depreciation As at 01.01.2015	Removals 2015	Depreciation 2015	Accumulated Depreciation As at 31.12.2015	W.D.V. As at 31/12/2015	W.D.V. as at 31/12/2014
✓ Land	-	406,890,000	-	406,890,000	-	-	-	-	406,890,000	-
✓ Buildings	-	15,659,000	-	15,659,000	8,612,450	-	782,950	9,395,400	6,263,600	-
✓ Vehicles	33,500,000	-	-	33,500,000	14,240,001	-	6,700,000	20,940,001	12,559,999	19,259,999
2201 - 01 Machinery & Office Equipment	3,520,896	894,340	-	4,415,236	1,939,224	-	249,702	2,188,926	2,226,310	2,303,499
2201 - 03 Library Books	295,948	199,960	-	495,908	157,493	-	31,600	189,093	306,815	138,455
2201 - 04 - 01 Furniture & Fittings	2,013,919	126,125	213,300	1,936,744	1,185,442	106,650	156,692	1,235,484	691,260	106,650
Computers & Computer Accessories	13,929,814	982,860	-	14,912,674	10,585,647	-	915,773	11,501,420	3,411,254	3,344,167
Total	53,260,577	424,752,285	213,300	477,799,561	36,720,258	106,650	8,836,716	45,450,323	432,349,238	25,152,769

Note 8 WORKING CAPITAL

Description	Cost As at 01/01/2015	Additions 2015	Removals 2015	Total As at 31/12/2015	Depreciation As at 01.01.2015	Removals 2015	Depreciation 2015	Accumulated Depreciation As at 31.12.2015	W.D.V. As at 31/12/2015	W.D.V. As at 31/12/2014
Construction Building	44,757,072	-	-	44,757,072	-	-	-	-	44,757,072	44,757,072
	44,757,072	-	-	44,757,072	-	-	-	-	44,757,072	44,757,072

Note : During the year Furniture & Fittings segregated to separate class of Assets out of Machinery & Office Equipment.

SRI LANKA INSTITUTE OF LOCAL GOVERNANCE

NOTES TO THE ACCOUNTS

For the Year Ended 31st December, 2015

		<u>31/12/2015</u>	<u>31/12/2014</u>
Note 09 - Stocks :-			
2202 - 01	Stationary	286,676	440,457
2202 - 02	Publication	1,517,202	1,581,988
2202 - 03	Inventory	-	13,250
Total		<u>1,803,878</u>	<u>2,035,695</u>
Note 10 - Pre - Payments & Receivables :-			
2206 - 01	Insurance	223,672	125,614
2206 - 02	Others	4,856	1,077,597
2206 - 05	Ministry of PC & LG and UNHABITAT	784,909	678,259
Total		<u>1,013,437</u>	<u>1,881,470</u>
Note - 11 - Debtors & Advance :-			
2203 - 01	Staff Debtors	35,386	30,707
2203 - 03	Sundry Debtors	31,219	32,219
2204 - 02	Special Advance	7,850	7,850
2204 - 04	Festival Advance	12,100	31,700
2204 - 05	Staff Loan	11,989,906	13,431,575
2205 - 01	Advance to Emergency Purchases	123,000	123,000
2205-03	Advance to Credit Purchases	77,500	77,500
2205-03	Advance to HRD	441,477	45,000
2205-06	Advance to Incidental	30,000	100,000
2207-01	Advance to Administration	-	10,000
	Deposit Paid	24,000	-
Total		<u>12,772,438</u>	<u>13,889,551</u>
Note - 12 - Cash and Cash Equivalents :-			
2207 - 02	Bank of Ceylon - A/C No. 2323344	8,997,605	943,151
2207 - 03	Bank of Ceylon - A/C No. 2323350	1,561,995	1,406,059
2207 - 04	Servings Account - Bank of Ceylon - A/C No. 2329975	2,770,558	1,646,694
Total		<u>13,330,158</u>	<u>3,995,904</u>

SRI LANKA INSTITUTE OF LOCAL GOVERNANCE

NOTES TO THE ACCOUNTS

For the Year Ended 31st December. 2015

		<u>31/12/2015</u>	<u>31/12/2014</u>
<u>Note - 13 - Retirement Benefit Obligations :-</u>			
	Opening Balance	5,239,265	3,690,571
	Provisions During the Period	1,454,198	1,548,694
	Actual Amount Paid	-	-
	Closing Balance	<u>6,693,463</u>	<u>5,239,265</u>
<u>Note - 14 - Creditors & Accrued Charges :-</u>			
2103 - 01	Accrued Charges	1,653,250	1,855,272
	Salary Payable	68,300	-
	E.P.F. Payable	336,545	-
	E.T.F. Payable	50,482	-
	PAYE payable	7,005	-
	Direct Bank Remittance Payable	11,000	-
	Stamp Duty Payable	125	-
2104 - 02	Deposits - Tender	30,000	84,250
	Total	<u>2,156,707</u>	<u>1,939,522</u>

8.0. CONCLUSION

It is my observation that the Sri Lanka Institute of Local Governance has performed its functions successfully during year 2015 by satisfactorily achieving its targets and objectives.

As a result, the performance and the knowledge of the local authorities, especially those of the elected members and staff were satisfactorily improved.

However, it was observed that the performance of the SLILG has to be further improved in order to accelerate the fulfillment of future needs and to meet the future challenges of local authorities.

It is also my observation that provincial level training activities need to be further strengthened in order to transfer new technology and improved management practices to the local level with a view to enhancing the knowledge of the elected members, officials and business representatives of the local authorities.

It was also observed that the SLILG should act in collaboration with Management Development Training Units in order to meet the quality standards of the local institutes by conducting effective training programmes and providing consultancy services.

Follow up activities have to be carried out in order to get the feed back of the participants of those programmes for the purpose of making the necessary adjustments in the course syllabuses and curricula of the courses that have been conducted.

The need for strengthening of the Committee of the Editorial Board was also noted in order to improve the quality of the publications of the Institute.

Reorganizing and developing the library of the institute, too, has become essential in order to enable it to provide an effective and efficient service to the local government sector in transferring new knowledge and technology through computer skills and new publications on various fields.

Since there is a high demand for the training programmes and other services of the Institute, the need for providing adequate building space for conducting those programmes has also been noted. As the institute is housed in an old building, there is little possibility of further expansion. Therefore, construction of a five storey building in the land adjoining the premises of the existing building needs to be prioritized.

The fleet of vehicles of the Institute, too, has to be increased. This is essential to undertake more training programmes in outstation areas. At least 02 Nos. Double Cabs/Jeeps are necessary for this purpose.

SLILG has to provide continuous facilitation for efficient and effective performance of activities of the provincial councils and local government bodies by conducting training programmes and workshops that are necessary for the devolution of the power among the provincial councils and local authorities as well as for improving the performance of those institutes. Therefore, it is also important to develop the infrastructure facilities of the SLILG.

Thus, it is pleasing to note that Sri Lanka Institute of Local Governance has performed its role quite effectively achieving its targets and objectives during the year 2015.

Sujeeve Samaraweera
Director / CEO
Sri Lanka Institute of Local Governance



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

WNP2 CB H/SLILG 1/15/96

මගේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

05 December 2016

The Chairman,
Sri Lanka Institute of Local Governance

Report of the Auditor General on the Financial Statements of Sri Lanka Institute of Local Governance for the year ended 31 December 2015 in terms of Section 14(2)(c) of the Finance Act, No.38 of 1971

The audit of financial statements of Sri Lanka Institute of Local Governance for the year ended 31 December 2015, comprising the statement of financial position as at 31 December 2014 and the statement of financial performance, statement of changes in net assets 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 18 of the Sri Lanka Institute of Local Governance Act, No.31 of 1999. My comments and observations which I consider should be published with the Annual Report of the Institute appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act will be issued to the Chairman of the Institute in due course.

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 the 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 and 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 misstatements 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 the 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 power to the Auditor General to determine the scope and the 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.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Institute of Local Governance as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.



2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) Even though a sum of Rs.123,000 obtained as advances for printing diaries and advances for human resources development amounting to Rs.391,117 and Advances for petty cash amounting to Rs.30,000 had been settled as at 31 December 2015, those had been stated as advances further recoverable.
- (b) A sum of Rs.186,259 received from the UN Habitat had been credited to the Projects Contribution Account instead of crediting to the Other Income Account.

2.3 Accounts Receivable and Payable

- (a) It was observed in the examination of payments for the diaries published by the Institute that the sum of Rs.492,000 receivable for the diaries obtained by the Ministry of Provincial Council and Local Governance had not been received by the Institute even by 30 June 2016.
- (b) The Institute had failed to recover advances amounting to Rs.44,657 and the distress loans amounting to Rs.455,664 recoverable from the officers from periods prior to the year 2010 even by the end of the year under review.
- (c) Action had not been taken to settle the unusual credit balance amounting to Rs.52,811 that remained in the Staff Loan Account as at 31 December 2015.



2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules and Regulations

Non-compliance

(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka
 Section 4.1 of Chapter XIV

Instances where the combined allowance had also been paid for those days on which food and hostel fees had been provided at the expense of the Institute for the officers who participated for Seminars were observed in the audit test.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) Financial Regulation 264

Even though a receipt should be obtained ensuring that the gross amount mentioned in the voucher relating to all payments is received, 6 instances of payments valued at Rs.138,137 made without such compliance were observed.

(ii) Financial Regulation 371

- Twenty instances of settling a half or an amount approximate to a half saved from Advances issued were observed.
- Even though Advances granted should be settled before 31



December of the Financial Year of which they were issued, 02 Advances amounting to Rs.50,360 granted in the year under review had not been so settled.

2.5 Transactions not supported by Adequate Authority

Even though additional allowances and the financial benefits of other types can be paid to the employees of Statutory Bodies only on the approval either of the Cabinet of Ministers or of the Ministry of Public Administration or of the Treasury in terms of the Public Enterprises Circular No.95 of 14 June 1994, contrary to that miscellaneous allowances amounting to Rs.193,750 had been paid to the officers of the Institute in the year under review for the assigned functions of consultancy level provided by the UN Habitat and by the Disaster Management Centre (DMC Project) on the approval of the Board of Directors.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Institute for the year under review had been a deficit of Rs.1,927,273 as compared with the corresponding deficit of Rs.2,502,704 for the preceding year, thus indicating a decrease in the deficit of Rs.575,431 in the financial result for the year under review as compared with the preceding year. Even though other income had decreased by a sum of Rs.4,924,153, the increase of recurrent grants by a sum of Rs.5,692,000 had been the main reason for the above increase in the deficit.

An analysis of the financial results of the year under review and 4 preceding years indicated that, the surplus of the Institute amounting to Rs.2,882,054 in the year 2011 had converted to a deficit of Rs.1,927,273 in the year 2015. In considering personal emoluments and depreciation on non-current assets, the contribution of the Institute amounting to Rs.20,668,188 in the year 2011 had increased subject to fluctuations to Rs.29,788,488 by the end of the year 2015.



4. Operating Review

4.1 Performance

Conducting Seminars and training courses to enable the members of Provincial Councils and Local Authorities, officers and employees to execute their duties effectively and efficiently is a function of the Institute and a sum of Rs.20,000,000 had been allocated by the Annual Budget for 8 Divisions. Even though a sum of Rs.19,597,500 had been spent for this in the year under review, it was observed that the performance planned by the Institute had not been done and differences between the Progress Reports and planned performance each Division were observed during an examination. Details are as follows.

(a) General Management Division

In the conduct of programmes, five programmes more than the expected programmes and 7 programmes less than the expected programmes had been held. Even though, the participation expected according to the plan, had been 1670, the actual participation had been 1834

(b) Research Division

Even though it was planned to conduct 18 programmes on the Supervision Process on increasing the revenue of regressive Local Authorities, only 9 programmes had been held. The estimated amount had been a sum of Rs.2,400,000 for this Division and the money saved had not been sufficient for holding 9 remaining programmes as the financial progress amounted to Rs.2,190,538. Programmes had not been held as planned and attention had not been paid towards the management of expenditure.

(c) Engineering Division

All programmes had been conducted less than the amount of targeted programmes in this Division. Four out of 9 programmes on Development of Knowledge and Competency of Technical Officers, 1 out of 6 programmes on Knowledge Development of work supervisions, 3 out of 6 Technical Training Courses for the



staff relating to Contract Administration of Local Authorities, 2 out of 4 programmes on Performance Development of engineering criteria, 2 out of 4 programmes on updating the rural roads system and 1 out of 3 special training programmes had not been held. . Even though more than half of the programmes had not been held, the Financial Performance of the allocated estimate amounting to Rs.2,400,00 had been Rs.2,333,630.

(d) Financial Division

Only 03 programmes of the Financial Management Division had been included in the Action Plan and even the Diploma Certificate Course had not been conducted due to not having a Financial Consultant for about one year. Even though Rs.1.2 million had been allocated for 6 programmes on the preparation and the presentation of financial statements in terms of Sri Lanka Public Sector Accounting Standards only 02 programmes had been held by spending a sum of Rs.550,013. A sum of Rs.800,000 had been allocated for 4 programmes on Financial Management of the Local Authorities and 8 programmes had been conducted by spending a sum of Rs.1,623,682. Even though a sum of Rs.400,000 had been allocated for Provincial Level Programmes, a sum of Rs.791,554 had been spent. It was observed that action had not been taken within the allocated estimate limit for this Division.

(e) Legal Division

The programmes of drafting Statutes and implementation, introduction of laws relating to the Local Authorities, providing guidance relating to legal problems of the Local Authorities had not been held.

4.2 Management Activities

A sum of Rs.77,500 had been paid to a private institution on 28 October 2014 as an advance for creating a website valued at Rs.311,000 and the money paid as the advance had become a fruitless expenditure due to not taking necessary action to complete it even by 31 December 2015.



4.3 Operating Activities

Sri Lanka Institute of Local Governance and the Ministry of Local Government and Provincial Councils had prepared future plans without conducting a proper study of the future requirements and as such the contract agreement of Rs.53 million entered into on 28 November 2013 for four floors of the building proposed for construction in the premises of the Sri Lanka Institute of Local Governance had to be increased to Rs.98 million subsequently thus resulting in a price variance of 85 per cent. This agreement entered into on 30 December 2014 for the new contracted. A sum of Rs.98 million had lapsed in August 2015 and as at that date, piling and foundation work had been completed and columns had been built at a cost of Rs.44,757,072.

4.4 Staff Administration

The approved cadre and the actual cadre of the Institute as at 31 December 2015 had been 59 and 40 respectively and the number of vacancies and the number of excess cadre had been 23 and 4 respectively. The Institute had to face difficulties in conducting Seminars due to the Staff Grade posts of the Consultants remaining vacant.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements.

Even though Section 6.5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, stipulates that financial statements should be furnished to audit within 60 days after the close of the year of accounts, the Institute had furnished the financial statements of the year under review to audit only on 01 August 2016.

5.2 Unresolved Audit Paragraphs

According to the decision of the Committee on Public Enterprises held on 05 March 2014, it was stated that the covering approval of the Treasury should be obtained for the bonus paid in the year 2011 and thereafter. However, such an approval had not been obtained even by the end of June 2015.



6. Systems and Controls

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

Areas of Systems and Controls

Observations

(a) Advances	Excessive advances had been granted without estimating the money necessary for the relevant activity.
(b) Staff Loans	The Institute had failed to recover the outstanding loans.
(c) Conducting workshops and the payment of allowances	Conducting programmes more than and less than the expected number in conducting programmes in the Action Plan and the payment of sundry allowances for the work of external assignments on the approval of the Board of Directors.

H.M Gamini Wijesinghe
 Auditor General

