

# Contents

	<b>Page No.</b>
• Corporate Governance Statement	02
• Members of the Governing Council	03
• Members of the Audit and Management Committee	04
• Review of the Mandate of the Authority and the Role of the Institute towards the Improvement of performance of Provincial Councils and Local Authorities	05 - 09
a. Mandate of the Authority	
b. Vision, Mission and Objectives	
c. Target Group of the Consultancy Services of the Institute	
d. Co-ordinating and Monitoring of Business - Linkage with National and International Training and Educational Institutions	
e. Management Structure of the Institute	
f. Expansion of Supportive Staff	
• Carder Position of the Institute in Year 2012	10
• Overall Performance of the Institute during Year 2012	11 - 19
a. Human Resource Development Division	
b. Engineering Division	
c. General Management Division	
d. Physical Planning Division	
e. Financial Management Division	
f. Legal Division	
g. Provincial Training Division	
h. Capacity Building Division	
i. Research and Development Division	
• Financial Information 2012	20 - 28
a. Statement of Financial Performance	
b. Statement of Financial Position	
c. Consolidated Cash Flow Statement	
d. Statement of Changes in Net Assets	
e. Notes to the Accounts	
Conclusion	29 - 30
Audit Opinion	

## 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) LOGOTRI Network of Local Government Training and Research Institutions in Asia and the Pacific b) CITYNET The Regional Network of Local Authorities for the Management of Human Settlements c) CLGF Commonwealth Local Government Forum d) KILA Kerala Institute of Local Administration e) AILLG All India Institute of Local Self-Government
Local Associations	: a) Federation of Sri Lanka Local Government Authorities e) The Asia Foundation - Colombo
Affiliated Projects	: (a). World Bank Funded Road Development Project - Rs. 22 million. (b). Creating By-laws for Local Authorities– Financial Sponsorship by Asia Foundation – Rs. 9.1 million (c). Training Fresher Public Representatives of Local Government Bodies. Financial Sponsorship – Local Government Infrastructure Development Project – Rs.11.9 million

## 2.0. GOVERNING COUNCIL

The Governing Council of the Institute comprises twelve (12) members including eight (08) ex officio members and four (04) appointed members.

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

- Dr. Nihal Jayatilake – Until 14 August 2012
- Mr. R.A.A.K. Ranawaka – From 15 August 2012 - Chairman  
Secretary – Ministry of Local Government and Provincial Councils
- Mr. P.B. Abeykoon - Member  
Secretary – Ministry of Public Administration and Home Affairs
- Mr. Wimal Rubasinghe - Until 27 June 2012 - Member  
Secretary – Ministry of Culture and the Arts
- Mr. M.G. Jayaratne - Until 14 August 2012
- Mr. Wimalasiri Perera – From 15 August 2012 - Member  
Secretary – Ministry of Construction, Engineering Services,  
Housing and Common Amenities
- Mr. A.K. Seneviratne - Member  
Additional Director General,  
Secretary, Department of National Budget, Ministry of  
Finance and Planning
- Prof. (Mrs.) A.S.P. Abeyratne - Member  
Consultant, University of Peradeniya
- Dr. M.A. Abdul Rakeeshthu - Member
- Eng. M.S. Nazeer - Member  
Co-ordinating Secretary to Hon. Minister of Local Government  
and Provincial Councils
- Mr. M.H.A. Samad - Member  
Private Secretary to Hon. Minister of Local Government  
and Provincial Councils
- Mr. I.A. Hameed – Member and Convener  
Director, Chief Executive Officer  
Sri Lanka Institute of Local Governance

Secretary of the Governing Council

- Ms. Niranjala Perera

### 3.0. AUDIT and MANAGEMENT COMMITTEE

The following members were engaged in activities of the Audit and Management Committee during year 2012.

- |  |            |
|--|------------|
| (a). Mr. A.K. Seneviratne<br>Additional Director General,<br>Secretary, Department of National Budget,<br>Ministry of Finance and Planning | - Chairman |
| (b). Eng. M.S. Nazeer<br>Co-ordinating Secretary to Hon. Minister of Local Government<br>and Provincial Councils                           | - Member   |
| (c). Mr. M.H.A. Samad<br>Private Secretary to Hon. Minister of Local Government<br>and Provincial Councils                                 | - Member   |
| (d). Internal Auditor<br>Sri Lanka Institute of Local Governance   | - Convenor |

#### External Observers

Mr. D.L.P. Dias  
Assistant Auditor General

Mr. K.S. Dayaratne  
Superintendent of Audit

#### Committee Secretary

Ms. Niranjala Perera - Board Secretary

#### **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 was established in a situation where boosting the performance of local authorities throughout the country required a vision for the future. 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 new institute in order to cater to the need of boosting 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 help achieve their aspirations in order to uplift their living standards. Sri Lanka Institute of Local Governance was believed to be the most apposite institute that can work towards achieving these goals. As the democratic institute that is closest to the public, this has the ability to act as a representative body of the people. 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 the management and achievement 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 13<sup>th</sup> 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 are committed and to orient the capacity enhancement process in local authorities 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.

- Giving co-operation in training members, officers and other employees attached to provincial councils and local authorities and in 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 regional Management Development and Training Units in management development.
- Providing necessary information to the Hon. Minister for formulating the national policies in local government.
- Linking 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**

“Uplift of the standard of living by developing into the apex national agency in local governance through consultancy services, training and research.”

#### **4.3. MISSION**

“To be the foremost national agency in improving the performance of provincial councils and local authorities through training, research and consultancy services to work towards uplift of the living standards.”

#### **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 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 centre on local governance providing technical and other information to the stakeholders local governance.
4. To function as the central institute for local governance linking 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 etc.
6. To improve the performance of Sri Lanka Institute of Local Governance to enable the provision of training, consultancy and research services for strengthening local authorities.

#### **4.5 CONSULTANCY SERVICE OF SRIL LANKA INSTIUTE OF LOCAL GOVERNANCE**

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

- a. Engineering
- b. General Management / Human Resource Development
- c. Physical Planning
- d. Financial Management
- e. Research and Development
- f. Legal Affairs

#### **4.6 TARGET GROUP**

The beneficiaries of training, research and other workshops, etc. are the 09 provincial councils and the 335 local government bodies which comprise 418 and 4391 elected representatives respectively. The total strength of office staff, field staff and the employees of other grades that draws our concern amounts to around 50,000.

Each category of the target group differs from one another. Therefore programmes have been designed to cater to the needs identified through the 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 2012 was set out bringing forward the training programmes that had been scheduled for year 2011as well and in addition to those that are set out for year 2012.

#### **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 (CITYNET and LOGOTRI).

SLILG expects to continuously exchange information with LOGOTRI, UNESCAP, JICA, CITYNET, USAID and UN-HABITAT during year 2012.

#### **4.12. MANAGEMENT STRUCTURE OF SLILG**

All the decisions related to the functioning and management of the Institute are made by the Governing Council. The Governing Council of the Institute consists of secretaries to specified ministries and representatives of professional organizations.

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 a team of consultants, Deputy Directors, the Accountant and the support staff. All the targets of the Institute have been set out based on the performance enhancement requirements of the Institute.

SLILG is presently organized into a few Divisions, namely the Human Resources Development Division, Engineering Division, General Management Division, Physical Planning Division, Financial Management Division, Legal Division, Research and Publications Division, and Administration and Accounts Division.

#### **4.13. 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 their best service in Local Governance.

Therefore, SLILG 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 2012

The total cadre position for year 2012 is as follows;

Division	Approved Cadre Position			Actual Cadre		
	Executive	Non Executive	Total	Executive	Non Executive	Total
Administration Division	01	21	22	02	20	22
Human Resources Division	01	01	02	-	-	-
Engineering Division	01	01	02	01	01	02
General Management Division	01	01	02	01	01	02
Physical Planning Division	01	01	02	01	01	02
Financial Management Division	01	01	02	-	01	01
Legal Division	01	01	02	01	01	02
Research Division	01	02	03	01	02	03
Training Division	01	01	02	-	-	-
Finance Division	01	03	04	01	03	04
Internal Audit Division	-	01	01	-	-	-
<b>Total</b>	<b>10</b>	<b>34</b>	<b>44</b>	<b>44</b>	<b>30</b>	<b>38</b>

## 6.0 OVERALL PERFORMANCE OF THE INSTITUTE DURING YEAR 2012

	DETAILS	APPROVED BUDGET	TOTAL EXPENDITURE	USAGE % OF APPROVED BUDGET	NO. OF WORKSHOPS COMPLETED	NO. OF ACTIVITIES COMPLETED
01	National Level Programmes	12,750,000.00	11,000,684.96	-	-	-
	Human Resource Development Division	2,125,000.00	2,332,656.59	110%	100	-
	Engineering Division	2,125,000.00	401,231.00	19%	18	-
	General Management Division	2,125,000.00	1,852,064.70	87%	37	-
	Physical Planning Division	2,125,000.00	1,598,391.30	75%	39	-
	Financial Division	2,125,000.00	2,263,618.40	106%	74	-
	Legal Division	2,125,000.00	2,552,813.97	120%	50	-
02	Provincial Level Training Programmes	-	234,367.00	-	12	-
03	Capacity Building of SLILG	2,125,000.00	2,591,848.35	122%	40	03
04	Research, Library and Publications	2,125,000.00	2,753,816.87	130%	68	-
	<b>Total</b>	<b>17,000,000.00</b>	<b>16,580,717.18</b>	<b>91%</b>	<b>438</b>	<b>03</b>

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

### 7.1 HUMAN RESOURCE DEVELOPMENT DIVISION

The Human Resource Development Division of Sri Lanka Institute of Local Governance bears the complete responsibility of human resource development of officials and the elected members of local authorities, and officials and the staff of the Provincial Councils. The human resource development activities of the staff and the elected members of the local authorities turned to be of high-quality and timely with Local Government Election of 2010. Accordingly, priority was given to training requirements and awareness programmes of the elected members of local authorities. Apart from that, as there were newly recruited staffs including graduates in the offices of local authorities, the HRD Division also launched training programmes for them as well.

- Funds utilized from the allocated Budget (LKR 000') - Rs.2,333
- No. of Programmes / Workshops completed - 51
- Usage Percentage of Funds - 110%

Budget Code	Programme / Activity	No. of Budgeted Days	No. of Actual Days	Budgeted Expenditure	Actual Expenditure
HRD/01	Awareness raising workshops	08	04	288,000.00	143,080.75
HRD/03	Capacity building workshops for local authorities	08	16	360,000.00	593,565.65
HRD/02	Meetings of Provincial Training Units	-	-	150,000.00	27,025.00
HRD/02	Provincial level training workshops	-	09	500,000.00	233,631.00
	Higher Diploma in Local Governance	-	44	-	786,024.12
HRD/01	Selected training workshops of the Ministry of Local Government and Provincial Councils and other institutes	01	-	97,000.00	-
HRD/05	Certificate Course in Computer Science	24	18	200,000.00	347,222.27
HRD/02	Capacity Development Workshops for newly elected representatives of the people	04	09	170,000.00	202,016.80
HRD/04	Training workshops for newly elected officials on improving the efficiency	08	-	360,00.00	-
	<b>Total</b>	<b>59</b>	<b>100</b>	<b>2,125,000.00</b>	<b>2,332,565.59</b>

## 7.2 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. 401
- No. of Programmes / Workshops etc. completed - 18
- Usage Percentage of Funds - 19%

Budget Code	Programme / Activity	No. of Budgeted Days	No. of Actual Days	Budgeted expenditure	Actual Expenditure
E-02	Training Workshops for Technical Officers of Provincial Councils	04	-	240,000.00	-
E-04	Training workshop on educating new Technical Officers of the local authorities. (law, maintenance of vehicles, road construction, sanitary, etc)	03	08	225,000.00	176,696.00
E-01	Special workshops for Provincial Engineers	03	-	183,000.00	-
E-03	Training workshops for Technical Officers of Pradeshiya Sabhas.	02	02	150,000.00	38,180.00
E-05	Engineering consultancy in lagging local government bodies.	03	-	150,000.00	-
E-06	Training Workshops for work superintendents of local government bodies	02	02	150,000.00	32,866.00
E-07	Special Training Programmes for the Northern Province	03	-	310,000.00	-
E-08	Special Training Programmes for the Eastern Province	02	-	167,000.00	-
E-09	Selected workshops	01	-	50,000.00	-
E-10	Provincial level workshops	04	06	500,000.00	153,489.00
	<b>Total</b>	<b>27</b>	<b>18</b>	<b>2,125,000.00</b>	<b>401,231.00</b>

### 7.3 GENERAL MANAGEMENT DIVISION

The General Management Division of the SLILG was established to contribute towards human resource development of the provincial councils and local government bodies of Sri Lanka.

This Division is achieving its objectives by creating awareness on issues related to governance and devolution among the political leadership, officials and civil society members. Moreover, programmes related to improving the efficiency and effectiveness of these institutions are also conducted after identifying the training needs.

- Funds utilized from the allocated Budget (LKR 000') - Rs.1,852
- No. of Programmes / Workshops completed - 37
- Usage Percentage of Funds - 87%

Budget Code	Programme / Activity	No. of Budgeted Days	No. of Actual Days	Budgeted expenditure	Actual Expenditure
G.M 01	Training workshops on capacity building	12	19	600,000.00	1,045,010.00
G.M 02	Project management for local government bodies	06	07	300,00.00	296,044.50
G.M 03	Training workshops on library development.	02	05	100,000.00	293,370.00
G.M 04	Training programme on pre-school development	02	-	100,000.00	-
G.M 05	Capacity development workshops for PHIs.	02	-	100,000.00	-
G.M 06	Public relations management	04	01	200,000.00	25,790.00
G.M 07	Training workshops on developing productivity	03	040	125,000.00	149,150.20
G.M 08	Developing action plans through participatory management	02	01	100,000.00	42,700.00
G.M 09	Provincial level training workshops	-	-	500,000.00	-
	<b>Total</b>	<b>33</b>	<b>37</b>	<b>2,125,000.00</b>	<b>1,852,064.70</b>

### 7.4 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.1,598
- No. of Programmes / Workshops completed - 39
- Usage Percentage of Funds - 75%

Budget Code	Programme / Activity	No. of Budgeted Days	No. of Actual Days	Budgeted expenditure	Actual Expenditure
PP/NL/01	Physical Planning Workshops for local authorities	04	03	160,000.00	129,245.00
PP/NL/04	Training workshops on capacity building in GIS/GPS	15	17	750,000.00	594,357.00
PP/NL/02	Training programme on disaster management	04	04	160,000.00	219,542.00
PP/NL/03	Workshop on assessing	08	08	320,000.00	263,715.00
PP/NL/05	Environmental conservation and management	04	04	160,000.00	172,444.50
PP/NL/06	Use of town planning principles for local government bodies	02	-	75,000.00	-
PP/NL/01	Provincial level training programmes	-	03	500,000.00	119,086.00
	<b>Total</b>	<b>37</b>	<b>39</b>	<b>2,125,000.00</b>	<b>1,598,391.30</b>

## 7.5 FINANCIAL MANAGEMENT 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.2,264
- No. of Programmes / Workshops completed - 74
- Usage Percentage of Funds - 106%

Budget Code	Programme / Activity	No. of Budgeted Days	No. of Actual Days	Budgeted expenditure	Actual Expenditure
FM-01	Diploma Courses in Local Government Financial Management	40	25	1,000,000.00	871,442.00
FM-03	providing on-the-job training programmes, workshops on preparing financial statements and consultancy services for lagging local government bodies on	10	15	225,000.00	140,155.00
FM-02	Practical training workshop on preparing and presenting financial statements of local government bodies based on the Sri Lanka Accounting Standards	18	34	900,000.00	1,252,021.40
	<b>Total</b>	<b>68</b>	<b>74</b>	<b>2,125,000.00</b>	<b>2,263,618.40</b>

## 7.6 LEGAL DIVISION

- Funds utilized from the allocated Budget (LKR 000') - Rs.2,553
- No. of Programmes / Workshops completed - 50
- Usage Percentage of Funds - 120%

Budget Code	Programme / Activity	No. of Budgeted Days	No. of Actual Days	Budgeted expenditure	Actual Expenditure
	Workshop on developing the system of local government laws	-	-	-	1,378,253.55
	Workshops on gazette notifications and other notifications issued by local authorities	-	26	-	423,162.80
	Judicial process of local authorities	-	08	-	404,917.50
	Business of the council of local authorities	-	08	-	346,480.12
	Capacity building workshops	-	08	-	346,480.12
	<b>Total</b>	-	<b>50</b>	-	<b>2,552,813.97</b>

## 7.8 PROVINCIAL LEVEL TRAINING PROGRAMMES

All the Provincial Management Development Training Units have submitted details of their provincial training programmes and workshops (action plan) that have been scheduled for year 2012. All the Provincial Training Units have introduced important training programmes for the elected members and officials.

- Funds utilized from the allocated Budget (LKR 000') - Rs.234
- No. of Programmes / Workshops completed - 10

	Programme / Activity	No. of Days	Actual Expenditure
01	Training workshop on library development	01	21,042.00
02	Training workshop for Technical Officers	01	24,110.00
03	Training Programme on Revenue increasing	05	79,940.00
04	Workshops on computer training	03	67,875.00
05	GIS training workshops	02	41,400.00
	<b>Total</b>	<b>12</b>	<b>234,367.00</b>

## 7.9 CAPACITY BUILDING OF SLILG

Having passed several landmarks during the period of past six (06) 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 assess 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.2,592
- No. of Programmes / Workshops completed - 40
- Usage Percentage of Funds - 122%

Budget Code	Programme / Activity	No. of Budgeted Days	No. of Actual Days	Budgeted expenditure	Actual Expenditure
CB/01	Improving the performance of the officials of the Institute	-	-	150,000.00	296,000.00
CB/03	Conducting exhibitions, national and international workshops / conferences	-	-	400,000.00	551,126.48
CB/02	Co-ordination with international organization	-	-	150,000.00	-
CB/05	National level celebrations, opening functions and activities.	-	-	350,000.00	333,878.77
CB/04	Restructuring the Sri Lanka Institute of Local Governance	-	-	200,000.00	130,000.00
CB/06	Facilitating National Diplomas	40	40	875,000.00	1,280,843.00
	<b>Total</b>	<b>40</b>	<b>40</b>	<b>2,125,000.00</b>	<b>2,591,848.35</b>

## 6.8 RESEARCH, LIBRARY AND PUBLICATIONS

This division deals with the following areas:

Undertaking and promoting research studies related to the areas of urban/local development and problems of local authorities to improve and develop their performance.

Dissemination of Research findings among relevant policy makers and implementers.

- ✧ International Workshops
- ✧ Seminars
- ✧ Governance Journal
- ✧ News Letter
- ✧ Other Publications

Working in collaboration with the following national and international organizations in the area of governance:

- ✧ LOGOTRY, UNESCAP
- ✧ UNDP, USAID
- ✧ JICA, ESCAP
- ✧ KILA, etc.,

Areas of importance for new Research initiatives

Enhancing the revenue of local government bodies with the activities of LOGOTRI

Carrying out research on the formulation and implementation of by laws of the local authorities

Collecting information for provincial councils and local authorities.

- ✧ documentation and information service
- ✧ publication of journals / news bulletins
- ✧ documentation of research outputs and out puts of studies
- ✧ manuals and hand books
- ✧ provisions of library services

- Funds utilized from the allocated Budget (LKR 000') - Rs.2,754
- No. of Programmes / Workshops completed - 68
- Usage Percentage of Funds - 130%

Budget Code	Programme / Activity	No. of Budgeted Days	No. of Actual Days	Budgeted expenditure	Actual Expenditure
RD/P/03	National workshops on enhancing the revenue of local authorities.	12	33	500,000.00	775,575.82
RD/01	Research studies on the contribution of the private sector towards local authorities	-	-	500,000.00	575,000.00
03	Research studies on handling development activities at local level by local government bodies.	-	-	500,000.00	-
04	Provincial level training programmes.	-	03	500,000.00	60,407.05
05	Research studied on reconstruction of processes of local authorities.	-	-	-	390,000.00
06	Training programme on data collecting	01	01	125,000.00	37,834.00
07	Certificate course in Research Methodology	30	31	-	915,000.00
	<b>Total</b>	<b>45</b>	<b>68</b>	<b>2,125,000.00</b>	<b>2,753,816.87</b>

## SRI LANKA INSTITUTE OF LOCAL GOVERNANCE

## STATEMENT OF FINANCIAL PERFORMANCE

*For the year ended 31<sup>st</sup> December 2012*

	<u>Notes</u>	<u>31/12/2012</u>	<u>31/12/2011</u>
<b><i>Operating Revenue</i></b>			
<i>Government Contribution - Recurrent</i>	01	36,119,000.00	39,176,000.00
<i>Other Income</i>	02	<u>15,049,008.03</u>	<u>27,500,700.66</u>
<b><i>Total Operating Revenue</i></b>		<b><u>51,168,008.03</u></b>	<b><u>66,676,700.66</u></b>
<b><i>Operating Expenses</i></b>			
<i>Administration &amp; Establishment Expenses</i>	03	25,479,268.92	25,384,254.22
<i>Human Resources Development Expenses</i>	04	16,580,717.18	15,309,284.15
<i>Consultancy Services Expenses</i>	05	9,693,191.17	21,265,772.13
<i>Provisions</i>	06	<u>2,882,188.22</u>	<u>1,835,335.74</u>
<b><i>Total Operating Expenses</i></b>		<b><u>54,635,365.49</u></b>	<b><u>63,794,646.24</u></b>
<b><i>Surplus / Deficit for the year</i></b>		<b><u>(3,467,357.46)</u></b>	<b><u>2,882,054.42</u></b>

**SRI LANKA INSTITUTE OF LOCAL GOVERNANCE**

**STATEMENT OF FINANCIAL POSITION**

*As at 31<sup>st</sup> December 2012*

	<u>Notes</u>	<u>31/12/2012</u>	<u>31/12/2011</u>
<b>ASSETS</b>			
<i>Non-Current Assets</i>			
<i>Property, Plant &amp; Equipment</i>	07	<u>38,951,688.43</u>	<u>10,573,457.05</u>
		<b><u>38,951,688.43</u></b>	<b><u>10,573,457.05</u></b>
<i>Current Assets</i>			
<i>Stocks</i>	08	1,879,316.38	2,142,079.67
<i>Pre - Payments &amp; Receivables</i>	09	911,097.73	1,556,630.91
<i>Staff Debtors &amp; Advances</i>	10	13,820,249.28	11,890,033.66
<i>Cash and Cash Equivalents</i>	11	<u>1,286,317.60</u>	<u>3,606,403.79</u>
		<b><u>17,896,980.99</u></b>	<b><u>19,195,148.03</u></b>
<b>Total Assets</b>		<b><u>56,848,669.42</u></b>	<b><u>29,768,605.08</u></b>
<b>EQUITY &amp; LIABILITIES</b>			
<i>Government Contribution - Capital</i>		41,885,195.41	12,585,195.41
<i>Accumulated Fund</i>		5,112,723.23	8,580,080.69
<i>UNDP Grant</i>		714,658.79	714,658.79
<i>Projects Contribution - Capital</i>		1,595,824.75	1,595,824.75
<i>Grant from Asia Foundation</i>		<u>291,000.00</u>	<u>291,000.00</u>
		<b><u>49,599,402.18</u></b>	<b><u>23,766,759.64</u></b>
<i>Non Current Liabilities</i>			
<i>Retirement Benefit Obligations</i>	12	<u>3,154,603.50</u>	<u>3,055,300.00</u>
		<b><u>3,154,603.50</u></b>	<b><u>3,055,300.00</u></b>
<i>Current Liabilities</i>			
<i>Provisions - Audit Fees</i>		400,000.00	300,000.00
<i>Creditors &amp; Accrued Charges</i>	13	3,694,663.74	2,646,545.44
		<b><u>4,094,663.74</u></b>	<b><u>2,946,545.44</u></b>
		<b><u>56,848,669.42</u></b>	<b><u>29,768,605.08</u></b>

# SRI LANKA INSTITUTE OF LOCAL GOVERNANCE

## CONSOLIDATED CASH FLOW STATEMENT

*For the year ended 31<sup>st</sup> December 2012*

	<u>31/12/2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<i>Surplus / (Deficit) from ordinary activities</i>	(3,467,357.46)
<b>Adjustments for Non - Cash Movements</b>	
<i>Depreciation</i>	2,172,188.22
<i>Provisions - Gratuity</i>	610,000.00
<i>Provisions - Audit Fees</i>	100,000.00
<i>Prior year Adjustments</i>	-
<b>Operating Surplus before working capital changes</b>	<b>(585,169.24)</b>
<i>(Increase) / Decrease in Inventories / Debtors / Other Receivables</i>	(1,021,919.15)
<i>Increase / (Decrease) in Creditors / Payables</i>	1,048,118.30
<b>Cash Generated from Operations</b>	<b>(558,970.09)</b>
<i>Gratuity Paid</i>	(510,696.50)
<i>Audit Fees Paid</i>	-
<b>Net cash from operating activities</b>	<b>(1,069,666.59)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<i>Acquisition of Property</i>	(30,550,419.60)
<b>Net Cash Flows from Investing Activities</b>	<b>(30,550,419.60)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<i>Capital Grant</i>	29,300,000.00
<b>Net Cash Flows from Financing Activities</b>	-
<b>NET MOVEMENT DURING THE YEAR</b>	<b>(2,320,086.19)</b>
<i>Cash &amp; Cash Equivalents at the beginning of period</i>	3,606,403.79
<i>Cash &amp; Cash Equivalents at the end of Period</i>	<b>1,286,317.60</b>
<b>Note 'A'</b>	
<b>Cash at Bank</b>	
<i>Cash at Bank - Bank of Ceylon A/C No. 2323344</i>	77,551.26
<i>Cash at Bank - Bank of Ceylon A/C No. 2323350</i>	1,199,357.57
<i>Savings Account - Bank of Ceylon A/C No. 2329975</i>	9,408.77
	<b>1,286,317.60</b>

**SRI LANKA INSTITUTE OF LOCAL GOVERNANCE**

**STATEMENT OF CHANGES IN NET ASSETS**

<i>Description</i>	<i>Government Contribution Capital</i>	<i>Accumulated Fund</i>	<i>UNDP Grant</i>	<i>Project Contribution - Capital</i>	<i>Grant from Asia Foundation</i>	<i>TOTAL</i>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
<i>Balance as at 01/01/2012</i>	<i>12,585,195.41</i>	<i>8,580,080.69</i>	<i>714,658.79</i>	<i>1,595,824.75</i>	<i>291,000.00</i>	<i>23,766,759.64</i>
<i>Surplus / Deficit for the period</i>	<i>-</i>	<i>(3,467,357.46)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(3,467,357.46)</i>
<i>Transfer for the period</i>	<i>29,300,000.00</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>29,300,000.00</i>
<i>Prior year Adjustments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Balance as at 31/12/2012</i>	<i>41,885,195.41</i>	<i>5,112,723.23</i>	<i>714,658.79</i>	<i>1,595,824.75</i>	<i>291,000.00</i>	<i>49,599,402.18</i>

## SRI LANKA INSTITUTE OF LOCAL GOVERNANCE

### NOTES TO THE ACCOUNTS

*For the year ended 31<sup>st</sup> December, 2012*

		<u>31/12/2012</u>	<u>31/12/2011</u>
<b><u>Note 01 - Government Contribution - Recurrent :-</u></b>			
2100 - 02	General Treasury	36,119,000.00	39,176,000.00
<b>Total</b>		<b><u>36,119,000.00</u></b>	<b><u>39,176,000.00</u></b>
<b><u>Note 02 - Other Income :-</u></b>			
1505 - 01	Miscellaneous Income	76,768.32	61,500.60
1505 - 02	Interest on Loan to Employees	420,301.02	418,459.05
1505 - 03	Sales of Publication	5,136.79	105,338.25
1505 - 04	Insurance Claims	-	16,974.00
1505 - 05	Interest on FD & SA	18,105.52	15,414.65
1505 - 07	Rental Income	540,832.00	597,500.00
2101 - 01	Certificate Courses of Computer Application	-	467,500.00
2101 - 03	UNDP - Art gold Project - Uva Province	1,282,140.00	1,928,210.00
2101 - 04	Advance Account - Common	88,285.00	893,320.00
2101 - 05	The Asia Foundation	232,440.00	148,120.00
2101 - 06	Federation of Sri Lankan Local Government Authorized	-	180,000.00
2101 - 10	Local Government Diploma Course	2,645,000.00	3,051,220.00
2101 - 12	Environmental Maps	-	100,000.00
2101 - 13	Local Government Infrastructure Improvement Project	4,604,509.19	5,135,050.00
2101 - 15	Expansion of Rural Road Pilot Project - Min. of PC. & LG	5,135,490.19	9,012,249.56
2101 - 16	Local Government Infrastructure Improvement Project - II	-	5,369,844.55
<b>Total</b>		<b><u>15,049,008.03</u></b>	<b><u>27,500,700.66</u></b>

## SRI LANKA INSTITUTE OF LOCAL GOVERNANCE

### NOTES TO THE ACCOUNTS

*For the year ended 31<sup>st</sup> December, 2012*

**Note 03 - Administration & Establishment Expenses :-**

1503 - 01 - 01	Personal Emoluments - Salaries & Wages	13,660,211.21	14,388,599.11
1503 - 01 - 02	Personal Emoluments - E. P.F	1,499,998.33	1,609,780.66
1503 - 01 - 03	Personal Emoluments - E. T.F	375,479.05	398,972.34
1503 - 01 - 04	Personal Emoluments - Holiday Payments & O.T	58,580.07	498,847.97
1503 - 01 - 05	Personal Emoluments - Other Allowance	277,870.99	345,900.35
1503 - 02 - 01	Travelling Expenses - Local	276,325.00	301,908.30
1503 - 03 - 01	Supplies - Stationary	1,484,678.35	1,068,053.69
1503 - 03 - 02	Supplies - Fuel Lubricants	2,132,518.81	1,280,074.87
1503 - 03 - 03	Supplies - Uniform	32,608.00	24,495.00
1503 - 04 - 01	Maintenance Expenses - Vehicles	1,405,180.68	1,673,899.27
1503 - 04 - 02	Maintenance Expenses - Plant, Machinery & Equ.	283,708.37	421,935.89
1503 - 04 - 03	Maintenance Expenses - Building	440,980.14	646,633.08
1503 - 05 - 02	Contractual Services - Telephone	597,607.91	636,014.49
1503 - 05 - 03	Contractual Services - Postal Charges	83,589.00	62,285.00
1503 - 05 - 04	Contractual Services - Water & Electricity	1,006,886.88	978,024.24
1503 - 05 - 05	Contractual Services - Newspapers & Periodicals	39,000.00	-
1503 - 05 - 06	Contractual Services - Security Service	678,015.05	684,656.25
1503 - 05 - 07	Contractual Services - Others	546,031.08	364,173.71
<b>Total</b>		<b>25,479,268.92</b>	<b>25,384,254.22</b>

**Note 04 - Human Resources Development Expenses :-**

2201 - 05 - 01	H.R.D Expenses - National Level Training Programme	11,000,684.96	9,973,253.68
2201 - 05 - 01 - 01	H.R.D. Expenses - National Level Training - Human Resource Development	2,332,565.59	1,982,069.61
2201 - 05 - 01 - 02	H.R.D. Expenses - National Level Training - Engineering	401,231.00	307,266.13
2201 - 05 - 01 - 03	H.R.D. Expenses - National Level Training - General Management	1,852,064.70	1,226,477.17
2201 - 05 - 01 - 04	H.R.D. Expenses - National Level Training - Physical Planning	1,598,391.30	1,456,210.73
2201 - 05 - 01 - 05	H.R.D. Expenses - National Level Training - Financial Management	2,263,618.40	1,664,702.75

2201 - 05 - 01 - 06	H.R.D. Expenses - National Level Training - Legal	2,552,813.97	1,565,936.04
2201 - 05 - 01 - 07	H.R.D. Expenses - National Level Training - Academic	-	1,770,591.25
2201 - 05 - 02	H.R.D Expenses - Provincial Level Training Programme	234,367.00	862,878.57
2201 - 05 - 03	H.R.D Expenses - Capacity Building of SLILG	2,591,848.35	1,932,364.95
2201 - 05 - 04	H.R.D Expenses - Research, Library & Publications	2,753,816.87	2,162,777.95
2201 - 05 - 05	H.R.D. Expenses - Certificate Course of Computer Application	-	378,009.00
<b>Total</b>		<b>16,580,717.18</b>	<b>15,309,284.15</b>

**Note 05 - Consultancy Services Expenses :-**

1504 - 01	Federation of Sri Lankan Local Government Authorized	2,000.00	79,879.50
1504 - 02	Management Diploma - UNDP - UP	311,011.53	2,220,588.55
1504 - 03	Management Diploma - UNDP - SP	41,140.00	28,525.67
1504 - 05	Expenses Account - Common	1,569,361.25	2,561,223.94
1504 - 10	Local Government Infrastructure Improvement Project	750,000.00	4,900,400.09
1504 - 11	Local Government Infrastructure Improvement Project - II	2,576,124.63	5,369,844.55
1504 - 12	Environmental Maps	-	41,508.00
1504 - 13	Expansion of Rural Road Pilot Project - Min. of PC. & LG	4,443,553.76	6,063,801.83
<b>Total</b>		<b>9,693,191.17</b>	<b>21,265,772.13</b>

**Note 06 - Provisions :-**

2102 - 03	Provisions - Gratuity	610,000.00	692,452.75
2102 - 04	Provisions - Audit Fees	100,000.00	100,000.00
2105 - 02	Depreciation - Machinery & Office Equipment	1,237,722.34	941,195.67
2105 - 03	Depreciation - Library Books	8,137.88	15,359.32
2105 - 04	Depreciation - Vehicle	904,998.00	64,998.00
2106 - 03	Depreciation - Furniture & Fittings	21,330.00	21,330.00
<b>Total</b>		<b>2,882,188.22</b>	<b>1,835,335.74</b>

**SRI LANKA INSTITUTE OF LOCAL GOVERNANCE**

**NOTES TO ACCOUNTS**

*For the year ended 31<sup>st</sup> December, 2012*

**Note 07 - Property, Plant & Equipment :-**

		<i>Cost as at 01/01/2012</i>	<i>Additions 2012</i>	<i>Removals 2012</i>	<i>Depreciation 2012</i>	<i>Accumulated Depreciation</i>	<i>W.D.V. as at 31/12/2012</i>	<i>W.D.V. as at 31/12/2011</i>
2201 - 01	<i>Vehicles</i>	4,525,290.00	29,300,000.00	300.00	904,998.00	1,041,919.33	32,783,070.67	4,330,296.00
2201 - 02	<i>Machinery &amp; Office Equipment</i>	15,847,146.46	1,250,719.60	-	1,237,722.34	11,078,658.30	6,019,207.76	6,006,210.50
2201 - 03	<i>Library Books</i>	153,593.20	-	-	8,137.88	153,493.20	100.00	66,310.55
2201 - 04 - 01	<i>Furniture &amp; Fittings - Kandalama Circuit Bungalow</i>	213,300.00	-	-	21,330.00	63,990.00	149,310.00	170,640.00
	<b><i>Total</i></b>	<b><i>20,739,329.66</i></b>	<b><i>30,550,719.60</i></b>	<b><i>300.00</i></b>	<b><i>2,172,188.22</i></b>	<b><i>12,338,060.83</i></b>	<b><i>38,951,688.43</i></b>	<b><i>10,573,457.05</i></b>

**Note 08 - Stocks :-**

2202 - 01	Stocks - Stationary	342,378.38	558,907.31
2202 - 02	Stocks - Publication	1,536,938.00	1,583,172.36
<b>Total</b>		<b>1,879,316.38</b>	<b>2,142,079.67</b>

**Note 09 - Pre - Payments & Receivables :-**

2206 - 01	Pre - Payments - Insurance	-	50,992.62
2206 - 02	Pre - Payments - Rent, Post Master General & Others	112,317.73	78,518.29
2206 - 04	Receivable Account - Consultancy Service	-	1,075,500.00
2206 - 05	Receivable Account - Ministry of PC & LG	798,780.00	351,620.00
<b>Total</b>		<b>911,097.73</b>	<b>1,556,630.91</b>

**Note - 10 - Debtors & Advance :-**

2203 - 01	Staff Debtors	31,942.02	189,442.02
2203 - 03	Sundry Debtors	32,218.65	107,732.99
2204 - 02	Special Advance	7,850.00	4,350.00
2204 - 04	Festival Advance	38,300.00	41,300.00
2204 - 05	Staff Loan	13,709,938.61	11,547,208.65
<b>Total</b>		<b>13,820,249.28</b>	<b>11,890,033.66</b>

**Note - 11 - Cash and Cash Equivalents :-**

2207 - 02	Bank of Ceylon - A/C No. 2323344	77,551.26	2,976,395.13
2207 - 03	Bank of Ceylon - A/C No. 2323350	1,199,357.57	483,058.00
2207 - 04	Servings Account - Bank of Ceylon - A/C No. 2329975	9,408.77	146,950.66
<b>Total</b>		<b>1,286,317.60</b>	<b>3,606,403.79</b>

**Note - 12 - Retirement Benefit Obligations :-**

Balance as at 01/01/2012	3,055,300.00	2,432,923.50
Provisions During the Period	610,000.00	692,452.75
Actual Amount Paid	(510,696.50)	70,076.25
<b>Balance as at 31/12/2012</b>	<b>3,154,603.50</b>	<b>3,055,300.00</b>

**Note - 13 - Creditors & Accrued Charges :-**

2103 - 01	Accrued Charges	2,267,867.19	2,200,604.99
2104 - 02	Deposits - Tender	79,250.00	59,250.00
2104 - 03	Funds Receipt in - Advance - GIZ	1,347,546.55	386,690.45
<b>Total</b>		<b>3,694,663.74</b>	<b>2,646,545.44</b>

## 9.0 CONCLUSION

It is our observation that the Sri Lanka Institute of Local Governance has performed its functions successfully during year 2012 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.

It was further observed that 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, arrangements are underway to construct a five storey building in the land adjoining the premises of the existing building.

It has been planned to construct the proposed building with all the required facilities including an auditorium, library, restaurant and other facilities in order to attract both the participants and resource persons of the training programmes. Moreover, 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. Accordingly, those development activities have been being implemented since 2012 under the guidance of the Governing Council of the Institute and the Ministry of Provincial Councils and Local Government and will continue during the period of next ten (10) years.

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 2012.

**I.A. Hameed**  
**Director**  
**Sri Lanka Institute of Local Governance**