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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	:	15th October 1999
Registered Office	:	No. 17, MalalasekaraMawatha, Colombo 07.
Auditors	:	Auditor General Auditor General's Department Colombo 07.
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) ***AIILG*** All India Institute of Local Self-Government
Local Associations	:	a. ***FSLGA*** Federation of Sri Lanka Local Government Authorities. b. The Asia Foundation, Colombo

Project Affiliation	:	***LGIIP***

a) Local Government Infrastructure Improvement Project : Rs. 36 million

b) Rural Road Expansion Project Funded by World Bank. Rs. 22 million

c) Preparation of By-laws by Local Authorities

Funded by The Asia Foundation: Rs. 9.1 million

d) Training of the newly elected members of the

local government (Part of LGIIP) :

Rs. 11.9 million

2.0. GOVERNING COUNCIL

The Governing Council of the Institute comprise of Twelve (12) Members including Eight (08) Ex Officio Members and Four (04) Appointed Members.

2.1. The Ex Officio & Appointed Members were as follows,

a) Dr. Nihal Jayathilake - Chairman
Secretary – Ministry of Local Government & Provincial Councils
No. 330, Union Place, Colombo 02.

b) P.B. AbeykoonEsqr. - Member
Secretary – Ministry of Public Administration & Home Affairs
Independence Square, Colombo 07.

c) Wimal Rubasinghe Esqr. - Member
Secretary – Ministry of Culture & Arts
Sethsiripaya, Batttaramulla.

d) S.M.G. Jayaratne Esqr., - Member
Secretary – Ministry of Construction, Engineering Services, Housing & Common Amenities
Sethsiripaya, Battaramulla.

e) Dr. R.H.S. Samaratunga - Member
Secretary – Ministry of Environment
No. 82, Rajamalwatte Road, Sampathpaya, Battaramulla.

f) A.K. Seneviratne Esqr. - Member
Additional Director General
Dept. of National Budget, Ministry of finance & Planning
The Secretariat, Colombo 01.

g) Prof. (Mrs.) A.S.P. Abhayaratne - Member
Dean, Faculty of Arts, University of Peradeniya

h) Dr. M.A. Abdul Rakeeshthu - Member
Assistant Port Health Office, MRI Old Building, Baseline Road, Colombo 07.

i) Eng. M.S. Nazeer - Member
Coordinating Secretary
To the Hon. Minister of Local Government & Provincial Councils
No. 330, Union Place, Colombo 02.

j) Mr. M.H.A. Samad - Member
Private Secretary
To the Hon. Minister of Local Government & Provincial Councils
No. 330, Union Place, Colombo 02.

k) Mr. I.A. Hameed - - Member and Convener
Director / CEO
Sri Lanka Institute of Local Governance,
No. 17, Malalasekara Mw, Colombo 07

Mrs. Niranjala Perera - Board Secretary

3.0. AUDIT & MANAGEMENT COMMITTEE

The following members have been functioning on the Audit & Management Committee of the institute during the year 2011.

a) Mr. A.K. Seneviratne - Chairman
Additional Director General
Dept. of National Budget

b) Eng. M.S. Nazeer - Member
Coordinating Secretary to the Hon. Minister

c) Mr. M. H. A. Samad - Member
Private Secretary to the Hon. Minister

d) Mr. Jayantha Wijesiri - Convener
Internal Audit Officer of SLILG

EXTERNAL OBSERVERS

e) Mr. D.L.P. Dias - Observer
Assistant Auditor General

f) Mr. K.S. Dayaratne - Observer
Superintendent of Audit

Secretary to the AMC : Board Secretary of SLILG also functions as the Secretary to the Audit and Management Committee

4.0. REVIEW OF THE MANDATE & INVOLVEMENT OF THE INSTITUTE TOWARDS IMPROVEMENT OF CAPACITIES OF PROVINCIAL COUNCILS & 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. Accordingly, a Presidential Commission was appointed to study and make recommendations on the vision in 1997. In its recommendations, the Presidential Commission emphatically addressed the needs for a new Institution that would cater to the requirements of capacity building in the Local Government sector in the country. The emphasis herein, was to consider Local Government as an autonomous, independent sector that could be directly linked to the fulfillment of people's expectations and to enhance the quality of their living conditions. The implying characteristics in this endeavour was that Local Authorities are the best suited institutions that could spearhead the development work that will address the actual needs of the people by incorporating their active participation. The compelling reason here is that the Local Authorities are endowed with the characteristic of being a representative body of the people at grass root level, being the democratic organization closest to them. In pursuance of these expectations the Parliament by Act No. 31 of 1999, established the SLILG which commenced functioning in October that year.

Under the 13th amendment to the Constitution of Sri Lanka, a three-tiered devolved system in governance was created in the country in 1987, because it was felt that for the effective exercise of democracy, a degree of devolved power was a necessity. However, it must be noted that in the earlier two-tier system too, the Local Authorities had traditionally enjoyed a measure of power decentralization for more than 125 years, though the institutional and managerial capabilities of these institutions were not sufficiently strengthened.

It is primarily to address this issue and to instill a sense of Good Governance attitude in the minds of the elected members and employees of the Provincial Councils and Local Authorities that the SLILG was established. And with modesty, it can be acknowledged that the SLILG has lived up to its expectations.

It is Eleven Years since the operations of the SLILG began. Within this period, year after year, Annual Action Plans have been drawn up and executed regularly and as a result of which the aims and objectives of this Institute steered by its Mandate have been realized with the guidance of Governing Council of the SLILG. The links with International Local Government Training Institutions and National Institutions had also impacted in the initial take off of this Institute within a short period. The momentum is maintained with increasing acceleration with the contributions of the staff of SLILG, particularly the consultants in various Divisions who have greatly facilitated these achievements with their initiatives.

However, the Local Authorities are still wanting in some primary spheres such as

- Their efficiency and effectiveness in ensuring a fair allocation of resources addressed to the immediate prioritized needs of the society.
- Their ability to enhance the responsiveness of policy making and the implementation in identifying the needs of all target groups.
- Their effectiveness in poverty alleviation and sustained development.
- Their concerns of how to involve grass root communities in decision making processes that effect the well-being of the people themselves.

Hence, every year, it would to be our aim to consider these as the pathway leading to local governance with greater people orientation to which Local Authorities should be committed. This involves active participation in the development activities of the area with the cooperation of the people who will be the ultimate beneficiaries. This calls for a correctly focused capacity enhancement process in Local Authorities based on need assessments.

4.1. MANDATE

The SLILG was established as a public sector agency to perform the following functions as noted in the strategic plan.

- Training the Members & Officers and Servants of Provincial Councils and Local Authorities and to assist in building up of a cadre of competent provincial and local government officers and the personnel in the country with a view to ensuring good governance.
- Make available to Provincial Councils and Local Authorities services of specialists in improving their organizational systems and management capability.
- Provide a forum for the critical appraisal of Provincial and Local Government Organizational Management Systems and Practices.
- Assist provincial Management Development and Training Units (MDTU) in management development.
- Provide necessary data and information to the Minister for formulating national policies in Local Government.

Network with local & foreign institutions in disseminating information, holding conferences, seminars and publish books and magazines on Provincial & Local Government are an integral part of the functions of SLILG limited only by the availability of funds. In the year 2011, the SLILG was able to align itself with LOGOTRI and CITYNET.

4.2. VISION

"Aiming at upliftment of the quality of the life of the people by becoming the apex National agency in Local Governance through Advocacy, Training, Research and Consultancy Services."

4.3. MISSION

"To be the foremost National Agency in Local Governance for building capacity of sub National (Regional/Provincial) and Local Government Institutions through Advocacy, Training, Research and Consultancy Services towards upliftment of the quality of life of the people."

4.4. OBJECTIVES

The above mission leads to the following objectives;

(i) To formulate and deliver programmes of capacity building activities for the institutional strengthening of local governance in partnership with Provincial Management Development Training Units (MDTU).

(ii) To support and strengthen the capacity of MDTU towards delivering training and development programmes for improving the performance of Provincial Councils and Local Government Institutions.

(iii) To function as a resource centre on Local Governance, providing technical and information services for its stakeholders.

(iv) To functions as the focal point for Local Governance, networking with relevant National and International Institutions.

(v) To provide special support services in the development of human resources, improvement of management systems, building up of positive attitudes and facilitate organizational changes.

(vi) To build the capacity of SLILG itself, in order to provide Advocacy, Training, Consultancy and Research support for strengthening institutions of Local Governance.

4.5. CONSULTANCY AND ADVISORY SERVICES OF SLILG

SLILG has set up Seven (07) major divisions for Consultancy and Advisory Services as follows,

a) Human Resource Development
b) Engineering
c) General Management
d) Physical Planning
e) Financial Management
f) Research & Publications
g) Legal Affairs

4.6. TARGET GROUP

The total target group as recipients of training and beneficiaries of research and other mobilization activities are the Nine Provincial Councils (09) and Three Hundred and Thirty (330) Local Authorities, consisting of Four Hundred and Eighteen (418) elected representatives in Provincial Councils and Four Thousand Three Hundred and Ninety One in Local Authorities. The total strength of secretarial, field staff and the labour grades who benefit from our service amounts to around 50,000 in Local Authorities alone.

There are different categories of personnel in the employment of the Provincial Councils and Local Authorities. Each category differs from the other in its Training Needs. Hence, programmes were designed to cater to the needs identified through discussion with MDTUs. The SLILG,has played active supporting role with MDTUs in designing and activating their own programmes of training supplementing those of ours.

In addition to the new programs setout for 2011, a component of work programmes which were brought forward from the year 2010 contributed to the total component of Training, Management and Research activities for 2011.

The LGIIP Project funded by ADB was brought forward from year 2010. So was the Rural Road Expansion Project funded by the World Bank.

The Advanced Diploma In local Governance which was conducted in Colombo and Diploma in Management which was started in Badulla in 2010 were carried forward to 2011.

Similarly, the Diploma In Local Government Course in Tamil medium which was launched in November 2010 simultaneously in Batticaloa and Trincomalee with 60 participants from Local Authorities was also carried into the year 2011.

The Research work on the Effect of Population Increase in Local Governance that was launched in 2010 was also continued in 2011 as well.

4.7. CO-ORDINATION AND MONITORING

The progress of Action Plan Activities carried out by the seven different divisions of the SLILG had been continuously monitored at monthly Progress Review meetings which were held for this purpose at SLILG, chaired by the Director/SLILG.

Similarly, co-ordination and monitoring of training activities carried out directly by MDTUs and Provincial Commissioners of Local Government (PCLGs) under funds allocated by SLILG which are considered to be one of the important components of training activities of the SLILG were also reviewed periodically at progress meetings which were held in SLILG with Heads of MDTUs and PCLGs present.

4.8. BUSINESS PROMOTION

Past experience shows that various Governmental and Non Governmental Organizations connected with Local Government field expect the support of SLILG for the implementation of various project activities. It was necessary to filter these activities promptly and identifying the most relevant and result oriented projects in conformity with the government policy. This business promotion activity was under the direction of Director of SLILG. He has negotiated with such organizations and took suitable steps for the appropriate implementation with the approval of Governing Council.

4.9. LINKAGES WITH NATIONAL / INTERNATIONAL TRAINING AND EDUCATIONAL INSTITUTIONS

Sri Lanka Institute of Local Governance has direct links with both National & International Organizations. These links have been utilized for the mutual benefits of both parties. Those established contacts were further enhanced by the provisions of particularly CITYNET and LOGOTRI of opportunities for facilitation of training and research outside the country through their sponsorship. The exchange of information with these organizations, LOGOTRI, UNESCAP, JICA, CITYNET, USAID and UN-HABITAT have contributed towards progressing the activities of the institute during the year 2011. The SLILG expects to strengthen this linkage further in the coming years.

As for the linkage with National Organisations, this year too cordial relationship was maintained with the Federation of Sri Lanka Local Government Authorities (FSLGA) for the feedback of the services of SLILG to the Local Authorities, through the grapevine channel. It has helped us considerably to reshape some of our workshops and to introduce new workshop as to cater for the Local Government sector.

Our association with The Asia Foundation had been of immense value to the local authorities. The glaring gap in enacting the By-laws essentially required for local governance had been long ignored by the Local Authorities. They were satisfied with adopting the Standard By-Laws recommended by the Ministry of Local Government and Provincial Councils .Rare were the occasions when local authorities made By-laws to address their specific needs. This was primarily due to the lack of expertise at the Local Authority level.

The Ministry of Local Government and Provincial Councils, The Asia Foundation and the SLILG combined together to launch a programme to empower the local authorities to make their own By-laws. Funded by The Asia Foundation, a pilot programme was started this year in the Central and Eastern provinces which proved very successful. It is intended to replicate this in other provinces as well.

4.10. MANAGEMENT STRUCTURE OF SLILG

The policy decisions an guidelines in regard to functioning and management of the institute are taken by the Governing Council. The Governing Council of the institute consists with Secretaries of specified Ministries as well as representatives of the professional organizations. The Chairman of the Governing Council is the Secretary to the Ministry in charge of the subject of Local Government by the provisions of SLILG Act No. 31 of 1999. Accordingly, the Secretary to the Ministry of Local Government and Provincial Councils Dr. Nihal Jayathilaka had functioned as the Chairman of the Governing Council in the year 2011.

The Director of SLILG, who is also a member and the convener of the Council, is the Chief Executive of the Institute. He functions under the overall guidance of the Governing Council. The Director is assisted by an Additional Director, a Team of Consultants, Deputy Directors, Accountant and Support staff..

Presently the SLILG is consists of nine Divisions. They are : Human Resources Development, Engineering, General Management, Physical Planning, Financial Management, Legal, Research& Publications, Administration and Accounts.

The SLILG is also equipped with a Library with reference material and Research Papers in the subject of Local Government. No additional books were purchased in 2011 due to scarcity of financial resources. However, various Training Modules written both in Sinhala and Tamil for the purpose of training the newly elected members of the Local Authorities were added to the stock of the library in 2011.

4.11. MOVEMENT OF SUPPORTIVE STAFF OF LOCAL AUTHORITIES

The abolition of the Local Government Service and amalgamating it with the Provincial Public Service has resulted in heavy exodus of well trained and experienced staff from the Local Government field in favour of other departments of Provincial Councils.

This has affected the working of the Local Government system. The Local Government staff who are painstakingly trained by the SLILG in many fields pertaining uniquely to Local Governance such as Valuation of properties, GPS/GRS system that are necessary for plotting maps, Preparation of Annual Budget and Final Accounts of a Local Authority, Drafting of By-laws which are essential for Local Governance etc., leave the Local Government sector with a short stint of service. As a result, the Local Government sector becomes bereft of the expertise acquired over a period of time and the SLILG is called upon to train the new staff who enter the field from other departments, on the finer points of Local Governance. This is a recurring feature year after year. The year 2011 was no exception to this trend.

Suggestion to overcome this problem : Either the Local Government Service must be re-established or as a moderate corrective action, it must be made that a Provincial Council officer has to serve a minimum of ten years of his career in the Local Government sector.

This arrangement will minimize the training requirement of Local Authorities.

5.0. CADRE POSITION OF THE INSTITUTE DURING THE YEAR 2011

The staff deployment had been planned to cater for the different types of activities in each division.

Total Cadre in 2011 is given below;

Approved Cadre 2011

Division	Approved Cadre			Actual Cadre		
	Executive	*Non Executive*	*Total*	*Executive*	*Non Executive*	*Total*
Administration & Secretarial	01	21	22	02	20	22
Human Resource Development Division	01	01	02	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	01	01	02
Finance Division	01	03	04	01	03	04
Internal Audit Division	-	01	01	-	01	01
Total	**10**	**34**	**44**	**10**	**33**	**43**

The Staff strength of SLILG has been assessed based on the growing demand and increasing request from Provincial Councils & Local Authorities.

6.0 PERFORMANCE OF THE SLILG DURING THE YEAR 2011 AT A GLANCE :

From 01/01/2011 to 31/12/2011

	DETAILS	APPROVED BUDGET	TOTAL EXPENDITURE	USAGE % OF APPROVED BUDGET	NO. OF WORKSHOPS COMPLETED	NO. OF ACTIVITY COMPLETED
01	**National Level Training Programmes**	**10,000,000.00**	**10,368,470.28**	**104%**	**288**	**05**
	Human Resource Development Division	1,500,000.00	1,982,069.61	132%	36	03
	Engineering Division	1,000,000.00	307,266.13	31%	08	01
	General Management Division	1,500,000.00	1,565,051.59	104%	30	-
	Physical Planning Division	1,500,000.00	1,315,017.18	88%	35	-
	Financial Management Division	1,500,000.00	1,664,602.75	111%	64	-
	Legal Division	1,500,000.00	1,633,081.80	109%	36	01
	Academic Division	1,500,000.00	1,901,381.22	127%	88	
02	**Provincial Level Training Programmes**	**1,000,000.00**	**911,296.07**	**91%**	**36**	**-**
03	**Capacity Building of SLILG**	**2,000,000.00**	**1,677,116.45**	**84%**	**-**	**08**
04	**Research, Library & Publications**	**2,000,000.00**	**1,974,292.26**	**99%**	**49**	**03**
05	**Computer Certificate Course**	**-**	**378,009.00**	**-**	**28**	**-**
TOTAL		**15,000,000.00**	**15,309,184.06**	**102%**	**410**	**16**

Note : There had been an over expenditure of Rs. 309,184.06 than the budgeted amount of RS. 15,000,000 for the training programmes of 2011. The SLILG had to cater for the additional demand for training workshops and Courses. This additional amount had been obtained by levying a nominal fee from the participants for some Diploma and Certificate Courses. No fee were levied for training workshops of up to five days duration.

7.0 DETAILS OF THE PERFORMANCE:

7.1 HUMAN RESOURCE DEVELOPMENT DIVISION

Human Resource Development (HRD) Division of Sri Lanka Institute of Local Governance is the division in overall charge of Human Resource Development of Local Authority Officials, Elected Members and the Provincial Councilors & Staff. Training workshops for Elected Members of Local Authorities had become very important and timely with Local Government Elections in 2010. Therefore, priority was given for Training & Awareness Activities of these Elected Members of Local Authorities. In addition, as there were many newly recruited staff including Graduates in Local Authorities, the HRD Division has had launched Programmes for Training them as well.

Funds utilized from the allocated Budget (LKR 000')	-	Rs. 1,982/-
No. of Programmes / Workshops/Activities completed	-	39
Percentage of Fund Utilization	-	132%

	PROGRAMME / ACTIVITY	NO. OF DAYS	ACTUAL EXPENDITURE
01	Awareness Programme	06	301,920.00
02	Skills Development Training Programme on Backward Local Authorities	18	924,242.61
03	Conducting of monthly MDTU meetings	03	82,709.00
04	Advanced Diploma in Local Governance - ADLG 2011	-	385,624.50
05	Certificate Course of Computer application	12	287,573.50
Sub Total		**39**	**1,982,069.61**

7.2 ENGINEERING DIVISION

Engineering Division of SLILG is in overall charge of capacity building of Technical Departments of Local Authorities and Engineering Division of Provincial Councils. It is expected to achieve this target, through training, consultancy, and research in keeping line with institutional objectives. Engineers, Work Superintendents and Technical Officers are given training on the Engineering Modules prepared. In addition, Technical Officers & Provincial Engineers attached to the Provincial Councils are also given programmes on skills development and knowledge updating.

Funds utilized from the allocated Budget (LKR 000')	-	Rs. 307,266/-
No. of Programmes / Workshops/Activities completed	-	09
Percentage of Fund Utilisation	-	31%

	PROGRAMME / ACTIVITY	NO. OF DAYS	ACTUAL EXPENDITURE
01	Training Programme for Technical Officers in PCs	05	129,971.00
02	Awareness & Training Programme for Newly Recruited Technical Officers in Las (Legal, Vehicle Maintenance, Road Construction, SWM & Sanitary)	03	28,165.00
03	Management Competition - 2009	-	149130.13
Sub Total		**08**	**307,266.13**

Note : As the Ministry of Local Government and Provincial Councils wanted the World Bank funded Rural Road Expansion programme handled d by the Engineering Division of SLILG completed on an urgent basis for submitting to the Funding Agencies, some of the treasury funded programmes of this division had to be postponed to the next year and the ensuing balance of allocation was diverted to other divisions of SLILG with the Governing Council approval.

7.3 GENERAL MANAGEMENT DIVISION

The General Management Division of Sri Lanka Institute of Local Governance was set up to contribute towards the development of Human Resources of the Provincial Councils and Local Government Institutions in Sri Lanka.

This is being achieved by providing training to create greater awareness on devolution and governance issues among political leadership, officials and civil society members. In addition to this, programmes to improve the efficiency and effectiveness of these institutions are also conducted after assessing the training needs.

Funds utilized from the allocated Budget (LKR 000')	-	Rs. 1,565/-
No. of Programmes / Workshops/Activities completed	-	30
Fund Utilisation Percentage	-	104%

	PROGRAMME / ACTIVITY	NO. OF DAYS	ACTUAL EXPENDITURE
01	Participatory management	02	92,695.00
02	Public Relation	03	110,735.00
03	Skill Development Programme	25	1,361,621.59
Sub Total		**30**	**1,565,051.59**

7.4 PHYSICAL PLANNING DIVISION

The main aim of the division is to building capacity through awareness, training, consultancy services to relevant officials and political representatives of Provincial Councils and Local Authorities in Sri Lanka, with improvement in their knowledge, attitude, skills and the level of services on physical planning subject area. The ultimate objective is to provide better living environment for the inhabitant and commuting population of the relevant local authority area.

Funds utilized from the allocated Budget (LKR 000')	-	Rs. 1,315/-
No. of Programmes / Workshops/Activities completed	-	35
Fund Utilisation Percentage	-	88%

	PROGRAMME / ACTIVITY	NO. OF DAYS	ACTUAL EXPENDITURE
01	Physical Planning Development	12	411,923.44
02	Training Programme on GIS/GPS	19	713,639.48
03	Training Programme on Disaster Management & Governance	04	189,454.26
Sub Total		**35**	**1,315,017.18**

7.5 FINANCIAL MANAGEMTN DIVISION

The main emphasis of the Financial Management Division is,

- Skills development of Local Authority Staff of the Financial Management
- Conducting Awareness Programmes on Financial Management to Elected Members
- Providing Consultancy to Local Authorities to improve their efficiency in Financial Management
- Conducting Training of Trainers Programmes on Financial Management

In this respect the modules prepared by the SLILG have been very useful in building capacity in Local Authority Accounting System. The demand for selected spheres in Financial Management still exists. The following subjects have been identified for conducting training programmes which are based on actual needs.

- Preparation of Financial Statements
- Preparation of Budgets, Budgetary Controls and Monitoring
- Awareness on Sri Lanka Accounting standards and their applications
- Preparation of Cash Flow and Fund Flow Statements
- Awareness in Auditing and Auditing Standards in Sri Lanka
- Awareness of Internal Control Systems
- To proceed with Diploma Course in Local Government Financial Management

Funds utilized from the allocated Budget (LKR 000')	-	Rs. 1,664/-
No. of Programmes / Workshops/Activities completed	-	64
Fund Utilisation Percentage	-	111%

	PROGRAMME / ACTIVITY	***NO. OF DAYS***	***ACTUAL EXPENDITURE***
01	*Certificate Course on Accounting Information systems for LAs*	*06*	*136,778.00*
02	*Preparation of Financial Statements Financial Year 2010 & On the Job Training Programmes for backward Local Authorities*	*27*	*358,706.00*
03	*Practical Training Programme on preparation & Presentation of Financial Statements for Local Authorities.*	*31*	*1,169118.75*
	Sub Total	***56***	***1,664602.75***

7.6 LEGAL DIVISION

Funds utilized from the allocated Budget (LKR 000')	-	Rs. 1,633
No. of Programmes / Workshops/Activities completed	-	36
Funds Utilisation Percentage	-	109%

	PROGRAMME / ACTIVITY	NO. OF DAYS	ACTUAL EXPENDITURE
01	Development of LG system	14	574,357.55
02	Publishing accurate Gazette Notification and other notices by LAs	10	470,423.00
03	Court Procedure for LAs	12	550,301.25
04	Committee Members of LD	-	38,000.00
	Sub Total	**56**	**1,664602.75**

7.7 TRAINING DIVISION

Funds utilized from the allocated Budget (LKR 000')	-	Rs. 1,901
No. of Programmes / Workshops/Activities completed	-	88
Funds Utilisation Percentage	-	127%

	PROGRAMME / ACTIVITY	NO. OF DAYS	ACTUAL EXPENDITURE
01	Advanced Diploma in Local Governance - Colombo	44	922,778.47
02	Diploma in Local Governance in Tamil Medium	44	948,016.25
03	News Letter in Sinhala & Tamil Languages		30,586.50
	Sub Total	**88**	**1,901,381.22**

7.8 PROVINCIAL TRAINING PROGRAMES / WORKSHOPS – 2011

All the Provincial MDTUs have submitted their Action Plan 2011 to the Sri Lanka Institute of Local Governance. It was found that, all the Training Units of Provinces have included very important programmes "Training of Elected Members and Officials".

Funds utilized from the allocated Budget (LKR 000')	-	Rs. 911
No. of Programmes / Workshops/Activities completed	-	36
Funds Utilisation Percentage	-	91%

	PROGRAMME / ACTIVITY	NO. OF DAYS	ACTUAL EXPENDITURE
01	Western Province	08	203,927.00
02	Central Province	08	188,223.00
03	North Western Province	04	94,678.32
04	North Central Province	03	85,270.25
05	Sabaragamuwa Province	05	149,070.00
06	Uva Province	06	133,515.00
07	Southern Province	02	56,612.50
Sub Total		**36**	**911,296.07**

7.9 CAPACITY BUILDING OF SLILG

Having passed several milestones within the period of six and half years, it is essential that the SLILG as an Institute, looks back on performance up to now and gain from the exercise to guide its functions, particularly in view of the fact that we are entrenched in specialized functional agendas and need to asses the impact in relation to goals and objectives of the institute. Duringthe year 20**11**, it was expected to minimize compartmentalization and provide pathway to eliminate isolation.

Funds utilized from the allocated Budget (LKR 000')	-	Rs. 1,677
No. of Programmes / Workshops/Activities completed	-	0**8**
Funds Utilisation Percentage	-	**84**%

	PROGRAMME / ACTIVITY	NO. OF DAYS	ACTUAL EXPENDITURE
01	Capacity Building of the Institute's staff (Local & Foreign)		574,852.50
02	Conducting Exhibitions, International & National Programmes& symposiums	05	347,895.20
03	Co-ordination of overseas training programmes	01	59,232.75
04	National ceremonies & launching activities	01	695,136.00
Sub Total		**08**	**1,677,116.45**

7.10 RESEARCH, LIBRARY & PUBLICATIONS

This division deals with the following areas,

Undertake and promote research studies in areas of urban/local development and problems of Local Authorities to improve and develop their capacities.

Dissemination of Research findings among relevant policy makers and implementers,

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

Network with National & International Research Organizations in the area of Governance.

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

To unearth Areas of importance for new Research initiatives.

Enhancement of revenue of local authorities, Action Research on preparation & implement By Laws of LAs.

Documentation & Information Services

- Set-up a Database for PCs and LAs
- Publication of Journal / News Bulletins
- Documentation & Research outputs and studies on focused areas
- Manuals and hand books
- Provisions of Library Services

Funds utilized from the allocated Budget (LKR 000') - Rs. 1,974
No. of Programmes / Workshops/Activities completed - 52
Funds Utilisation Percentage - 99%

	PROGRAMME / ACTIVITY	BUDGET CODE	NO. OF DAYS	NO. OF PARTCIPANTS	ACTUAL EXPENDITURE
01	National Programme on Enhancement of Revenue Local Authorities		18		675,604.04
02	Research Study on Population Growth, Density & Physical Planning in Local Authorities				210,000.00
03	Symposium on Population Growth, Density & Physical Planning in Local Authorities				33,598.00
04	Research study on the Exercise of the Legislative Powers by the Provincial Councils				185,000.00
05	Research study on the Exercise of the Legislative Powers by the Provincial Councils				210,000.00
06	Programme for enumerators				230,838.80
07	Certificate Course on Research Methodology		31		363,023.50
08	Publications - Hand Book on Statutes Drafting for Provincial Councils for Provincial Councils.				66,227.92
Sub Total			**49**		**1,974,292.26**

8. FINANCIALINFORMATION

8.1 STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31st December 2011

	Notes	31/12/2011	31/12/2010
Operating Revenue			
Government Contribution - Recurrent	01	39,176,000.00	36,811,000.00
Other Income	02	27,500,700.66	20,257,790.88
Total Operating Revenue		**66,676,700.66**	**57,068,790.88**
Operating Expenses			
Administration & Establishment Expenses	03	25,384,254.22	24,091,582.05
Human Resources Development Expenses	04	15,309,284.15	14,803,925.41
Consultancy Services Expenses	05	21,265,772.13	14,373,838.56
Provisions	06	1,835,335.74	1,544,171.97
Total Operating Expenses		**63,794,646.24**	**54,813,517.99**
Surplus / Deficit for the year		**2,882,054.42**	**2,255,272.89**

8.2 STATEMENT OF FINANCIAL POSITION

As at 31st December 2011

	Notes	31/12/2011	31/12/2010
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	07	10,573,457.05	5,586,122.94
		10,573,457.05	**5,586,122.94**
Current Assets			
Stocks	08	2,142,079.67	1,685,841.17
Pre - Payments & Receivables	09	1,556,630.91	6,300,966.57
Staff Debtors & Advances	10	11,890,033.66	11,889,688.44
Cash and Cash Equivalents	11	3,606,403.79	7,072,826.51
		19,195,148.03	**26,949,322.69**
Total Assets		**29,768,605.08**	**32,535,445.63**
EQUITY & LIABILITIES			
Government Contribution - Capital		12,585,195.41	8,385,195.41
Accumulated Fund		8,580,080.69	8,642,546.73
UNDP Grant		714,658.79	714,658.79
Projects Contribution - Capital		1,595,824.75	1,595,824.75
Grant from Asia Foundation		291,000.00	291,000.00
		23,766,759.64	**19,629,225.68**
Non Current Liabilities			
Retirement Benefit Obligations	12	3,055,300.00	2,432,923.50
		3,055,300.00	**2,432,923.50**
Current Liabilities			
Provisions - Audit Fees		300,000.00	200,000.00
Creditors & Accrued Charges	13	2,646,545.44	10,273,296.45
		2,946,545.44	**10,473,296.45**

	29,768,605.08	***32,535,445.63***

8.3. CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2011

		31/12/2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus /(Deficit) from ordinary activities		*2,882,054.42*
Adjustments for Non - Cash Movements		
Depreciation		*1,042,882.99*
Provisions - Gratuity		*692,452.75*
Provisions - Audit Fees		*100,000.00*
Prior year Adjustments		*(2,944,520.46)*
Operating Surplus before working capital changes		***1,772,869.70***
(Increase) / Decrease in Inventories / Debtors / Other Receivables		*4,287,751.94*
Increase / (Decrease) in Creditors / Payables		*(7,626,751.01)*
Cash Generated from Operations		***(1,566,129.37)***
Gratuity Paid		*(70,076.25)*
Audit Fees Paid		-
Net cash from operating activities		***(1,636,205.62)***
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property		*(1,830,217.10)*
Net Cash Flows from Investing Activities		***(1,830,217.10)***
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital Grant		-
Net Cash Flows from Financing Activities		-
NET MOVEMENT DURING THE YEAR		***(3,466,422.72)***
Cash & Cash Equivalents at the beginning of period		*7,072,826.51*
Cash & Cash Equivalents at the end of Period	***Note 'A'***	***3,606,403.79***

<u>Note 'A'</u>

Cash at Bank

Cash at Bank - Bank of Ceylon A/C No. 2323344	*2,976,395.13*
Cash at Bank - Bank of Ceylon A/C No. 2323350	*483,058.00*
Savings Account - Bank of Ceylon A/C No. 2329975	*146,950.66*

3,606,403.79

8.4. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31st December 2011

Description	Government Contribution Capital	Accumulated Fund	UNDP Grant	Project Contribution - Capital
	Rs.	Rs.	Rs.	Rs.
Balance as at 01/01/2011	***8,385,195.41***	***8,642,546.73***	***714,658.79***	***1,595,824.75***
Surplus / Deficit for the period	-	*2,882,054.42*	-	-
Transfer for the period	*4,200,000.00*	-	-	-
Prior year Adjustments	-	*(2,944,520.46)*	-	-
Balance as at 31/12/2011	***12,585,195.41***	***8,580,080.69***	***714,658.79***	***1,595,824.75***

8.4 NOTES TO THE ACCOUNTS

For the year ended 31st December. 2011

		31/12/2011	31/12/2010
Note 01 - Government Contribution - Recurrent :-			
2100 - 02	General Treasury	39,176,000.00	36,811,000.00
	Total	**39,176,000.00**	**36,811,000.00**
Note 02 - Other Income :-			
1505 - 01	Miscellaneous Income	61,500.60	157,950.05
1505 - 02	Interest on Loan to Employees	418,459.05	462,291.63
1505 - 03	Sales of Publication	105,338.25	117,085.50
1505 - 04	Insurance Claims	16,974.00	-
1505 - 05	Interest on FD &SA	15,414.65	310,343.42
1505 - 06	Kandalama Circuit Bungalow	-	2,500.00
1505 - 07	Rental Income	597,500.00	45,000.00
1505 - 08	Sales of Fixed Assets	-	243,339.00
2101 - 01	Certificate Corures of Computer Application	467,500.00	525,000.00
2101 - 03	UNDP - Art gold Project - Uva Province	1,928,210.00	342,000.00
2101 - 04	Advance Account - Common	893,320.00	3,672,582.50
2101 - 05	The Asia Foundation	148,120.00	-
2101 - 06	Federation of Sri Lankan Local Government Authorized	180,000.00	-
2101 - 10	Local Government Diploma Course	3,051,220.00	2,937,500.00
2101 - 12	Environmental Maps	100,000.00	1,128,000.00
2101 - 13	Local Government Infrastructure Improvement Project	5,135,050.00	5,073,000.00
2101 - 15	Expansion of Rural Road Pilot Project - Min. of PC. & LG	9,012,249.56	1,586,073.78
2101 - 16	Local Government Infrastructure Improvement Project - II	5,369,844.55	3,655,125.00
	Total	**27,500,700.66**	**20,257,790.88**

Note 03 - Administration & Establishment Expenses :-

1503 - 01 - 01	*Personal Emoluments - Salaries & Wages*	*14,388,599.11*	*13,466,616.16*
1503 - 01 - 02	*Personal Emoluments - E. P.F*	*1,609,780.66*	*1,493,453.93*
1503 - 01 - 03	*Personal Emoluments - E. T.F*	*398,972.34*	*374,199.32*
1503 - 01 - 04	*Personal Emoluments - Holiday Payments & O.T*	*498,847.97*	*597,442.70*
1503 - 01 - 05	*Personal Emoluments - Other Allowance*	*345,900.35*	*382,776.00*
1503 - 02 - 01	*Travelling Expenses - Local*	*301,908.30*	*330,535.25*
1503 - 03 - 01	*Supplies - Stationary*	*1,068,053.69*	*1,031,615.42*
1503 - 03 - 02	*Supplies - Fuel Lubricants*	*1,280,074.87*	*963,428.50*
1503 - 03 - 03	*Supplies - Uniform*	*24,495.00*	*24,680.00*
1503 - 04 - 01	*Maintenance Expenses - Vehicles*	*1,673,899.27*	*997,625.62*
1503 - 04 - 02	*Maintenance Expenses - Plant, Machinery &Equ.*	*421,935.89*	*392,028.08*
1503 - 04 - 03	*Maintenance Expenses - Building*	*646,633.08*	*443,625.34*
1503 - 05 - 01	*Contractual Services - Rent / Building Service*	-	*240,000.00*
1503 - 05 - 02	*Contractual Services - Telephone*	*636,014.49*	*584,898.84*
1503 - 05 - 03	*Contractual Services - Postal Charges*	*62,285.00*	*91,792.00*
1503 - 05 - 04	*Contractual Services - Water & Electricity*	*978,024.24*	*938,981.28*
1503 - 05 - 05	*Contractual Services - Newspapers & Periodicals*	-	*20,025.00*
1503 - 05 - 06	*Contractual Services - Security Service*	*684,656.25*	*1,056,296.00*
1503 - 05 - 07	*Contractual Services - Others*	*364,173.71*	*296,369.28*
1503 - 06 - 02	*Kandalama Circuit Bungalow*	-	*365,193.33*
	Total	***25,384,254.22***	***24,091,582.05***

Note 04 - Human Resources Development Expenses :-

2201 - 05 - 01	***H.R.D Expenses - National Level Training Programme***	***9,973,253.68***	***11,866,862.28***
2201 - 05 - 01 - 01	*H.R.D. Expenses - National Level Training - Human Resource Development*	*1,982,069.61*	*1,789,146.36*
2201 - 05 - 01 - 02	*H.R.D. Expenses - National Level Training - Engineering*	*307,266.13*	*1,005,866.96*
2201 - 05 - 01 - 03	*H.R.D. Expenses - National Level Training - General Management*	*1,226,477.17*	*1,516,663.52*
2201 - 05 - 01 - 04	*H.R.D. Expenses - National Level Training - Physical Planning*	*1,456,210.73*	*1,238,310.95*
2201 - 05 - 01 - 05	*H.R.D. Expenses - National Level Training - Financial Management*	*1,664,702.75*	*3,077,777.15*
2201 - 05 - 01 - 06	*H.R.D. Expenses - National Level Training - Legal*	*1,565,936.04*	*1,377,319.67*
2201 - 05 - 01 - 07	*H.R.D. Expenses - National Level Training - Academic*	*1,770,591.25*	*1,861,777.67*
2201 - 05 - 02	*H.R.D Expenses - Provincial Level Training Programme*	*862,878.57*	*705,524.50*
2201 - 05 - 03	***H.R.D Expenses - Capacity Building of SLILG***	***1,932,364.95***	***745,688.30***
2201 - 05 - 04	***H.R.D Expenses - Research, Library & Publications***	***2,162,777.95***	***1,169,460.33***
2201 - 05 - 05	***H.R.D. Expenses - Certificate Course of Computer Application***	***378,009.00***	***316,390.00***
	Total	***15,309,284.15***	***14,803,925.41***

Note 05 - Consultancy Services Expenses :-

1504 - 01	*Federation of Sri Lankan Local Government Authorised*	*79,879.50*	-
1504 - 02	*Management Diploma - UNDP - UP*	*2,220,588.55*	*3,068,515.56*
1504 - 03	*Management Diploma - UNDP - SP*	*28,525.67*	*193,342.15*
1504 - 05	*Expenses Account - Common*	*2,561,223.94*	*4,409,771.89*
1504 - 10	*Local Government Infrastructure Improvement Project*	*4,900,400.09*	*4,738,593.34*
1504 - 11	*Local Government Infrastructure Improvement Project - II*	*5,369,844.55*	-
1504 - 12	*Environmental Maps*	*41,508.00*	*487,455.84*
1504 - 13	*Expansion of Rural Road Pilot Project - Min. of PC. & LG*	*6,063,801.83*	*1,476,159.78*
	Total	***21,265,772.13***	***14,373,838.56***

Note 06 - Provisions :-

2102 - 03	*Provisions - Gratuity*	*692,452.75*	*656,480.00*
2102 - 04	*Provisions - Audit Fees*	*100,000.00*	*110,716.00*
2105 - 02	*Depreciation - Machinery & Office Equipment*	*941,195.67*	*675,288.65*
2105 - 03	*Depreciation - Library Books*	*15,359.32*	*15,359.32*
2105 - 04	*Depreciation - Vehicle*	*64,998.00*	*64,998.00*
2106 - 03	*Depreciation - Furniture & Fittings*	*21,330.00*	*21,330.00*
	Total	***1,835,335.74***	***1,544,171.97***

Note 07 - Property, Plant & Equipment

		Cost as at 01/01/2011	Additions 2011	Removals 2011	Depreciation 2011	Accumulated Depreciation	W.D.V. as at 31/12/2011	W.D.V. as at 31/12/2010
2201 - 01	Vehicles	325,290.00	4,200,000.00	-	64,998.00	136,921.33	4,388,368.67	195,294.00
2201 - 02	Machinery & Office Equipment	14,016,929.36	1,830,217.10	-	941,195.67	9,840,935.96	6,006,210.50	5,117,189.07
2201 - 03	Library Books	153,593.20	-	-	15,359.32	145,355.32	8,237.88	81,669.87
2201 - 04 - 01	Furniture & Fittings - Kandalama Circuit Bungalow	213,300.00	-	-	21,330.00	42,660.00	170,640.00	191,970.00
	Total	**14,709,112.56**	**6,030,217.10**	**-**	**1,042,882.99**	**10,165,872.61**	**10,573,457.05**	**5,586,122.94**

Note 08 - Stocks :-

2202 - 01	*Stocks - Stationary*	*558,907.31*	*244,074.41*
2202 - 02	*Stocks - Publication*	*1,583,172.36*	*1,441,766.76*
	Total	***2,142,079.67***	***1,685,841.17***

Note 09 - Pre - Payments & Receivables :-

2100 - 09	*Receivable Account - UDA*	-	*4,041,237.43*
2206 - 01	*Pre - Payments - Insurance*	*50,992.62*	-
2206 - 02	*Pre - Payments - Rent, Post Master General & Others*	*78,518.29*	*202,949.64*
2206 - 04	*Receivable Account - Consultancy Service*	*1,075,500.00*	*1,875,219.50*
2206 - 05	*Receivable Account - Ministry of PC & LG*	*351,620.00*	*181,560.00*
	Total	***1,556,630.91***	***6,300,966.57***

Note - 10 - Debtors & Advance :-

2203 - 01	*Staff Debtors*	*189,442.02*	*8,442.02*
2203 - 03	*Sundry Debtors*	*107,732.99*	*17,150.00*
2204 - 02	*Special Advance*	*4,350.00*	*4,600.00*
2204 - 04	*Festival Advance*	*41,300.00*	*57,300.00*
2204 - 05	*Staff Loan*	*11,547,208.65*	*11,802,196.42*
	Total	***11,890,033.66***	***11,889,688.44***

Note - 11 - Cash and Cash Equivalents :-

2207 - 02	*Bank of Ceylon - A/C No. 2323344*	*2,976,395.13*	*263,632.85*
2207 - 03	*Bank of Ceylon - A/C No. 2323350*	*483,058.00*	*6,768,008.71*
2207 - 04	*Servings Account - Bank of Ceylon - A/C No. 2329975*	*146,950.66*	*41,184.95*
	Total	***3,606,403.79***	***7,072,826.51***

Note - 12 - Retirement Benefit Obligations :-

Balance as at 01/01/2011	*2,432,923.50*	*1,776,443.50*
Provisions During the Period	*692,452.75*	*656,480.00*
Actual Amount Paid	*(70,076.25)*	*-*
Balance as at 31/12/2011	***3,055,300.00***	***2,432,923.50***

Note - 13 - Creditors & Accrued Charges :-

2103 - 01	*Accrued Charges*	*2,200,604.99*	*10,213,046.45*
2104 - 02	*Deposits - Tender*	*59,250.00*	*60,250.00*
2104 - 03	*Funds Receipt in - Advance - LGIIP II*	*386,690.45*	*-*
	Total	***2,646,545.44***	***10,273,296.45***

9.0 CONCLUSION

It is our observation that the SLILG has performed its functions during the year 2011 by achieving its targets / expectations satisfactorily, fully utilizing to the very rupee the funds which were allocated by the General Treasury for capacity building .

As a result, the capacities and performance of the local authorities were improved to a satisfactorily level, specially the knowledge and understanding of the elected members and staff attached to the Local Authorities. Our efforts to build a positive attitude in the minds of the LA personnel towards service to the public has begun to yield favourable results.

However, it is observed that the functions of the SLILG can further be improved to be result oriented to a much greater extent than imparting knowledge components at only conceptual level. There is increasing clamour by Local Authorities to train their staff practically to draft by-laws, prepare Final Accounts, Prepare maps etc. which the SLILG has acknowledged and is to proceed with it as much as the available manpower and financial resources permit.

Yet, in the year 2011, the SLILG had embarked on the Training Programme of the newly elected Members of the Local Authorities – on conceptual basis- with the funding aid from the LGIIP project.

We have observed that the cooperation between the SLILG and MDTU of the provinces can be improved further if the consultation can be two ways, especially in sharing of the resources- both human as well as material. The cooperation that prevails between SLILG and Uva province MDTU in Palgahatenne in conducting the Diploma in Local Government in Sinhala medium and that between the Eastern province MDTU in Trincomalee and the SLILG in conducting the Diploma in Local Government Course in Tamil medium are commendable.

Further, it was observed that the follow up evaluation by way of feed back from the participants and the Local Authority's CEO on the benefits accrued to the LA by the trained officials and members is also important. At present the Management Competition held yearly to decide on the best performing LA in the country is some indication of the effect of the trainings imparted by the SLILG. Apart from this, feasibilities of devising some other viable mechanism to gauge the effect of training on the quality of performance of the Local Authorities is under consideration. This will facilitate adopting suitable adjustments in the course syllabuses and curriculum and the mode of training as well.

It has also become essential to develop the institute's library further in order to provide a means of reference material to the Local Government sector. It is also necessary to impart ICT knowledge to the personnel attached to the Local Authorities with software packages relevant to Local Government. With this in mind, both these sections have to be developed to a much better level than what they at the moment. This could not be achieved in 2011 due to Financial constrains.

Since the demand for the institute's programmes and services are on the increase, adequate building space and facilities to conduct training and consultancy services have to be acquired. As the institute is housed in 150 year old building, further expansion is severely hampered. Therefore, the development plan of the institute is under way to construct a four storied building complex in the available half portion of the land of the present SLILG premises as it is vested with our institute and the deed is already obtained.

In the proposed building it is intended to provide along with office space auditorium and lecture hall facilities, audio visual facilities, library, cafeteria, and residential facilities for the participants in order to attract the trainees and resource personnel a like for different programmesand consultancy services.

It is remarkable that in the year 2011, the General Treasury facilitated us to obtain on leasing basis two motor cars, and a passenger coach to replace some of the very old vehicles in our fleet, to facilitate our transport to all parts of the island for conducting training programmes. We have requested another passenger Coach and a Double Cab too which we are optimistic of receiving. As had been instructed, action is in progress to dispose the old vehicles and deposit the proceeds to the treasury .

Therefore, it is considered that the year 2011, as far as capacity building of Local Government personnel is concerned, was a year packed with activities which were voluminous compared to the previous year as 2406 newly elected Local Government People's Representatives had to be trained by us on the finer points of Local Governance concept, whilst carrying out the institute's normal programmes of the year.

I.A. Hameed

Director

Sri Lanka Institute of Local Governance

Auditor General's Department

The Chairman,

Sri Lanka Institute of Local Governance.

Report of the Auditor General on the Financial Statements of the Sri Lanka Institute of Local Governance for the year ended 31st December 2011 in terms of Section 14(2)(c) of the Finance Act, No.38 of 1971.

……………………………………………………………………………………..

The above report is sent herewith.

H A S Samaraweera

Auditor General

Copies:- 1.Secretary- Ministry of Local Government and Provincial Councils

2.Secretary- Ministry of Finance and planning

Auditor General's Department

The Chairman,

Sri Lanka Institute of Local Governance.

Report of the Auditor General on the Financial Statements of the Sri Lanka Institute of Local Governance for the year ended 31st December 2011 in terms of Section 14(2)(c) of the Finance Act, No.38 of 1971.

………………………………………………………………………………………..

The audit of financial statements of the Sri Lanka Institute of Local Governance for the year ended 31st December 2011 which consisted of the Balance Sheet of the Sri Lanka Institute of Local Governance as at 31st December 2011 and the Declaration of income, Statement of changes in Equity and the Cash Flow Statement and a summary of important Accounting Principles and details of other explanations for the year then ended 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 0f 1999. My comments and observations, which I consider should be published with the Annual report of the Institute in terms of Section 14 (2) (c) of the Finance Act, appear in this report.

1.2 Responsibility of the Management for the financial Statements
…………………………………………………………………..

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting principles and the implementation of the internal control decided by the management as required for the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Responsibility of the Auditor
…………………………………………………

My responsibility is to express an opinion on these financial statements based on my audit. I have carried out my audit in accordance with the Sri Lanka Auditing Standards. These standards expect that the audit is planned and implemented with a view to obtain a reasonable assurance as to whether the financial statements are free of material misstatements and that my audit is carried out in accordance with the requirements of the principles.

The audit includes the implementation of procedures in order to obtain audit proof which is instrumental in preparing the contents of the financial statements and the facts disclosed. Audit opinion, comments and findings in this report are based on a review of the financial statements presented to audit and substantive tests of sample transactions. The scope and extent of such review and tests were such as to enable as wide audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards to obtain reasonable assurance as to whether the financial statements are free of material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessment of accounting principles used and significant estimates made by the management in preparation of financial statements, as well as evaluating their overall presentation. Subsections (3) and (4) of Section 13 of Finance Act No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

I believe that the audit evidence I have obtained for the purpose of establishing a basis for my audit opinion which was based on rating is adequate and appropriate.

1.4 The basis for the rating based audit opinion

……………………………………………………

My opinion is rated based on the information provided in paragraph 2.2 of this report.

2. Financial Statements

……………………

2.1 Rating based opinion

………………………………

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of the opinion that the Sri Lanka institute of Local Governance had maintained proper accounting records for the year ended 31st December 2011 and except for the effects on the financial statements of the matters referred to in paragraph 2,2 of this report the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Sri Lanka Institute of Local Governance as at 31st December 2011 and the financial results of its operations and cash flows for the year then ended.

2.2 Comments on the Financial Statements

………………………………

2.2.1 Omissions from accounts

The hiring charges of a lecture hall amounting to Rs.38124/= that should be received on behalf of hiring out a lecture hall to an institution for 3 days in the month of December, 2011 have not been accounted.

2.2.2 Unavailability of Evidence for the Audit

…………………………………………………………………

Documents with relevance to the loans amounting to Rs 6919511/=obtained by the employees pertaining to the year 2010 and before have not been submitted for audit.

2.2.3 Non compliance with Laws, Rules, Regulations and Management Decisions

……………………………………………………………………….

The following was observed.

	Reference to Laws, Rules and Regulations	Non Compliance
	……………………………………….	…………………………..
(a).	Paragraph 11 (1) of the Sri Lanka Institute of Local Governance Act No.31 of 1999	Although it was necessary to hold at least one meeting every month, meetings have been conducted only on 08 occasions during the year 2011
(b)	Gazette Extraordinary No.1530/13/2008 dated 01st January amended for the Stamp act No.12 of 2006	Stamp duty on staff emoluments amounting to Rs 12540 has been Duty(Special provisions) obtained for the years 2010 and 2011 but it has not been sent to the Department of Inland Revenue
(c)	Circular No PAYE/ Tax/ 01/2011 dated 18 April 2011of the Department Of income tax	Tax amounts have been calculated taking only the salaries of the employees in to consideration although it is necessary to consider salaries, bonus and other allowances when calculating the PAYE tax
(d)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka ……………………………………………….	

(i)	F R 757 (2)	The assets of the institution have not been physically calculated by a board of survey and reported to the Auditor at the end of the year.
(ii)	F R 1645 (b) and (c) , F R 1646	Running charts of two vehicles for the year 2011 and running charts of two vehicles for one month and three month periods have not been submitted for audit
(e)	Treasury Circular No:IAI/2002/02 dated 28th November 2002	A Fixed Assets Register has not been maintained in relation to the Computer accessories and software
(f)	Government Finance circular No: PF/PE 5 dated 01st January	As per the provisions of the circular referred , the benefits approved by the Cabinet, Ministry of Public Administration or the Treasury can only be paid but here, project allowances of Rs. 37000/= has been paid to 37 officers (10000/= each)out of the funds received on behalf of the projects.
(g)	Public Administrative Circular ………………………………………. Fourth and Seventh paragraphs of the Circular number 13/2008 dated 26th June 2008	
(i)	Fourth paragraph	Duty requirements should be accomplished within the financial limit set for the official vehicles of directors. Although fuel with a a value of Rs.286,349 has been obtained additionally, exceeding the fuel limit, the approval of the secretary of the ministry has not been obtained in that regard.
(iii)	Seventh Paragraph	Although the vehicles used by the institution for staff transportation should be limited to a maximum distance of 50 km, a vehicle has transported staff to a distance of 112 km exceeding the given distance.
(h)	Guideline 3.4.3 (c)of the Code of Public Procurement Guidelines dated 25th January 2006	The procurement committee has decided to offer tenders by calling bids from 3 institutions excluding the registered suppliers for the purpose of purchasing 1000 diaries with a value of Rs.400000 In the year 2012.

(I)	Control Board decision No.87/04 Dated 15th December 2010	Although it was decided not to make any payments for engaging in project work during office hours, payments have been made for engaging in project work on office days after obtaining duty leave
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2.2.4 The transactions which were not confirmed by adequate authoritative power

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The following was observed.

(a) Rs.400000 out of the project funds of the year 2011 has been paid to the Staff Welfare Society of the Institute.
(b) In spite of the fact that a sum of Rs.387000 has been paid as staff allowance for the project operations, an allowance of Rs 759435/= as 1/3 of the net salary of the month of December of the year under review has been paid to the staff and the workers as per section 4.1.3 of the management circular No. 33

3. Financial Review

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3.1 Financial Results

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According to the financial statements presented, the working of the Institute for the year under preview had resulted in a surplus of Rs2882054/=and as compared with the surplus of Rs 2255273/= for the preceding year, thus indicating an increase of Rs 626781 in the financial result of the year under review.

3.2 Analytical Financial Review

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The following has affected the increase of the financial result.

(a) The increase of the operating income and the operating expenditure in Rs 9607910 and Rs 8981128 respectively in the year under review as compared with the preceding year.

(c) The increase of the Government contribution in Rs 2365000 and the increase of other incomes in Rs.7242910.

3.2 Operating Review

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3.2.1 Performance

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Rs.15000000/= has been allocated in the year under review for the purpose of conducing workshops and training programmes to enable the members, officers and employees of the Provincial councils and Local Authorities to carry out their duties in a more efficient and effective manner on behalf of the primary functions of the Institute. The success of the programmes could not be observed due to the insufficiency of the details presented with relevance to the performance obtained pertaining to the targeted programmes, and the details of the estimated provisions and the actual expenditures are indicated below.

Sector	**Estimated provision**	**The number of programmes to be conducted in accordance with the budget and the action plan;**						**Total**	**Performance**						**Total**	**Actual Expenditure**
		Other	**01 Day;**	**02 Days**	**03 Days;**	**04 Days;**	**05 Days;**		**Other**	**01 Day;**	**02 Days;**	**03 Days;**	**04 Days;**	**05 Days;**		
Human Resources	1500000	04	06	13				23	03	-	14	01	-	01	19	1982070
Engineering	1500000	01	06	16				23	01	02	03				06	307266
General Management	1500000		09	09	04			22			03	08			11	1565052
Physical planning	1500000			09			03	12			10			03	13	1315017
Financial Management	1500000	14			05			19			13	05	04		22	1664603
Laws	1500000		13	12				25	01	04	16				21	1633082
Research	1500000	09	01	06			04	20	03	31	09				43	1974292

The following was observed with relevance to this.

(a) Performance with relevance to conducting programmes and workshops

(b) (i) As per the action plan, it was planned to conduct 23 different programmes in the Engineering sector and allocations of Rs.1500000 was made in that regard. However, only 06 programmes and workshops were conducted incurring a cost of Rs 307266 and Rs. 250000 out of the allocated money has been transferred to other programmes to which financial allocations were not made by the budget. Accordingly, the performance of the Engineering sector was 20% of the expected level.

(ii)Although it was planned to conduct 22 workshops in the General Management Sector, and allocations of Rs 1500000 was made in that regard ,only 11 workshops were conducted incurring a cost of rs 1565052. Accordingly the complete allocation has been utilized and only a half of the planned performance was achieved.

(iii) Although the training programmes for officers and members of provincial councils were included in the action plan of 2011, considering it a responsibility of the Institute to provide training to the members and officers of the Provincial Councils as per Section 3 of the Act, the participation of the officers and the members of the Provincial Councils was not obtained for such training programmes.

(iv)Although a provision of Rs 975000 was made to conduct a Diploma Course on Local Governance in Baticalow, Trincomalee and Northern province, the said course was conducted in only in Baticalow and Rs.948000 was spent on that.

(c) Providing other facilities

Although a provision of Rs25000 was made on behalf of developing the Library of the Institute, that provision has been transferred for the Diploma programme (Tamil medium) on Local Governance.

4.2 Payments contradictory to the Objective

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The following was observed.

(a) Salaries and allowances amounting to Rs 627891 have been paid in the year 2011 for an officer who has been recruited based on a decision of the control board in the year 2010 for a post of Media Advisor which is not a post included in the approved cadre of the Institute.

(b) An office service assistant (kks) and a care taker of circuit bungalow who had been recruited on contract basis have been released to the ministry and salaries totaling Rs411810 have been paid during the year under review.

4.3 Under Utilized Assets

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A three wheeler with a value of Rs324990 and a wooden table and 08 chairs with a value of Rs21000 which have been purchased in the year 2008 have not been taken for any use and a van was parked in the premises of the Institute without removal.

4.4 Non Economic Transactions

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A surcharge of Rs3432 has been paid due to the delay of sending the bi annual reports from January to June 2009 which should be sent to the Employees Trust Fund .

4.5 Administration of the Staff

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The following disparities were observed in relation to the approved cadre and the actual cadre, and the Administration has failed to maintain the approved cadre.

Grade	**Approved cadre**	**Actual Cadre**	**Vacancies**	**Surplus**
Staff	10	09	01	-
Non staff	26	21	05	-
Minor employees	07	09	-	02
Total	43	39	06	02

5. Systems and Controls

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

(a) Motor vehicles control
(b) Conducting workshops
(c) Stock control
(d) Payments of staff allowances
(e) Internal audit.

H.A.S .Samaraweera

Auditor General.