

Sri Lanka Institute of Local Governance

1. Financial Statements

1:1 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 opinion that the Sri Lanka Institute of Local Governance had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:2 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 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1:2 Comments on Financial Statements

1:2:1 Accounting Deficiencies

- (a) A sum of Rs.480,000 receivable from the officers who participated in the Higher Diploma Course in Local Governance conducted in the academic year 2010/2011 had not been brought to account.
- (b) The total of the balances of 03 items of accounts had been understated by sums totalling Rs.58,487 while the total of 06 items of account had been overstated by sums totalling Rs.54,738 in the financial statements presented for the year under review.
- (c) The land acquired at a cost of Rs.15,111,237 from the Urban Development Authority for the construction of the administration building of Sri Lanka Institute of Local Governance had been taken back by the Urban Development Authority on the refund of a sum of Rs.11,070,000 due to the failure to commence the proposed construction work within a period of 06 months. Even though the sum of Rs.4,401,237 recovered (agreement

FDQHOODWLRQKDUJHVODZU IHHV6WDPSWDQWDHVEWKH8UEDQ
 Development Authority is not recoverable, that amount had been shown
 under the current assets as a balance receivable.

1:2:2 Unreconciled Control Accounts

A reconciliation of the balances of 11 items of account totalling Rs.5,970,578 with the schedules/ subsidiary registers relating to the income and expenditure revealed a difference of Rs.1,495,611.

1:2:3 Accounts Receivable

A sum of Rs.105,957 recoverable from an employee in the year 2010 as advances and outstanding employees loan balances and a sum of Rs.100,000 receivable from 06 officers who participated to the Higher Diploma Course of the academic year 2010/2011 remained recoverable even up to the date of audit.

1:2:4 Lack of Evidence for Audit

The evidence indicated against the following items of account was not made available to audit.

<u>Item</u>	<u>Value</u> Rs.	<u>Evidence not made available</u>
1. (PSORHHVARDQ)		
(i) Employee Debtor	8,442	Register of Employee Debtors ± Detailed Schedules
(ii) Sundry Debtors	17,150	Register of Sundry Debtors
2. <u>Project Accounts</u>		
(i) Fuel	850,000	} Basis of allocation of Expenditure
(ii) Repairs to Motor Vehicles	1,750,000	
3. Payments on 12 Vouchers	649,703	Bills relating to Payments

4.	Dishonoured Cheques	656,513	Schedule of Dishonoured Cheques
5.	Cash Receipts ± January and February 2010	313,973	Duplicates of Receipts
6.	Accrued Expenses	1,685,076	Detailed Schedule
7.	Sundry Expenses	283,707	12 Vouchers
8.	Unused Counterfoil Books 910	132,525	Register of Counterfoil Books

1:2:5 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following observations are made.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
-----	-----
(a) Sri Lank Institute of Local Governance Act, No. 31 of 1999	

(i) Section 11(1)	Even though Council should meet at least once in each month, only 05 meetings had been held in the year 2010.
(ii) Section 5(1)(b)	Even though a person engaged in the subject of Local Government should be appointed as one of the other members of the Council for the Administration and management of the affairs of the Institute, a Doctor attached to a Colombo North (Ragama) Teaching Hospital had been appointed to participate in the 85 th , 86 th and 87 th meetings of the Council.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	

2:1:2 Analytical Financial Review

The following observations are made.

- (a) Even though the operating income for the year under review, as compared with the preceding year, had decreased by a sum of Rs.4,349,059, the decrease of Rs.6,107,838 in the operating expenditure had been the reason for the improvement of the financial results.
- (b) The decrease of the Government Contribution by a sum of Rs.1,611,602 and the decrease of consultancy fees, course fees and other income by a sum of Rs.2,737,457 had affected the decrease in the operating income.
- (c) The decrease of administration and establishment expenditure, the human resources development expenditure and the consultancy services expenditure by sums of Rs.1,213,595, Rs.1,394,218 and Rs.3,479,225 respectively had been the major factors affecting the decrease of operating expenditure.

2:2 Operating Review

2:2:1 Performance

A sum of Rs.20,000,000 had been allocated in the year under review for the conduct of workshops and seminars to enable the members, officers and employees of the Provincial Councils and Local Authorities to discharge their duties efficiently and effectively which is the primary objective of the Institute. The observations on the success of the targeted programmes could not be made due to the inadequacy of the particulars furnished on the performance in relation to the targets indicated in the Action Plan prepared for that purpose. The particulars of the estimates and the actuals thereof are given below.

2:2:4 Underutilised Assets

Assets of 05 categories valued totalling Rs.654,000 had been idling in the office premises.

2:2:5 Damage and Losses

The following matters were observed.

- (a) A surcharge of Rs.13,157 had been paid for the delays in sending the 06 months returns/ contributions relating to July to December 2008 to the (PSORHHV(UXW))
- (b) Out of the sum of Rs.9 million received from the Treasury for the purchase of the a land and placed in fixed deposits, a fixed deposit for Rs.3 million had been encashed on 31 March 2010 and retained the proceeds in the Bank Current Account up to 01 November 2010. No action had been taken for investing the money at least on short term basis.
- (c) An employee recruited on contract basis had been paid the salary for September 2010 on two occasion. As such an overpayment of Rs.19,180 was observed.

2:2:6 Cadre Management

- (a) The following differences were observed in relation to the approved cadre and the actual cadre. The Institute had failed to maintain the cadre at the approved level.

Category of Posts	Approved	Actual	Excess / (Vacancies)
-----	-----	-----	-----
Staff Grades	10	11	01
Non-staff Grades	26	21	(05)
Minor Grades	07	10	03

