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தொழில் தொழிற்சங்க உறவுகள் மற்றும் சப்பிரகமுவ அபிவிருத்தி அமைச்சு
Ministry of Labour, Trade Union Relations and Sabaragamuwa Development

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வருடாந்த அறிக்கை
Annual Report
2016

ජාතික ශ්‍රම අධ්‍යයන ආයතනය
தேசிய தொழிற் கற்கைகள் நிறுவகம்
National Institute of Labour Studies

නො 267, පන්නිපිටිය පාර, පැලවත්ත, බත්තරමුල්ල
இல.267, பன்னிபிடிய றோட், பெளவத்த, பத்தரமுள்ள
No 267, Pannipitiya Road, Palawatta, Battaramulla

The message of Honorable Minister

National Institute of Labor Studies established under the Ministry of Labor, Trade Union Relations and the Sabaragamuwa Development, is pleased to launch many successful programs in the year 2016 with the objective of increasing productivity in the public, semi government and private sectors.

Knowledge skills and attitudes of employers / employees are considered as important to maintain employer / employee relations in order to build an efficient and effective workforce in a country. National Institute of Labor Studies, in order to make the various training and awareness programs and workforce a productivity programmes for trained number of officers in the year 2016. National Institute of Labor Studies achieved this success based on their limited staff officers who work in the Institute.

I make this opportunity to extend my congratulations for the whole staff including Chairman of NILS, and Director General who provided contribution to make success all these functions of the ministry by fulfilling institutional goals during past year 2016.

W. D. J. Senavirathne
Minister of Labour and Trade Union Relations

The message of Chairman

"The National Institute of Labor Studies, which has been instrumental in the accomplishment of these objectives, has called for" facilitating tripartite representation to maintain productive labor relations through education, research and training for "socio - economic development in Sri Lanka".

The workforce of a country is a satisfactory and positive workforce and they serve them with great dedication in the decisive factor in the national development of a country and it is extremely important when providing a qualitative and quantitative service effectively. Strong employer-employee relationships, fostering their knowledge, raising skills and improving employer-employee attitudes can lead to higher productivity in the public or private sector. Accordingly, the skills and attitudes of the Sri Lankan workforce of 8 million are essential and the National Institute of Labor Studies is in the process of carrying out this task. Among the above programs, I am happy to have had 06 Diploma Courses, 12 Certificate Courses and short term workshops organized by the National Institute of Labor Studies throughout the year.

The National Institute of Labor Studies (NILS) has worked with various resource persons to achieve these goals.

I greatly appreciate the role played by the Director General and the staff of the National Institute of Labor Studies in achieving almost all the targeted programs in 2016 through the guidance of Ministry of Labor, Trade Union Relations and Sabaragamuwa Development with the delivery of productive services in the year 2016

S.M Gotabaya Jayarathna
Chairman

The message of Director General

There is a growing interest in current and semi-government and private sector institutions for training and development. In order to support them, the National Institute of Labor Studies has conducted various courses, workshops and various training programms. In line with the valuable ideas of the participants, the programs were modernized, modernizing the programs in line with the needs of the different participants, introducing new programs and more effective training and development programs implementing by Institute.

National Institute of Labour Studies successfully completed major programs such as programs for labor officers through programs sponsored by Diploma Courses, Certificate Courses, Workshops and ILO in 2016 through this programs under division of Labor Law and Industrial Relations Division, Human Resource Management Division and Productivity Division. In this way, the focus of the organization, with its objectives set up, has led the training and development programs to promote their knowledge and skills by directing their labor force to their personal and professional development.

In this context, it is important to note that the institutional staff and the resource center helped to achieve the objectives of the institution. It should be noted that the guidance given by the Hon. Minister and the Secretary of the Ministry of Labor, Trade Union Relations and Sabaragamuwa Development Coordinating the National Institute of Labor Studies and continued encouragement. Also, the support of all board members contributed to this success. Finally, I would like to acknowledge the support shown by the Heads of Department, Government Corporations, Statutory Bodies and Heads of Institutions who have been trained by the Institute for training and development programs in the Institute.

Saman D. Waduge
Director General

Content

National Institute of Labour Studies (NILS)

1.0 About the Institute

The National Institute of Labour Studies (NILS) was founded on the 11th September 2007 and was incorporated as a statutory body by the Parliament of the Democratic Socialist Republic of Sri Lanka by Act No: 12 of 2010. This Institute was formed with the intention of conducting research, carrying out surveys and providing training for the promotion of labour studies in Sri Lanka.

Presently, this Institute functions as a statutory body under the Ministry of Labour, Trade Union Relations and Sabaragamuwa Development..

1.1 Vision

Industrial peace and harmony for socioeconomic development of Sri Lanka.

Mission

To facilitate tripartite constituents to develop and maintain productive labour relations through education, research and training.

Core Values

- Innovative Service
- Customer oriented
- Work Collaboratively
- Ready to Change

1.2 Objectives

The Institute aims to achieve following objectives that included in the Act.

1. Implement workers education programmes with the collaboration of local and foreign institutes, to take measures to ensure welfare of workers in order to make them active partners in the development process,
2. Conduct seminars, workshops, conferences and meetings on labour studies and publish magazines, journals, periodicals and books in relation thereto,
3. Undertake research, carry out surveys and provide courses of studies relating to labour studies,
4. Establish and maintain libraries and information services,
5. Work in close collaboration with institutions, organizations, associations and societies both national and foreign, with similar objects,
6. Conduct courses including Diploma Courses on Labour Studies with the assistance of universities and similar institutions and award certificates and diplomas where so required, and
7. Engage in and promote activities aimed at maintaining industrial harmony.

1.3 Administration of the Institute

As per the provisions of this Act, the administration, management and control of the affairs of the Institute are governed by the **Board of the Governors** of the Institute. This Board constitutes with representatives of tripartite constituents of the labour sector, namely; the employers, employees (represented by the Trade Unions) and Government Officials along with experts in the relevant field. The Governing Board of the Institute is appointed by the Hon. Minister in-charge of the subject of Labour as per the powers vested on him by the Act.

The Board of Governors of the Institute in 2016 is as follows,

1. Mr. S. M. Gotabaya Jayarathna, Secretary, Ministry of Labour and Trade Union Relations and Sabaragamuwa Development – Chairman
2. Ms. Chandani Amaratunga, Commissioner General of Labour – Vice-Chairperson
3. Mr. Saman D. Waduge, Director General, NILS
4. Ms. C. H. Ranatunga – Member
5. Prof. Prabath Jayasinghe – Member
6. Ms. B. D. L. M. Dharmasena – Member
7. Ms. K. A. D. R. Nishanthi Jayasinghe – Member
8. Ms. Samanthi Senanayake – Member
9. Mr. A. Leslie Devendra – Member
10. Mr. Rohan Pandithakoralage - Member
11. Mr. W. M. K. L. Weerasinghe - Member
12. Ms. A. S. Illangamge – Member
13. Mr. C. B. Mayadunne – Member
14. Mr. J. M. N. Jayasinghe – Member
15. Mr. M. A. M. A. Moragoda – Member
16. Mr. W. N. S. Wickramasinghe – Member
17. Mr. Dhama Sri Weerasinghe – Member
18. Ms. P. S. Arambawatte – Member

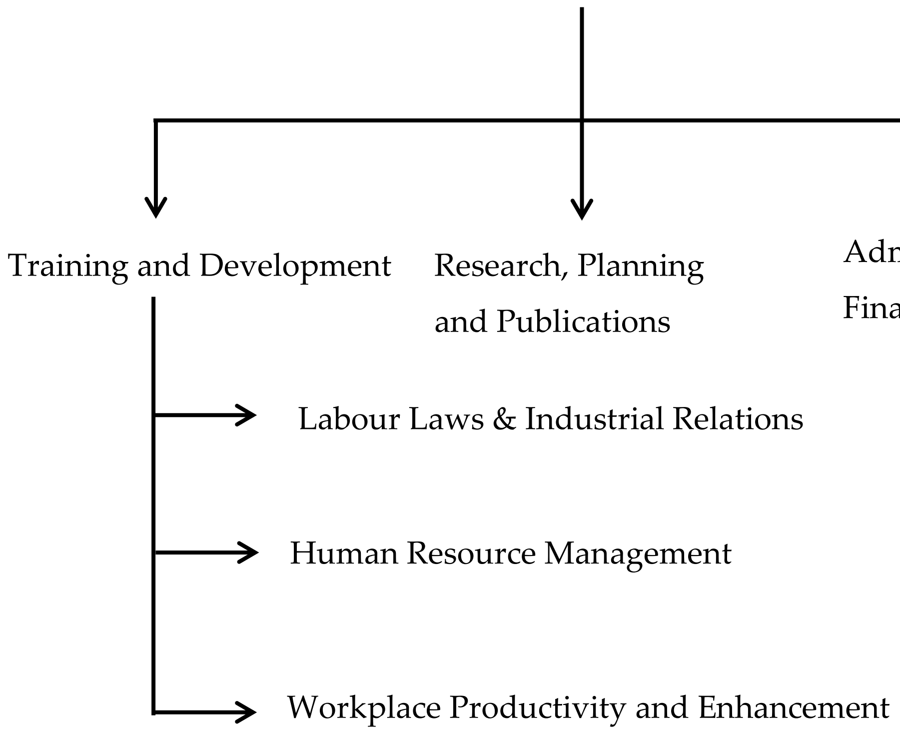
1.4 Organizational Structure

The **Director General** is the Chief Executive Officer of the Institute and he is appointed as per the provisions of the Act. The Director General is responsible for the execution the powers, functions and duties which are delegated from time to time by the Board of Governors.

The NILS operates under three different divisions, namely;

- Training and Development
- Research, Planning and Publications
- Administration and Finance

Organizational Structure



Under the Training and Development Division, there are three units; Labour Laws and Industrial Relations; Human Resource Management and Workplace Productivity Enhancement. At present two officers are responsible on carrying out functions of these Units.

Research, Planning and Publications Division is responsible on handling all planning, monitoring and evaluation of progress of all activities of the Institute and preparation of reports periodically. The Accountant of this Institute covers up the duties of the head of the Division.

Administration and Finance Division facilitates to carrying out all administrative and financial matters of the institute. It functions under the direct supervision of the Director General, Assistant Director (T&D) and Accountant.

1.5 Main Activities of the Institute

The Institute commits to widen knowledge, skills and attitude of participants by providing quality assured training and development programmes to support Sri Lankan workforce in their careers enhancement. In terms of the provisions of the incorporating act of NILS, the institute carries out its activities in three major subject areas, namely;

1. Labour Laws & Industrial Relations
2. Human Resource Management
3. Workplace Productivity and Enhancement

Labour Laws and Industrial Relations Unit is responsible for initiation and carrying out of training and development programmes which aims to protection of employers and employees rights, empowering tripartite stakeholders through promoting social dialogue and broadening of coverage in the social protection programs.

Human Resource Management Unit's objective is to conduct courses to improve disciplines and practices in the management of the peoples in organizations to change its environment in the market place by pushing subordinates to improve the efficiency in the production or the service delivery processes by increasing their ability to use the best practices of the people management. Workplace Productivity and Enhancement Unit objective to conduct training and development courses to improve employee performance, to take a proactive approach to prevent problems and gradually change approaches towards environment to make a best productive working place.


The Institute is engaging in conducting research and survey to investigate and analyze prevailing and emerging issues and problems in the labour sector to find solutions and to make policy recommendations. In addition, NILS conducts examinations in a professional manner for recruitment and promotion of employees in state, semi-government and private sector Institutions.

Publishing journals, periodicals, and books based on research findings and experiences are another important area that Institute involved in to educate members of the tripartite constituents.

Moreover, the Institute operates in close collaboration with the Ministry of Labour and Trade Union Relations. Department of Labour and other related State institutions, Semi-Government, Private and Non-Governmental organizations. In addition, the NILS joins forces with International Organizations such as the International Labour Organization (ILO), Korea International Cooperation Agency (KOICA) and UN Women. The Institute has signed a Memorandum of Understanding (MoU) for mutual cooperation with the V.V Giri National Labour Institute of India, which is the Indian counterpart organization and also discussions has been initiated with Russian Labour Institute.


2.0 Training and Development

The Institute offers a wide range of services through Diploma and Certificate courses, short term courses, workshops and seminars etc. In addition, tailor-made training programmes conducts on special requests made by client organizations to enhance their employees' competencies. The Institute offers its services to a cross section of society ranging from school leavers to top professional by way of management development programmes. Education and training opportunities are available to develop the capacity of employers and employees in private sector, trade union leaders, government officials and those who aspire to be.

2.1 Diploma Courses

As its prime educational activity, the NILS conducts three Diploma Courses of very high academic and professional standards relating to;

1. Labour Law & Industrial Relations (LLIR)
2. Human Resource Management (HRM)
3. Workplace Productivity (WP)

2.2 Certificate Courses

Annually, the institute conducts 24 Certificate Courses in three subject areas; Labour Laws and Industrial Relations; Human Resource Management and Workplace Productivity Enhancement in parallel to the modules of the Diploma courses.

2.3 Short term and Tailor-made Courses

The Institute conducts short term training courses of one to three days duration, in the same main subject areas. Further, the Institute conducts tailor-made training programmes on the request of client organizations either at the training centre of the NILS or at the venues of the requesting organizations.

2.4 Facilities

The Institute comprises with fully air-conditioned an auditorium and lecture halls with all modern training facilities.

2.5 Recourse Persons

The Institute is privileged to possess a panel of highly qualified and well experienced resource persons in their respective subject areas, available in the country. The Resource panel includes present and former academia from universities and other national education institutes, policy makers and senior officials of the Government institutions, including secretaries of ministries and heads of departments along with senior managers, practitioners of Semi Government institutions and industry experts.

2.6 Operations Review in 2016

According to the activity plan, the NILS planned to conduct 29 one day programmes, 18 two day programmes and 6 three day programmes. The NILS was able to perform more than the target by conducting 42 one day programmes, 19 two day programmes and 11 three day programmes. It also conducted 7 Certificate courses, 6 tailor-made programs on the request made by the clients and 7 examinations for government organizations. However, NILS target Diploma programmess was only 3 but during the period Institute were able to conduct 5 Diploma programmes.

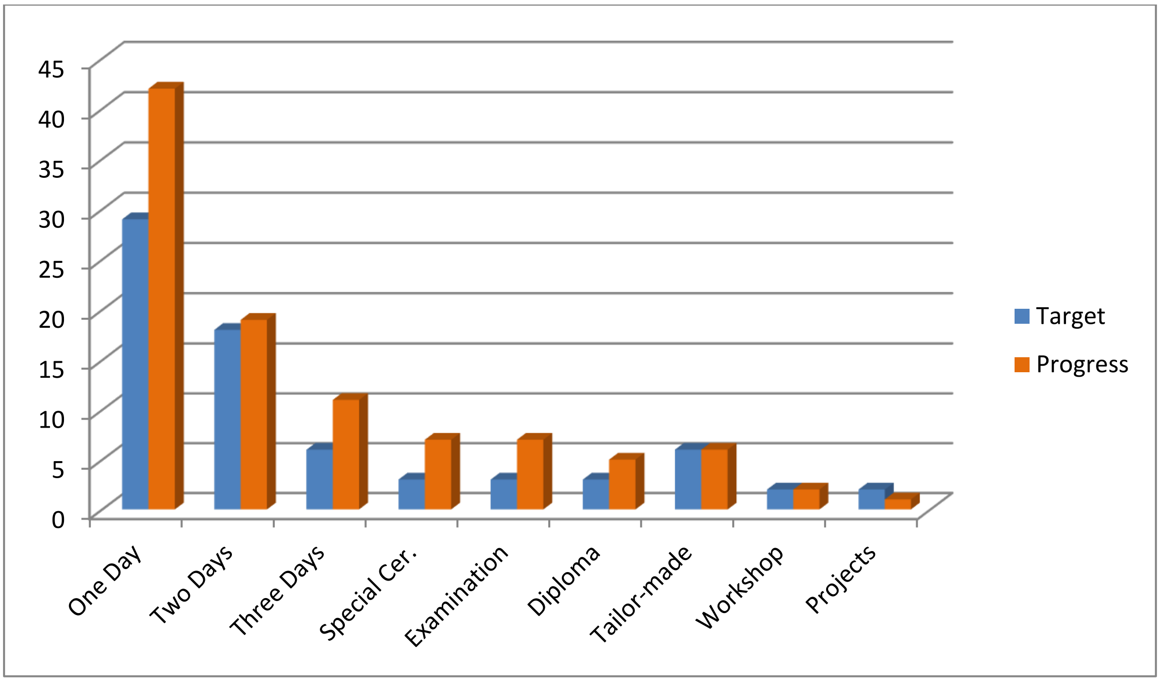
In 2016, financial target of the institute was Rs. 14.7 million through 95 short term courses and 5 Diploma courses. Eventually, NILS earned Rs. 20.3 million by conducting 100 programmes, which includes Diplomas, Tailor-made courses, Certificates, Examinations, Workshops and Project. According to the (Table – 1 Physical & Financial Review) data clearly shows that progress of the year 2016.

Table: 1
Physical & Financial Review - 2016

Programmes	Physical		Financial (Rs.'000)	
	Target	Progress	Target	Progress
One day Programme	29	42	1,740,000	3,453,200
Two day Programmes	18	19	2,160,000	3,039,000
Three day Programmes	6	11	960,000	1,932,800
Certificate Courses	3	7	1,200,000	1,574,000
Examinations	3	7	200,000	208,360
Diploma courses	3	5	3,850,000	6,336,250
Tailor-made Programmes	6	6	1,152,000	1,875,000
Workshops	2	2	500,000	583,525
Donor Funded Projects	2	1	3,000,000	1,370,000
Total	**72**	**100**	**14,762,000**	**20,372,135**

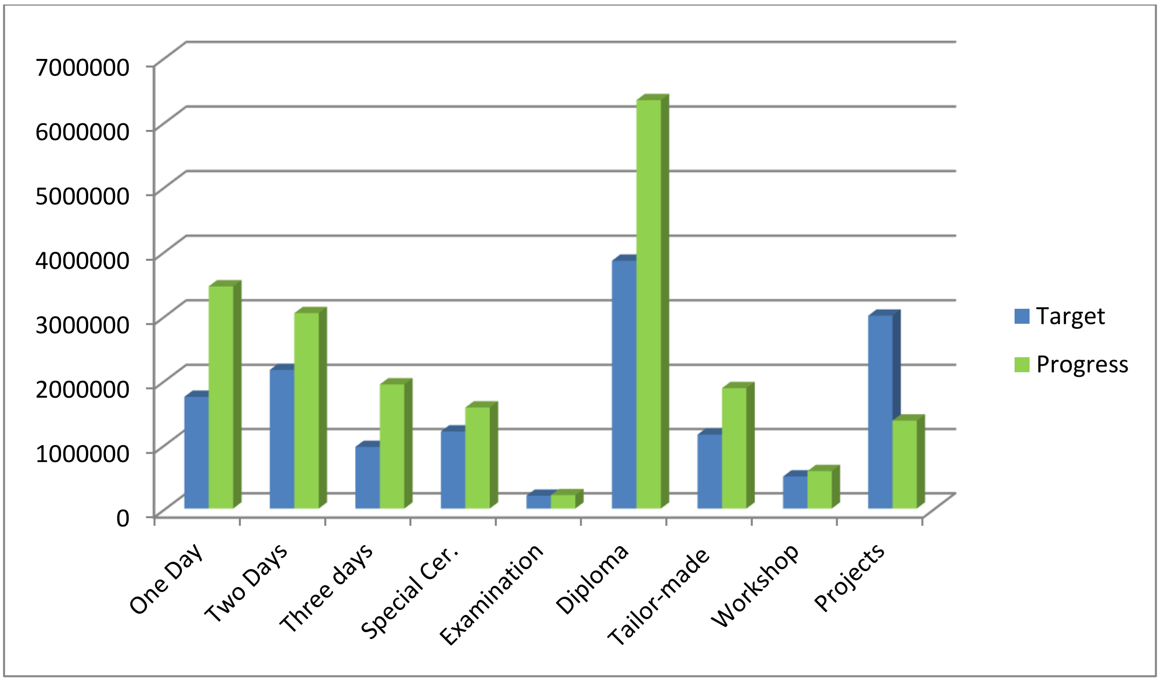
Graph: 1

Physical Review 2016 – Target & Progress



Graph: 2

Financial Review 2016 – Target & Progress (Rs.'000)



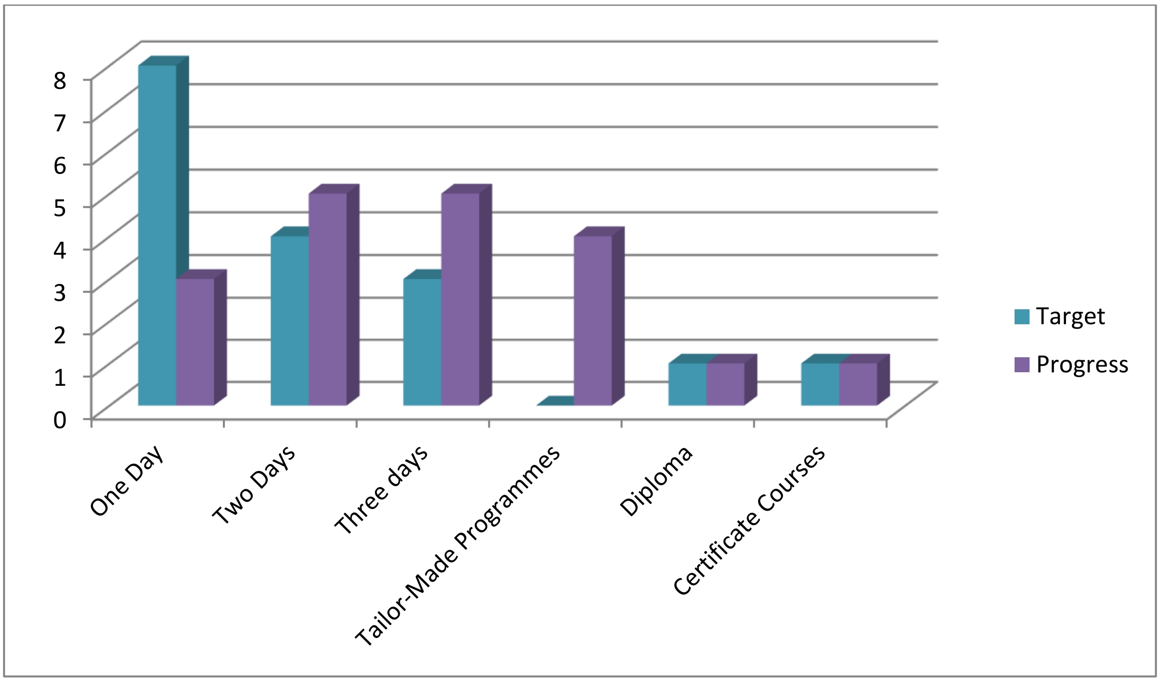
2.7 Labour Laws and Industrial Relations

Labour Laws and Industrial Relations division financial target was Rs. 2.8 million through 16 short term training programs and 1 Diploma Program. However due to the high participation for this training programs division earned Rs. 5.2 million by conducting 18 short term programs and 1 Diploma program.

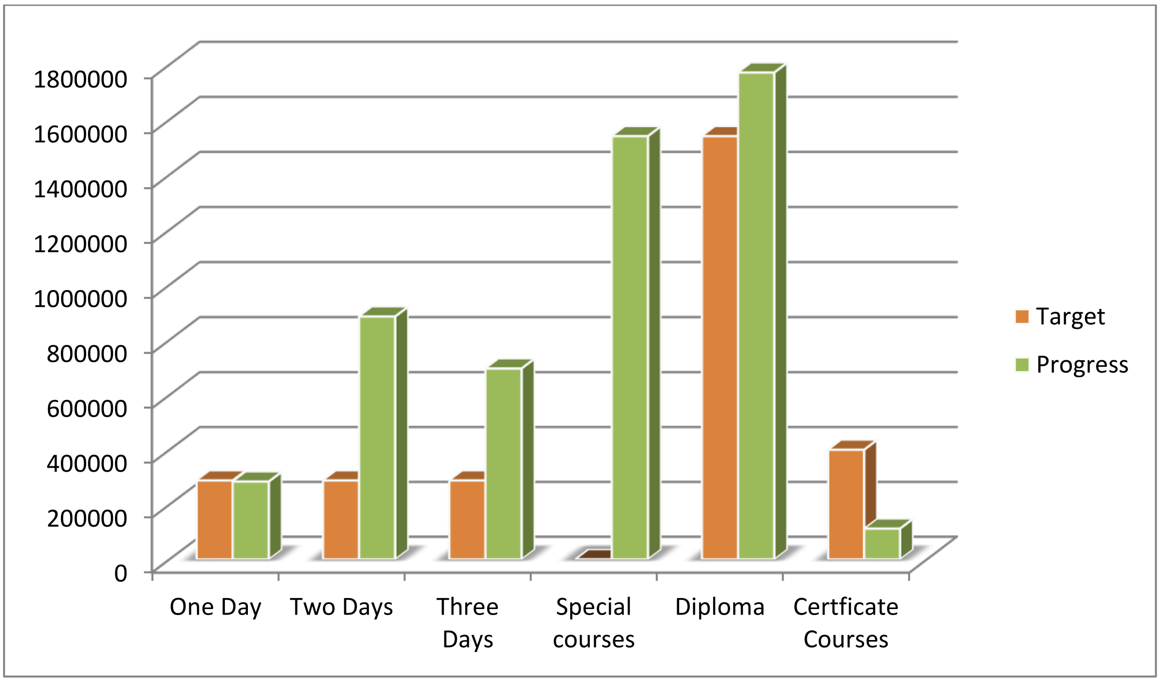
Table: 2
Physical & Financial Review – 2016
Labour Laws and Industrial Relations

Programme	Physical		Financial (Rs.'000)	
	Target	Progress	Target	Progress
One day	8	3	288,000	284,000
Two days	4	5	288,000	885,000
Three days	3	5	288,000	696,000
Tailor-Made Programmes	-	4	-	1,540,000
Diploma courses	1	1	1,540,000	1,771,000
Certificate Course	1	1	400,000	112,000

Graph: 3
Physical Review 2016 – Target & Progress
Labour Laws and Industrial Relations



Graph: 4
Financial Review 2016 – Target & Progress (Rs.'000)
Labour Laws and Industrial Relations



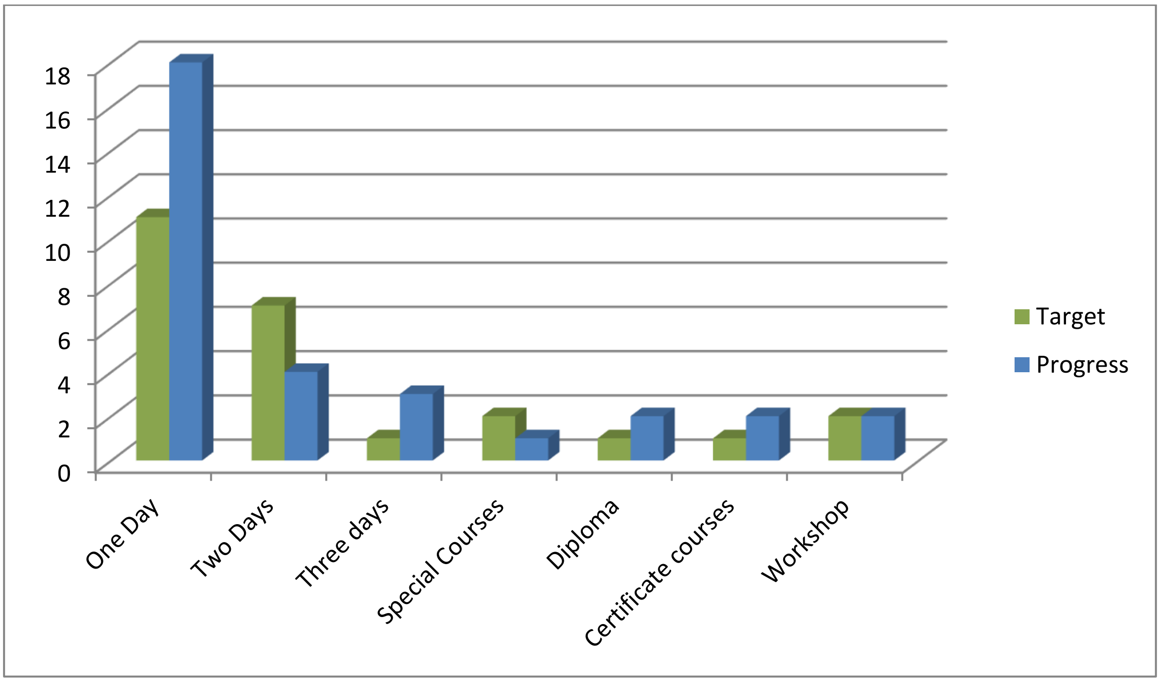
2.8 Human Resource Management

Human Resource Management division financial target for the year was Rs. 3.3 million. It was planned to conduct 25 short term programmes and 1 Diploma Program. However due to the tremendous effort by HRM division was able to conducted 1 Diploma and 32 short term programs and earned Rs. 6.3 million.

Table: 3
Physical & Financial Review – 2016
Human Resource Management

Programme	Physical		Financial (Rs.000')	
	Target	Progress	Target	Progress
One day	11	18	396,000	1,395,000
Two days	7	4	504,000	480,000
Three days	1	3	96,000	500,800
Tailor-Made Programmes	3	1	576,000	275,000
Diploma courses	1	2	924,000	2,618,000
Certificate Course	1	2	400,000	464,000
Workshops	2	2	500,000	583,525

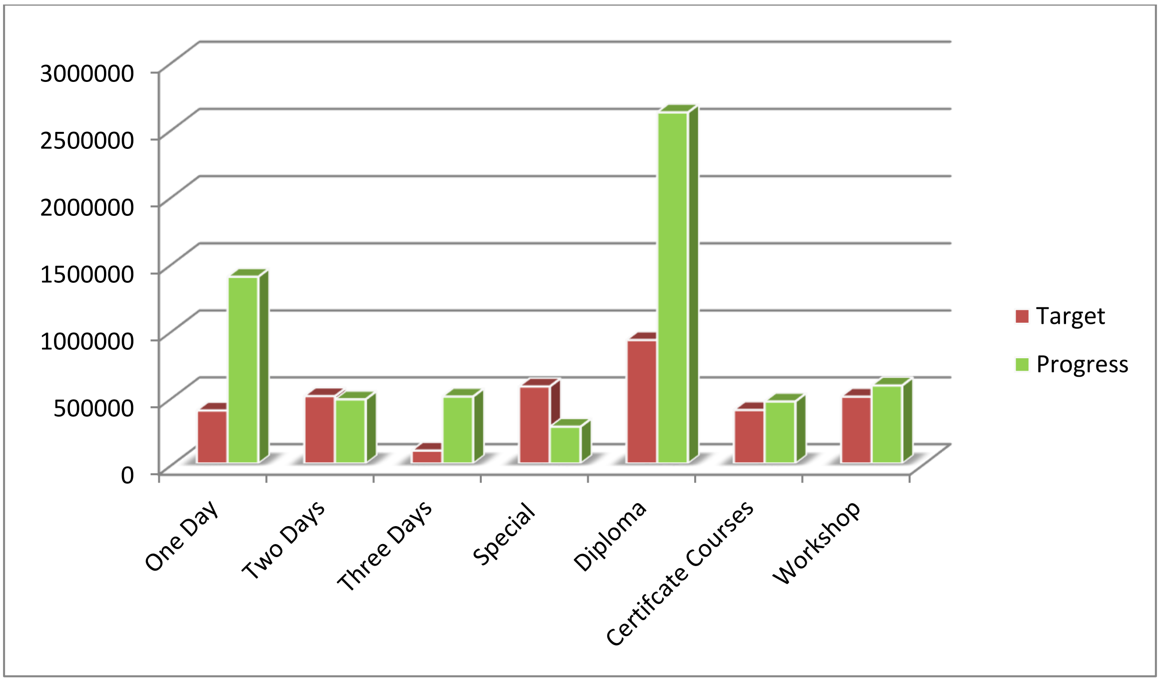
Graph: 5
Physical Review 2016 – Target & Progress
Human Resource Management



Graph: 6

Financial Review 2016 – Target & Progress (Rs.'000)

Human Resource Management



2.9 Workplace Productivity Enhancement

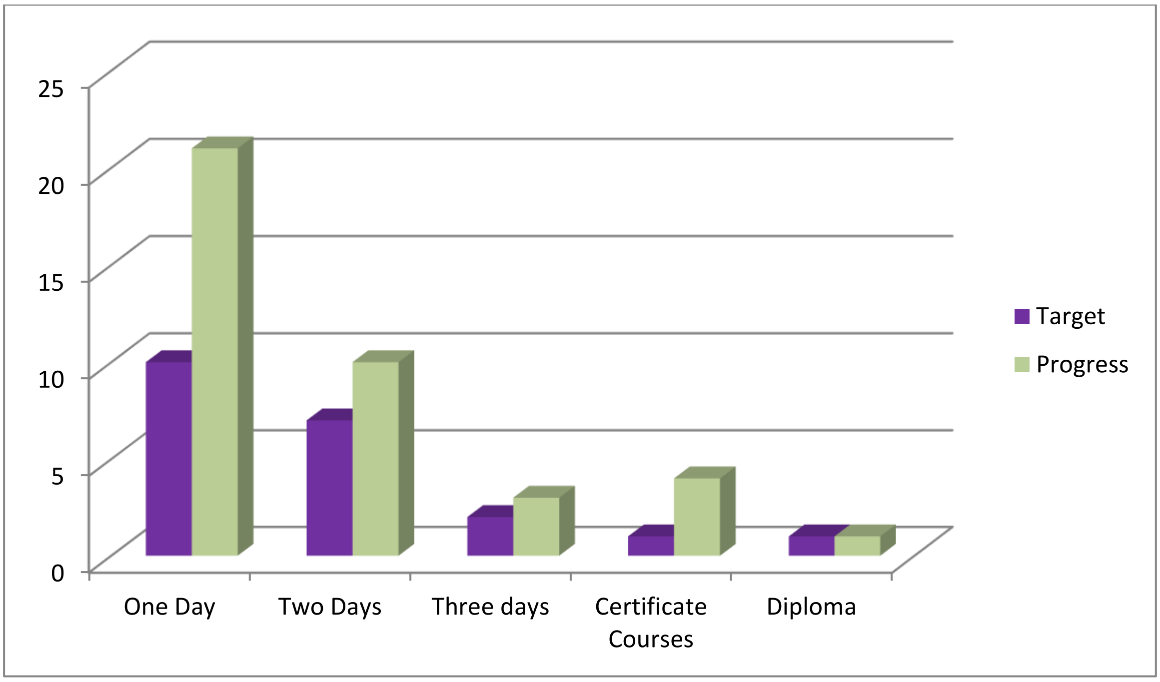
Workplace Productivity Enhancement division financial target was Rs.2.4 million by conducting 20 short term programmes and 1 Diploma programmes. Eventually this division earned Rs.6.7 million by conducting 38 short term programmes and 2 Diploma programmes.

Table: 4
Physical & Financial Review – 2016
Workplace Productivity Enhancement

Programme	Physical		Financial (Rs.000')	
	Target	Progress	Target	Progress
One day	10	21	360,000	1,774,000
Two days	7	10	504,000	1,674,000
Three days	2	3	192,000	736,000
Special courses	1	4	400,000	841,000
Diploma	1	2	924,000	1,735,000

Graph: 7

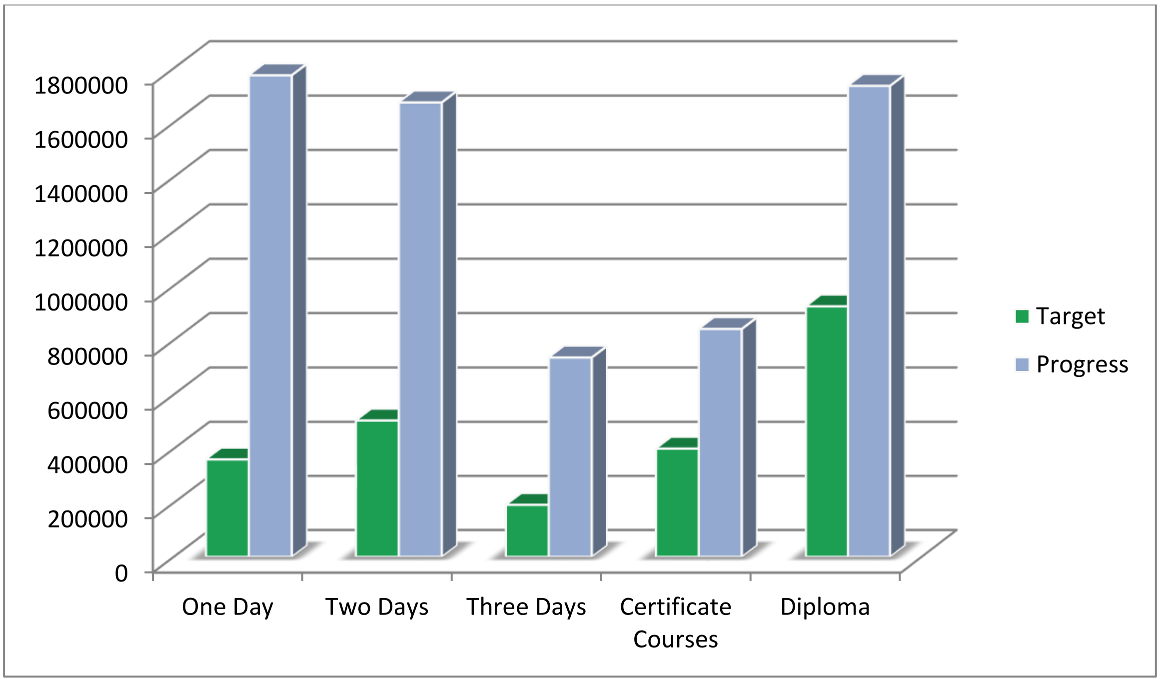
Physical Review 2016 – Target & Progress
Workplace Productivity Enhancement



Graph: 8

Financial Review 2016 – Target & Progress (Rs.'000)

Workplace Productivity Enhancement



3.0 **Financial Statements**

3.1

NATIONAL INSTITUTE OF LABOUR STUDIES
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016	2015
		Rs.	Rs.
Assets			
Non Current Assets			
Plant and Equipment	14	10,326,283.91	10,527,368.32
Current Assets			
Inventories	15	428,843.79	163,465.37
Receivables	16	8,582,078.96	4,045,760.95
Ministry Account	17	-	89,500.00
Received in advance	18	(531,243.75)	(9,000.00)
Cash Advances	19	121,966.00	
Fixed Deposit (BOC)		10,393,205.48	
Cash & Cash Equivalent	20	16,179,257.21	25,450,748.94
Total Assets		**45,500,391.60**	**40,267,843.58**
Liabilities			
Current Liabilities			
Accrued Expenses	21	1,482,319.64	218,559.14
Total Net Assets		**44,018,071.96**	**40,049,284.44**
Net Assets/ Equity			
Accumulated Fund			
Balance B/F as at 01.01.2016		40,049,284.44	33,251,180.41
Adjustments in respect of the previous yea	22	(1,524,600.00)	(83,390.01)
Adjusted Balance as at 01.01.2016		38,524,684.44	33,167,790.40
Capital Reimbursment	23	2,481,015.30	1,696,391.10
Adjustment for the Period	24	2,683,186.61	3,951,444.56
Excess/(Deficit) for the Year		329,185.61	1,233,658.38
		44,018,071.96	**40,049,284.44**

The accounting policies on pages 07 to 09 and notes on pages 10 to 29 from an integral part of this financial statement. The Board of Directors are responsible for the prepration and presentation of these Financial Statements in accordance with the Sri lanka Public Sector Acounting Standards (SLPSAs). These Financial Statements were approved by the Board of Directors and signed on their behalf.

Lankika Weerasinghe
Accountant

Lankika Weerasinghe
Accountant
National Institute of Labour Studies
No. 267, Pannipitiya Road,
Pelawatta, Battaramulla

Saman D. Waduge
Director General

Saman D. Waduge
Director General
National Institute of Labour Studies
267, Pannipitiya Road,
Pelawatta, Battaramulla

Samanthi Senanayake
Board Member

Samanthi Senanayake
Senior Assistant Secretary (Information Technology)
Ministry of Public Administration & Management
Independence Square - Colombo 07.

S M Gotabaya Jayarathna
Chairman

S.M. Gotabaya Jayarathne
Secretary
Ministry of Labour and Trade Union Relations
2nd Floor, Labour Secretariat,
Colombo 05.

1

Final Accounts 2016
National Institute of Labour Studies

3.2 Statement Of Financial Performance For The Year Ended 31 December 2016

	Note	2016 Rs.	2015 Rs.
Operating Revenue			
Recurrent Reimbursment	4	8,839,191.20	11,555,041.38
Revenue	5	23,025,998.92	11,161,090.00
Total Revenue		**31,865,190.12**	**22,716,131.38**
Operating Expenses			
Personnel Emoluments	6	10,581,829.58	7,412,495.76
Travelling	7	826,368.20	54,940.07
Supplies & Consumables used	8	944,440.22	443,674.15
Maintenance	9	1,189,802.87	1,049,525.33
Contractual Services	10	7,886,033.50	7,338,750.62
Depreciation & amotisations	11	1,477,524.03	1,493,258.48
Other Operating Expenses	12	1,027,122.96	495,264.20
Program Activities	13	7,602,883.15	3,194,564.40
Total Operating Expenses		**31,536,004.51**	**21,482,473.01**
Surplus/(Deficit) from Operating Activities		**329,185.61**	**1,233,658.37**
Finance Cost			
Bank Charges		-	-
Net Surplus/(Deficit) from Operating Activities		**329,185.61**	**1,233,658.37**

3.3 Cash Flow Statement For The Year Ended 31 December 2016

	Note	2016 Rs.	2015 Rs.
Cash flow from Operating Activities			
Surplus/(Deficit) from Operating Activities		329,185.61	1,233,658.38
Adjustment for:			
Salaries : Ministry & Department	24	2,683,186.61	3,951,444.56
Depreciation	11	1,477,524.03	1,493,258.47
Operating Activities	25	(524,600.00)	-
Operating profit before working Capital charges		**3,965,296.25**	**6,678,361.41**
(Increase) / Decrease in Inventories	15	(265,378.42)	(163,465.37)
(Increase) / Decrease in Receivables	16	(4,536,318.01)	1,697,693.67
(Increase) / Decrease in Ministry Account		89,500.00	
(Increase) / Decrease in Cash Advances		(121,966.00)	
(Increase) / Decrease in Fixed Deposits		(10,393,205.48)	
Increase / (Decrease) in Accruals	21	1,263,760.50	(72,667.49)
Increase / (Decrease) Income received in advance	18	522,243.75	9,000.00
Cash Generated from Operations		**(9,476,067.41)**	**8,148,922.22**
Finance cost		-	-
Net cash flows from Operating Activities		**(9,476,067.41)**	**8,148,922.22**
Cash Flows from Investing Activities			
Acquisition of Plant & Equipment	14.1	(2,276,439.62)	(1,840,144.06)
Capital Re-imbursment	23	2,481,015.30	1,696,391.10
Net Cash Flow from Investing Activities		**204,575.68**	**(143,752.96)**
Net Increase/ (Decrease) in Cash & Cash Equivalents		(9,271,491.73)	8,005,169.27
Cash & Cash Equivalents at the beginning of the year	20	25,450,748.94	17,445,579.67
Cash & Cash Equivalents at the end of the year	20	**16,179,257.21**	**25,450,748.94**

3.4 Statement of Changes in Equity

STATEMENT OF CHANGES IN EQUITY

AS AT 31ST DECEMBER 2016

	2016
	Rs.
Accumulated Fund Balance B/F as at 01.01.2016	**40,049,284.44**
Adjustments in respect of the previous years	(1,524,600.00)
Adjusted Balance as at 01.01.2016	**38,524,684.44**
Capital Reimbursment	2,481,015.30
Adjustment for the Period	2,683,186.61
Excess/(Deficit) for the Year	329,185.61
Balance as at 31.12.2016	**44,018,071.96**

3.5 Notes to the Financial Statements Year ended 31st December 2016

1. Institute Information

1.1 General

The National Institute of Labour Studies (NILS) is statutory body which comes under the purview of the Ministry of Labour and Trade Union Relations. This Institute was founded in September 2007, under the Ministry in charge of subject of Labour, restructuring the workers Education division of the Department of labour. It was legally established by the enactment of the Act No.12 of 2010 by the Parliament. As per the act, the Institute is governed by the Governing Board consisting of representatives from the tripartite constituents of the labour sector, which include employers, employees represented by the Trade Unions and the Government officials. This Institute is located at 267, Pannipitiya Road, Pellawatta, Battaramulla.

1.2 Principle Activities and Nature of Operations

The principle activity of the Institute which is conducting training programs and workshops on Labour Law and Industrial Relations, Workplace Productivity Enhancement and Human Resource Management, conducting researches and publications.

1.3 Staff of The Institute

Even though the Institute started its operations from September 2007, the approval of the cadre of NILS has been obtained in March 2014. Under such circumstances, operational staff has been provided to the Institute by the Ministry of Labour and Trade Union Relations and Department of Labour and salaries of those officers, have been paid by those respective Organizations. Therefore, personnel emoluments that mentioned in this financial statement indicate, both salaries and the allowances paid by NILS as well as by Ministry of Labour and Trade Union Relations and Department of Labour.

1.4 Financial Management of NILS

The Financial management of the institute has been carried out by the Ministry of Labour and Trade Union Relations until 30th September 2011 (due to staff and other constraint) from the inception of the Institute.

2. Basis of Preparation

2.1 Statement of Compliance

The financial statements of National Institute of Labour Studies comprise the Statement of Financial position, Statement of Financial performance, Cash flow Statement, Statement of change in equity and notes to the financial statements. These statements are prepared in accordance with the Sri Lanka Public Sector Accounting Standards (SLPSAs) laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL).

2.2 Basis of Measurement

The financial Statements have been prepared on the Accrual basis and no adjustments have been made for inflationary factors in the financial statements.

2.3 Going Concern

The Directors have made an assessment of the Institute ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.4 Comparative Information

The accounting policies have been consistently applied by the Institute and therefore they are consistent with those used in the previous year. Previous year's figures and phrases have been rearranged wherever necessary to confirm to the current year's presentation.

2.5 Functional and presentation Currency

These financial Statements are presented in Sri Lankan Rupees, which is the NILS functional currency.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Property, Plant and Equipment

The cost of Property, Plant and Equipment is the cost of acquisition or construction together with any expenses incurred in bringing the assets to its working condition for its intended use. Subsequent to the initial recognition as an asset at cost, revalued assets are carried at revalued amount less any subsequent depreciation thereon. All other Property, plant and equipment are stated at cost less accumulated depreciation. Where an Item of plant and equipment comprises major components having different useful life's, they are accounted for as separate item of Property, Plant and equipment. The assets residual value, useful life and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation is charged on all Property, Plant and Equipment other than freehold land to write off the cost over the estimated useful life. Depreciation has been provided from the date the assets are available for use up to the date of disposal. Plant and Equipment are depreciated on straight line method as mentioned below, further, that the plant and equipment have been accounted at cost method as prescribed in the SLPSAS7 – Property plant and Equipment.

The principle annual rates used are as follows:

	2016
Machinery and Equipment	10 Years
Furniture & Fittings	13 Years (7.5%)
Computers	10 Years
Vehicles	10 Years
Name Boards & Others	3 Years
Books	5 Years

Property plant and equipment revalued as at 02.10.2013 by the Valuation Department and release the said report on 07.01.2014. Depreciation for the year 2014 has been calculated on revaluation accounted on 01.01.2014. During the year fixed Assets purchases accounted on cost basis. If there is an indication that there has been a significant change in depreciation rate, useful life of residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectation. Expenditure incurred on repairs or maintenance of property, plant and equipment in the order to restore or maintain the future economic benefit expected from originally assessed standard of performance is recognized as an expense when incurred.

3.2 Inventories

The inventories used during the financial year had been charged to the income and expenditure statement at cost.

3.3 Cash and Cash Equivalent

Cash and Cash Equivalent comprise cash in hand, deposit held at call with bank.

3.4 Liabilities and Provisions

Liabilities are recognized in the balance sheet when there is a present obligation as a result of past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligation payable at the demand of the creditors or within one year of the balance sheet date is treated as current liabilities in the balance sheet.

Provision is recognized if, as a result of a past event, the NILS has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

3.5 Revenue recognition

Revenue from sales of goods/services is recognized when the goods are delivered and title has passed. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and sales related taxes collected on behalf of the government of Sri Lanka.

3.5.1 Basis Income

Income computation on accrual basis when the participants make the payments. Due to unavoidable reasons some participants leave the course before completion and some course fees cannot be recovered due to various reasons. Theses receivables have not been considered as an Income. However action will be taken to recover balance amounts if it is possible. Total Income of the course is determined for the year of the course commence.

3.6 Receivables

Trade receivables are stated at the amounts that they are estimated to realize net of allowances for bad and doubtful receivables. Other receivables and dues from related parties are recognized at cost less allowances for bad and doubtful receivables.

3.7 Defined Contribution plans

A defined Contribution plan is a post-employment benefit plan under which an entity pays fixed contribution in to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contribution to Employee Provident Funds covering all employees are recognized as expenses in profit or loss as incurred.

The company contributes 12% and 3% of gross emoluments of employees as Provident Fund and Trust Fund contribution respectively.

3.8 Cash Flow Statement

Cash Flow Statement has been prepared using the indirect method.

National Institute of Labour Studies
Notes to the Financial Statement for the year ended 31.12.2016

Note: 4	2016	2015
Recurrent Reimbursement	**Rs.**	**Rs.**
Recurrent Reimbursement	8,839,191.20	11,555,041.38
Total	**8,839,191.20**	**11,555,041.38**

Note: 5	2016	2015
Revenue	**Rs.**	**Rs.**
Diploma Course	6,236,250.00	2,899,500.00
Certificate Course	1,574,000.00	90,000.00
One day program	3,453,200.00	1,653,900.00
Two day Program	3,039,000.00	2,286,400.00
Three day Program	1,932,800.00	1,389,200.00
Special Program	1,875,000.00	1,452,400.00
Examination Income	208,360.00	287,690.00
ILO Project	1,901,243.75	1,100,000.00
Work Shops	583,525.00	
Other Income	2,222,620.17	2,000.00
Total	**23,025,998.92**	**11,161,090.00**

National Institute of Labour Studies
Notes to the Financial Statement for the year ended 31.12.2016

Note: 6	2016	2015
Personnel Emoluments	**Rs.**	**Rs.**
Staff Salaries	1,962,686.46	559,480.27
Ministry Staff Salaries	1,802,896.47	2,310,339.00
Department Staff Salaries	880,290.14	1,641,105.56
Secondment Salary	2,530,275.74	527,010.00
Secondment Allowances	460,584.86	346,327.62
Pension Fund Contribution	355,404.50	64,087.50
Management fee	450,000.00	300,000.00
Acting Allowances	116,014.36	395,037.58
Wages	717,475.00	786,495.00
Director General Fuel	-	128,700.00
EPF Contribution	427,183.08	98,916.91
ETF Contribution	63,277.44	14,823.14
Holiday Payment	119,235.90	80,172.25
Staff Overtime	178,145.14	6,395.93
Other Allowances	29,282.81	-
Governing Board Expenses	320,689.68	100,325.00
Audit & Management Committee Meeting Expenses	115,108.00	-
General Audit fee	53,280.00	53,280.00
Total	**10,581,829.58**	**7,412,495.76**

Note: 7	2016	2015
Travelling Expenses	**Rs.**	**Rs.**
Domestic	38,609.30	54,940.07
Foreign	787,758.90	-
Total	**826,368.20**	**54,940.07**

National Institute of Labour Studies
Notes to the Financial Statement for the year ended 31.12.2016

Note: 8	2016	2015
Supplies & Consumables Items	Rs.	Rs.
Printing & Stationery	798,748.22	334,564.35
News Papers	22,070.00	16,730.00
Fuel	123,622.00	92,379.80
Total	**944,440.22**	**443,674.15**

Note: 9	2016	2015
Maintenance	Rs.	Rs.
Air Conditioner repair	84,836.41	76,750.00
Computer maintenance	33,130.50	42,120.00
Office maintenance	806,207.48	499,395.38
Vehicle maintenance	265,628.48	431,259.95
Total	**1,189,802.87**	**1,049,525.33**

Note: 10	2016	2015
Contractual Services	Rs.	Rs.
Building Rent	4,200,000.00	4,200,000.00
Telephone	331,566.79	241,845.91
Cleaning Expenses	1,393,366.12	1,395,058.44
Electricity	764,407.38	640,689.19
Water	72,662.92	95,394.99
Stamps & Postage	242,100.00	160,000.00
Service Agreements	274,986.92	100,730.00
Security Charges	566,614.60	505,032.09
With Holding Tax	40,328.77	
Total	**7,886,033.50**	**7,338,750.62**

National Institute of Labour Studies
Notes to the Financial Statement for the year ended 31.12.2016

Note: 11	**2016**	**2015**
<u>Depreciation</u>	**Rs.**	**Rs.**
Machinery & Equipment's	525,156.38	430,992.73
Furniture & Fittings	340,612.29	292,059.08
Computers	355,600.00	292,880.00
Vehicles	-	125,000.00
Name Boards & Others	240,810.00	347,326.67
Books	15,345.36	5,000.00
Total	**1,477,524.03**	**1,493,258.48**

Note: 12	**2016**	**2015**
<u>Other Operating Expenses</u>	**Rs.**	**Rs.**
Advertising & Promotion	904,630.96	375,424.20
Office welfare	119,492.00	119,840.00
Transport Charges	3,000.00	-
Total	**1,027,122.96**	**495,264.20**

Note: 13	**2016**	**2015**
<u>Programme Activities</u>	**Rs.**	**Rs.**
Lecture fees	2,287,076.40	1,092,000.00
Refreshment	2,080,765.25	944,855.00
Examination Expenses	485,350.00	271,743.00
Training & Development	1,019,956.05	7,500.00
Awarding Ceremony	327,145.45	205,266.40
Project Expenses	1,402,590.00	673,200.00
Total	**7,602,883.15**	**3,194,564.40**

National Institute of Labour Studies
Notes to the Financial Statement for the year ended 31.12.2016

Note: 14	2016	2015
Plant & Equipment (14.1)	**Rs.**	**Rs.**
Machinery & Equipment's	3,988,624.82	3,572,144.61
Furniture & Fittings	3,659,411.60	3,352,647.65
Computers	2,614,640.00	2,343,040.00
Vehicles	-	1,000,000.00
Name Boards & Others	17,226.06	249,536.06
Books	46,381.43	10,000.00
Total	**10,326,283.91**	**10,527,368.32**

Note: 15	2016	2015
Inventories (15.1)	**Rs.**	**Rs.**
Printing & Stationaries	230,322.35	136,611.30
Office equipment maintenance	198,521.44	26,854.07
Total	**428,843.79**	**163,465.37**

Note: 16	2016	2015
Receivable Income (16.1)	**Rs.**	**Rs.**
One day Program	502,000.00	132,000.00
Two Days Program	318,000.00	444,000.00
Three Days Program	564,800.00	152,000.00
Special program		786,000.00
Diploma Income	2,970,750.00	311,000.00
Certificate Courses	486,000.00	-
ILO Project		1,050,000.00
Tailor Made Courses	329,000.00	
Work Shops	76,500.00	
Examinations	43,900.00	-
Reimbursement Recurrent	549,223.16	396,919.85
Reimbursement Capital	941,603.30	773,841.10
Foreign Training - India	1,785,482.50	
Boiler Expenses from STC	14,820.00	
Total	**8,582,078.96**	**4,045,760.95**

National Institute of Labour Studies
Notes to the Financial Statement for the year ended 31.12.2016

Note: 17	2016	2015
Ministry Account	**Rs.**	**Rs.**
Ministry Account (17.1)	-	89,500.00
Total	**-**	**89,500.00**

Note: 18	2016	2015
Received in Advance	**Rs.**	**Rs.**
One day Program		3,000.00
Two days program		6,000.00
UN Women Project	531,243.75	
Total	**531,243.75**	**9,000.00**

Note: 19	2016	2015
Cash Advances	**Rs.**	**Rs.**
Staff Loan	57,166.00	
Cash Advance - Diploma Cloaks	64,800.00	
Total	**121,966.00**	**-**

Note: 20	2016	2015
Cash & Cash Equivalents	**Rs.**	**Rs.**
Bank of Ceylon, Nugegoda A/C 0071451995	16,179,257.21	25,450,748.94
Total	**16,179,257.21**	**25,450,748.94**

National Institute of Labour Studies
Notes to the Financial Statement for the year ended 31.12.2016

Note: 21	**2016**	**2015**
Accrued Expenses (21.1)	**Rs.**	**Rs.**
Staff Over Time	4,750.83	372.90
Acting Allowances	52,272.86	-
Travelling domestic		2,100.00
News papers	460.00	-
Security charges	83,562.17	42,061.86
Water	3,119.73	15,413.43
Office Cleaning expenses	133,995.61	124,072.15
Telephone	34,348.31	22,163.80
Staff Salaries	8,712.00	-
Wages	8,000.00	12,375.00
ETF	512.13	-
EPF	76.82	-
Office Maintenance	5,936.29	-
Other Allowances	2,965.89	
Pension Fund	2,202.00	
Diploma Awarding Ceremony	21,000.00	
General Audit Fee	218,880.00	
Examination expenses	101,525.00	
Diploma in Monitoring & Evaluation Share - SLAVA	800,000.00	
Total	**1,482,319.64**	**218,559.14**

National Institute of Labour Studies
Notes to the Financial Statement for the year ended 31.12.2016

Note: 22	**2016**	**2015**
Adjustments for the previous years	**Rs.**	**Rs.**
Furniture & Fittings		5,161.29
Provision for Depreciation : Furniture & Fittings		(1,161.30)
Provision for Depreciation : Name Boards & Others		(87,390.00)
General Audit Fee	(165,600.00)	
Short Term Programmes	(153,000.00)	
Motor Vehicle	(1,250,000.00)	
Provision for Depreciation : Motor Vehicle	250,000.00	
Project Expenses -ILO	(150,000.00)	
Ministry Account	(56,000.00)	
Total	**(1,524,600.00)**	**(83,390.01)**

Note: 23	**2016**	**2015**
Capital Reimbursement	**Rs.**	**Rs.**
Capital Reimbursement (23.1)	2,481,015.30	1,696,391.10
Total	**2,481,015.30**	**1,696,391.10**

Note: 24	**2016**	**2015**
Adjustment for the Current Year 2016	**Rs.**	**Rs.**
Ministry Staff Salaries (24.1)	1,802,896.47	2,310,339.00
Department Staff Salaries (24.1)	880,290.14	1,641,105.56
Total	**2,683,186.61**	**3,951,444.56**

National Institute of Labour Studies
Notes to the Financial Statement for the year ended 31.12.2016

Note: 25	2016	2015
Adjustments for Operating Activities	**Rs.**	**Rs.**
General Audit Fee	(165,600.00)	-
Short Term Programmes	(153,000.00)	-
Project Expenses -ILO	(150,000.00)	-
Ministry Account	(56,000.00)	-
Total	**(524,600.00)**	-

4.0 **Report of the Auditor General**

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல. / My No. } LEW/A/NILS/FA/2016   ඔබේ අංකය / உமது இல. / Your No. }   දිනය / திகதி / Date } 24 September 2017

The Chairman
National Institute of Labour Studies

Report of the Auditor General on the Financial Statements of the National Institute of Labour Studies for the year ended 31 December 2016 in terms of Section 14 (2) (c) of the Finance Act No.38 of 1971

The audit of financial statements of the National Institute of Labour Studies for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of Provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 23 of the National Institute of Labour Studies Act, No. 12 of 2010. 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. A detailed report in terms of Section 13(7)(a) of the Finance Act was issued to the Chairman of the Institute on 14 July 2017.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka
+94-11-2887028-34   +94-11-2887223   oaggov@sltnet.lk   www.auditorgeneral.gov.lk

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards, consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the National Institute of Labour Studies as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

An amount of Rs. 10,393,205 invested in fixed deposits which should be recognized under investing activities in the cash flow statements in accordance with Sri Lanka Public Sector Accounting Standard 02, had been recorded under the changes in working capital.

2.2.2 Accounting Deficiencies

The following observations are made.

(a) Grant received amounting to Rs.531,244 for a United Nation's Women Project (UN Women Project) in 2017 had been shown deducting from current assets in the financial statements.

(b) Interest related to 06 fixed deposits amounting to Rs.315,112 and withholding tax deducted therein amounting to Rs.8,080 had not been brought to account during the year under review.

2.2.3 Unexplained Differences

In the comparison of the stock balance as per the stock verification report for the year 2016 with that of the stock book balance, 169 items were in a shortage and 118 items were in excess related to 27 categories of goods as at 31 December of the year under review.

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

Instances of non- compliance with laws, rules and regulations are given below.

Reference to Laws, Rules and Regulations	Non- compliance
(a) Section 17 of the National Institute of Labour Studies Act, No. 12 of 2010.	A division of studies for trade unions had not been established to execute the objectives as prescribed by the sub section 4 of the Act.
(b) Public Finance Circular No. 05/2016 of 31 March 2016	
(i) Section 3.1.5	Actions had not been taken until end of the year 2016 for the goods recognized to be disposed in 2015, although the institute could have been taken necessary actions for the goods to be disposed (D), to be repaired (R), to be sold (S), and to be transferred to other government institutes (T) before 26 February in every financial year.
(ii) Section 3.1.6	Although the reports of stock verification conducted for the preceding year should be sent to the Auditor General and the Director General of Public Finance before 17 of March every year, it had not been done so.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, financial results for the year under review had resulted in a surplus of Rs.329,186 as compared with the corresponding surplus of Rs.1,233,658 for the preceding year, thus indicating a deterioration of Rs.904,472 in the financial result of the year under review as compared with the preceding year. Although the revenue had increased by Rs. 11,864,908, increase in the expenditure by Rs.10,053,531 and decrease in recurrent grant from Treasury by Rs. 2,715,850 had mainly attributed to this deterioration of the financial results.

In analyzing the financial results of the year under review with that of four preceding years, the surplus for the year 2012 in financial result amounted to Rs.4,543,546 and it had been amounted to Rs.329,186 with fluctuations in 2016. However, in adjusting employee salaries and depreciation charged for non-current assets to financial results, the contribution was amounted to Rs. 5,886,439 in 2012 though it had been decreased up to Rs.2,458,919 in 2013 and had been continuously increased from 2014 to 2016. The contribution was amounted to Rs.8,982,859 during the year under review.

4. Operating Review

4.1 Performance

Establishment of the National Institute of Labour Studies, establishment of a Board of Governors for the administration of the Institute, establishment of technical committees and a division of studies for trade unions, conduct of researches and surveys, providing training for the enhancement of labour studies in Sri Lanka and the performance of the matters connected or incidental thereto were the main objectives of the Act No. 12 of 2010 of the National Institute of Labour Studies. The following observations are made on the achievement of the objectives of the Institute.

(a) Although an establishment and maintenance of libraries and information services was a main objective, the institute had failed to establish a formal library and made available for students' utilization.

(b) No strategic programme had been possessed by the Institute to publish magazines, journals, periodicals and books related to labor studies although it was an objective of the Act.

In view of the overall matters, it was observed that out of seven main objectives relating to the establishment of the Institute, only 05 objectives had been executed. Reasonable steps had not been taken by the management to achieve two main objectives of the Act until at the end of 30 June 2017, despite the lapse of five years from the inception of the Institute.

4.2 Management Activities

The following observations are made.

(a) The rent agreement entered into on behalf of the office premises had been ended by 31 May 2016 and without entering into a new written agreement with the owner even by 30 June 2017, an amount of Rs.2,450,000 had been paid as rent for the period from June to December 2016.

(b) A van owned to the United Nation's Development Programme had not been properly vested by the Institute and it had been kept idle in the premises from 27 January 2016.

4.3 Transactions in Contentious Nature

Excluding the entity which was recommended by the procurement committee to supply meals for the participants of the institute's courses in 2016, meals amounted to Rs. 1,918,340 had been purchased from another entity. However, participants of the courses had mentioned in their evaluation sheets that those meals were not in good quality. Although a decision had been taken to retender due to those responses, meals had been purchased from the same supplier till the end of the year 2016.

4.4 Utilization of Funds

Although income could be earned from surplus money investing in risk aversive areas after obtaining approval from relevant authorities as per the Section 4 (e) of the National Institute of Labour Studies Act, average monthly balance amounted to Rs. 20.7 million had been kept in the current account of the institute during the year under review without paying attention on that.

4.5 Personnel Administration

As per the letter number DMS/E3/39/7/001/1 and dated 29 July 2011 of the Director General of the Department of Management services, although the approved cadre of the institute was 45, actual number had stood at 16.

The following observations are made.

(a) Out of 29 vacancies appeared in the approved cadre as at 31 December 2016, there were 06 vacancies related to top management. Existence of so many such vacancies was an obstacle to achieve objectives of the institute.

(b) A lady officer who had not completed basic qualifications had performed the duties of the position of accountant of the institute since 2011. Actions had not been taken against the officers who were responsible for that particular recruitment.

5. Accountability and Good Governance

5.1 Internal Audit

Although the post of internal auditor was included in the approved cadre of the institute, that post had been vacant even at the end of the year under review. Although the line ministry had conducted an internal audit as a person had not been recruited for the post, it had not been conducted covering all the areas sufficiently.

5.2 Procurement Plan

The Institute had purchased goods amounted to Rs.1,242,437 excluding the Procurement Plan prepared for the year 2016.

5.2 Budgetary Control

Variances ranging from 15 per cent to 308 per cent were observed between the budgeted and actual figures showing that budget had not been used as an effective instrument of management control.

6. Systems and Controls

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

Area of System and Control	Observations
(a) Personal Administration	(i) Actions had not been taken by the Management to fill vacancies appeared in the approved cadre on time.
	(ii) Segregation of duties had not been done among procurement and store activities.
(b) Administration of Fixed Assets	Failure to conduct annual board of survey on time and directions related to disposal had not been executed.
(c) Information Technology-General Control	A data base had not been maintained related to the courses conducted by institute.

(d) Stock Control	(i)	Failure to update consumable stock register daily and issue of goods had not been implemented under a proper system.
	(ii)	Failure to obtain receipt and issue orders related to the goods received as donations.

H. M. Gamini Wijesinghe
Auditor General

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General