කම්කරු, වෘත්තීය සමිති සබඳතා හා සබරගමුව සංවර්ධන අමාත්‍යාංශය
**தொழில் தொழிற்சங்க உறவுகள் மற்றும் சப்பிரகமுவ அபிவிருத்தி அமைச்சு**
**Ministry of Labour, Trade Union Relations and Sabaragamuwa Development**

# වාර්ෂික වාර්තාව
# வருடாந்த அறிக்கை
# Annual Report
# 2017

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

According to the goals set up by the National Institute of Labour Studies coming under purview of Ministry of Labour and Trade Union Relations, it has been contributed through implementing of training and development programs during the year for the improving of knowledge and skills and creating of good attitudes in themselves in the field of labour.

It is believed by me that these programs have been caused create a good work environment through enhancing institutional productivity while safeguarding rights with the view of staff in public establishments, semi-government institutions, and establishments in private sector.

I expect that National Institute of Labour Studies is pioneering by introducing new programs to NILS for the implementing of this function as formal, by renovating existing programs, and by strengthening relationships with other local educational institutions and international organizations, and by filling their staffing needs.

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.

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

## The message of Chairman

There shall be a cadre of staff who are enriched with knowledge, attitude and good attitudes for the enhancing institutional productivity and for the rebuilding of good work environment by safeguarding workers' rights in workplaces. It provides the capability for reaching the goal of rebuilding satisfied workforce who dedicated for the national development.

Learning objectives specify the new knowledge, skills and abilities that a learner should accomplish from undertaking a learning experience, such as a diploma course, certificate courses, workshop, and examination for this purpose. Achievement of all of the learning objectives should result in accomplishing all of the overall training goals of the training and development experiences. Accordingly, National Institute of Labour Studies is responsible for making aware the labor force, who is approximately 8.6 million in this country, by training and development along the field of labour.

While the Institution has obtained the services from the external resource persons for the role accomplishing during the year, the sponsorship of ILO has also been obtained. Specifically the contribution received from the Department, Corporations, and statutory bodies and institution from private sector shall be mentioned.

I make this opportunity to extend my thank all the staff including Director General of National Institute of Labour Studies who contributed make success the targets productively under the leadership and guidance provided by the Ministry during the year 2017.

Chairman
S. A. Nimal Saranathissa

## The message of Director General

National Institute of Labour Studies with the view of assisting to the parties who are willing in training and development in public, semi-government and private institutions. The Institution has taken steps to implement training and development programs productively by renovating and introducing new programs taking into consideration the ideas, proposals and requests made by stockholders under the good relationships existing with the parties. It includes the diplomas in labour laws and industrial relations and human resources management in which held annually by the Institution, certificate courses, workshops, and the programs held with the patronage of ILO and specific program conducted for the officers in Ministry of Foreign Employments. Thus the attention of institution is paid to facilitate personal and occupational development in workforce in the country in accordance with the objectives set up by the NILS, and the training and development programs have been tailored to promote knowledge and skills of workforce.

Specifically the limited staff that assisted for making success the activities of the establishment shall be reminded here. It is highly significance the assistant extended by the retired and present senior officers in public service, University lecturers, senior officers in private sector, and experts in different subjects.

It shall be remarked that the guidance and successive encouragement from the senior officers including Hon. Minister of Labour and Trade Union Relations and Secretary to Ministry of Labour to go ahead along the targets set up by NILS.

Lastly I am grateful to extend my appreciation for assistance given by heads of ministry, departments, public corporations, and statutory bodies, and private sector and who referred their staff for training programs by kept the credibility in Institution and in courses, training and development programs.

T. M. J. W. Thennakoon
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 2017 is as follows,

1. Mr. S. A. Nimal Saranathissa, Secretary, Ministry of Labour and Trade Union Relations and Sabaragamuwa Development – Chairman
2. Mr. A. Wimalaweera , Commissioner General of Labour – Vice-Chairperson
3. Mr. T. M. J. W. Thennakoon– Director General, NILS
4. Ms. Amanda Karunathilake – Member
5. Ms. D. A. L. Illeperuma – Member
6. Mr. W. N. S. Wickramasinghe – Member
7. Professor Prabath Jayasinghe – Member
8. Mr. J. M. N. Jayasinghe – Member
9. Ms. Isanka Samanmali Wijewardana – Member
10. Ms. Samanthi Senanayake - Member
11. Mr. Dharma Sri Weerasinghe - Member
12. Mr. L. S. Devendra – Member
13. Mr. Rohan Pandithakoralage – Member
14. Mr. W. M. K. L. Weerasinghe – Member

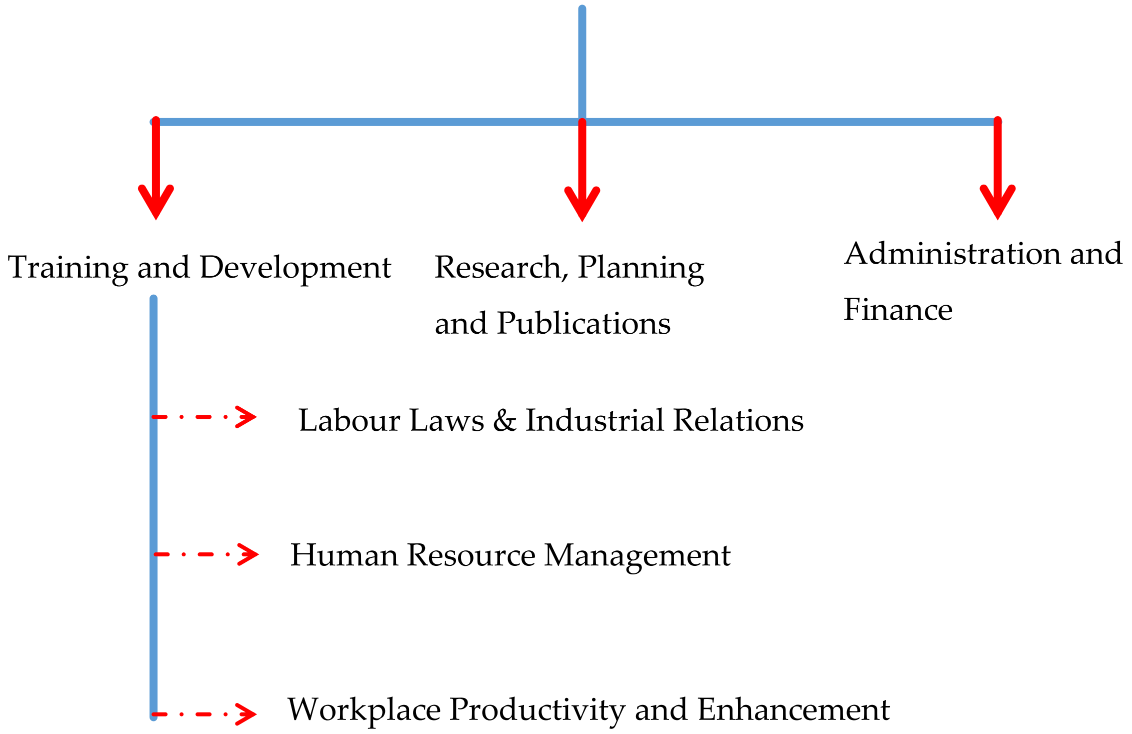
### 1.4 Organizational Structure

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 2017

According to the activity plan 2017, The National Institute of Labour Studies planned to conduct 52 one day programmes, 40 two day programmes and 12 three day programmes. The National Institute of Labour Studies was able to perform duringthis year 51 one day programmes, 40 two day programmes and 10 three day programmes. It also conducted 8 certificate courses, 23 tailor-made programs on the request made by the clients and 18 examinations for government organizations. However, NILS target Diploma programmess was only 6 but during the period Institute were able to conduct 5 Diploma programmes.

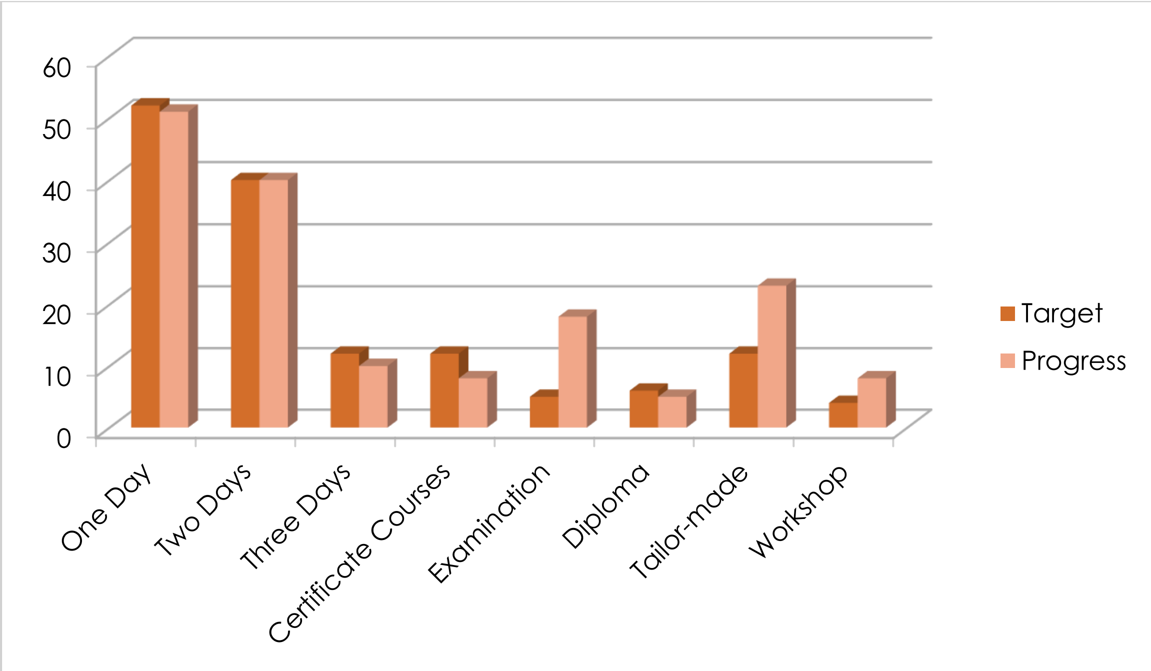
In 2017, financial target of the institute was Rs. 24.3 million. Eventually, National Institute of Labour Studies earned Rs. 31.4 million by conducting 163 programmes, which includes Diplomas, Tailor-made courses, Certificates, Examinations, Workshops and other day programmes. According to the Table – 1 Physical & Financial Review -2017, Graph-1 and Graph-2 data clearly shows that progress of the year 2017.

**Table: 1**
**Physical & Financial Review - 2017**

| Programmes | Physical | | Financial (Rs.'000) | |
|---|---|---|---|---|
| | Target | Progress | Target | Progress |
| One day Programme | 52 | 51 | 3,120 | 3,718 |
| Two day Programmes | 40 | 40 | 4,800 | 5,176 |
| Three day Programmes | 12 | 10 | 1,920 | 1,449 |
| Certificate Courses | 12 | 8 | 2,340 | 2,575 |
| Examinations | 5 | 18 | 200 | 1,675 |
| Diploma courses | 6 | 5 | 7,155 | 7,263 |
| Tailor-made Programmes | 12 | 23 | 3,840 | 4,209 |
| Workshops | 4 | 8 | 1,020 | 5,344 |
| **Total** | **143** | **163** | **24,395** | **31,409** |

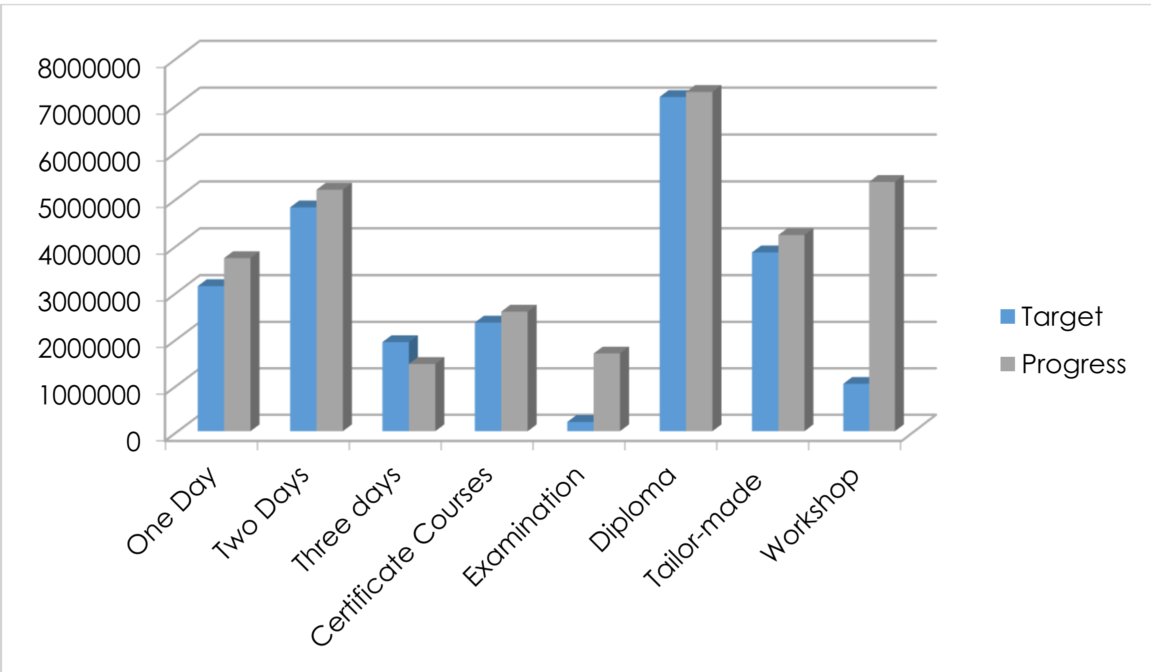
**Graph: 1**

**Physical Review 2017 – Target & Progress**




**Graph: 2**

**Financial Review 2017 – Target & Progress (Rs.'000)**



### 2.7 Labour Laws and Industrial Relations

Labour Laws and Industrial Relations division's financial target was Rs. 6.0 million through 33 programmes including one day, two days, three days, tailor-made programmes, Diplomas and certificate Programs. However during this year Labour Laws and Industrial Relations division earned Rs. 5.5 million by conducting 18 total programmes. Achieved data shows that Table -2, Graph-3 and Graph-4.

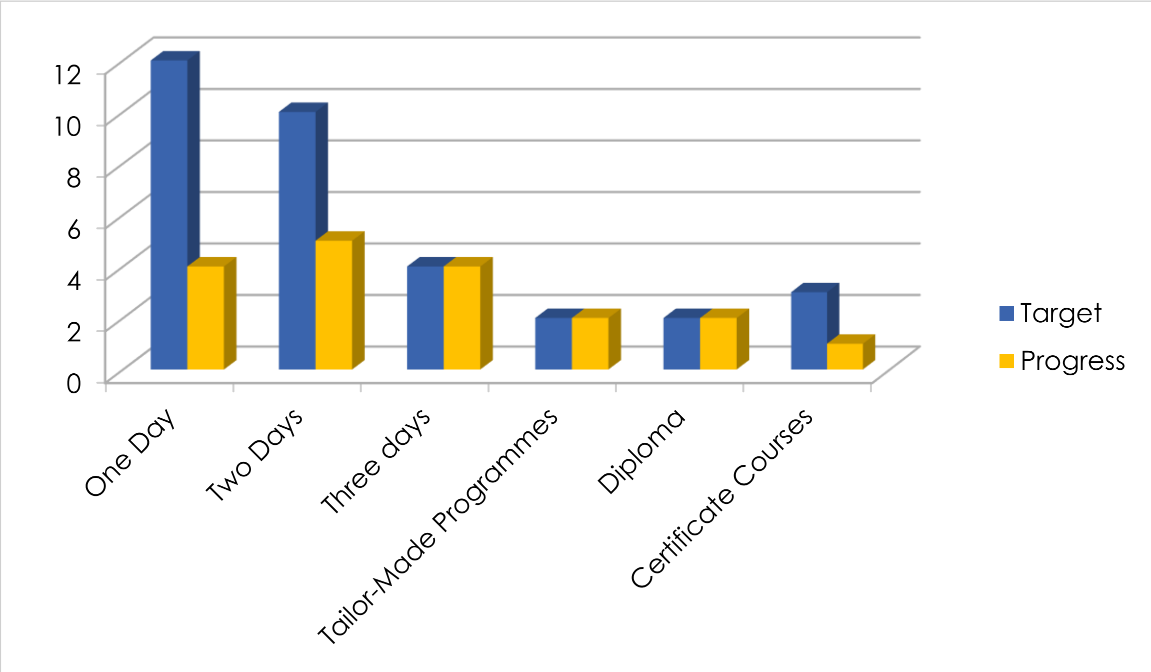
**Table: 2**
**Physical & Financial Review – 2017**
**Labour Laws and Industrial Relations**

| Programme | Physical | | Financial (Rs.'000) | |
|---|---|---|---|---|
| | Target | Progress | Target | Progress |
| One day | 12 | 4 | 720 | 150 |
| Two days | 10 | 5 | 1,200 | 558 |
| Three days | 4 | 4 | 640 | 744 |
| Tailor-Made Programmes | 2 | 2 | 640 | 224 |
| Diploma courses | 2 | 2 | 2,310 | 3,388 |
| Certificate Course | 3 | 1 | 585 | 481 |
| **Total** | **33** | **18** | **6,095** | **5,545** |

**Graph: 3**

**Physical Review 2017 – Target & Progress**

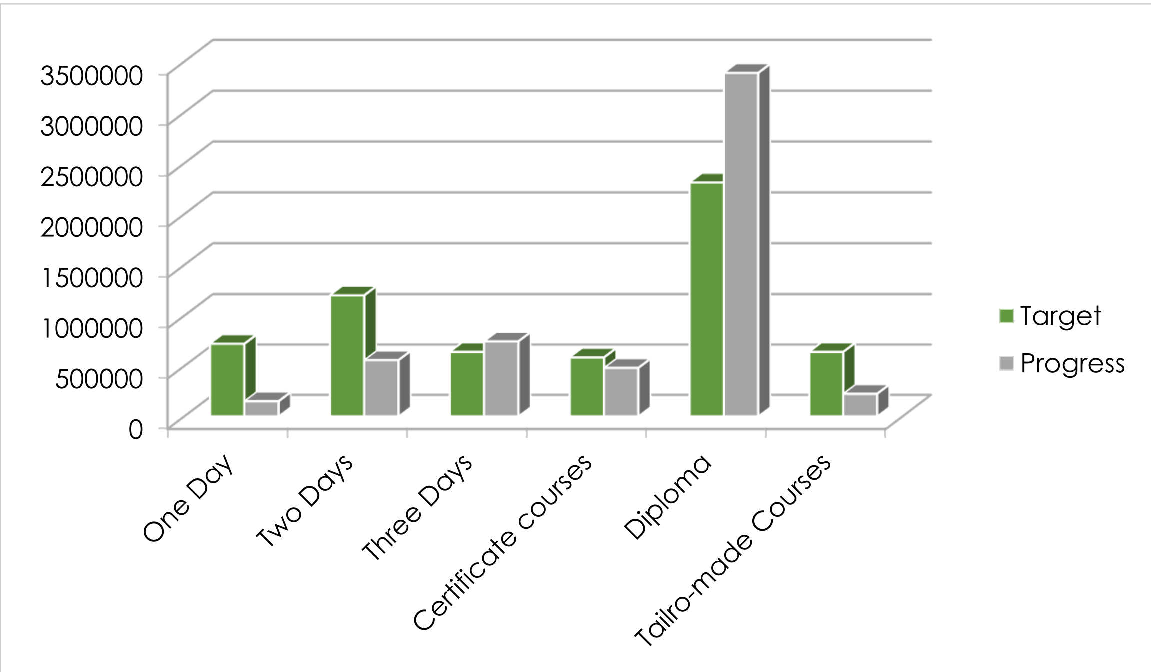
**Labour Laws and Industrial Relations**




**Graph: 4**

**Financial Review 2017 – Target & Progress (Rs.'000)**

**Labour Laws and Industrial Relations**



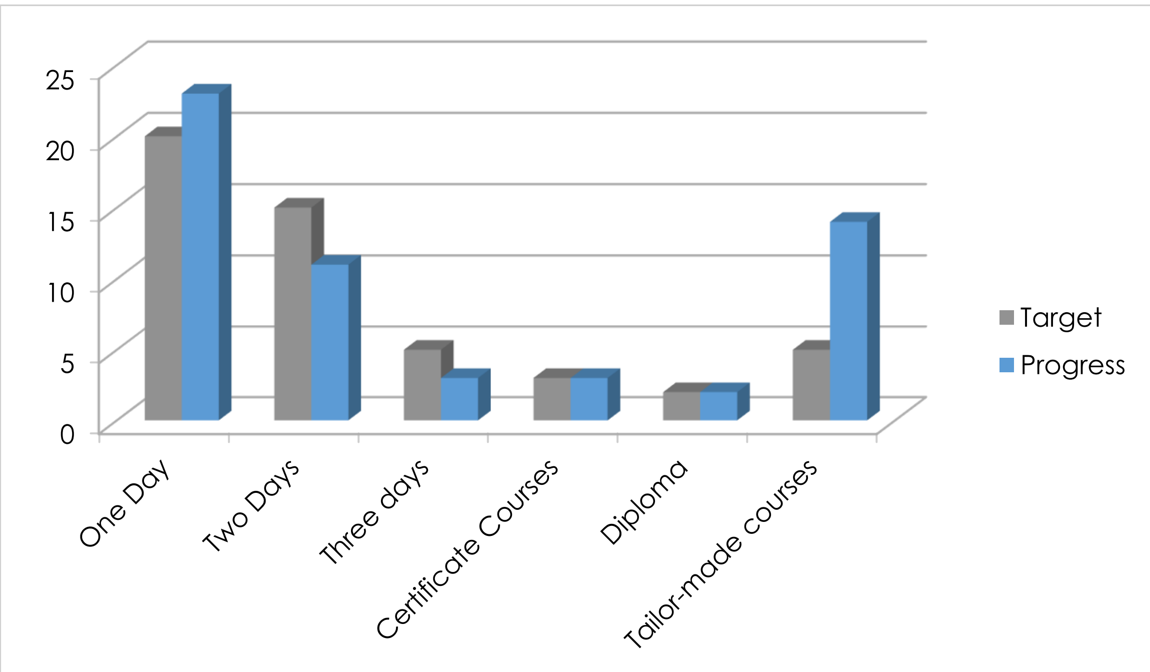
### 2.8 Human Resource Management

Human Resource Management division's financial target for the year 2017 was Rs. 8.2 million. It was planned to conduct 48 short term programmes and 2 Diploma Programmes. However due to the tremendous effort by HRM division was able to conducted 2 Diploma and 54 short term programs and earned Rs. 6.8 million. Table-3 Physical & Financial Review – 2017 and Graph-5, Graph-6 data shows performance of the HRM division.

**Table: 3**
**Physical & Financial Review – 2017**
**Human Resource Management**

| Programme | Physical | | Financial (Rs.000') | |
|---|---|---|---|---|
| | Target | Progress | Target | Progress |
| One day | 20 | 23 | 1,200 | 1,335 |
| Two days | 15 | 11 | 1,800 | 776 |
| Three days | 5 | 3 | 800 | 312 |
| Tailor-Made Programmes | 5 | 14 | 1,600 | 750 |
| Diploma courses | 2 | 2 | 2,310 | 3,018 |
| Certificate Course | 3 | 3 | 585 | 703 |
| **Total** | **50** | **56** | **8,295** | **6,894** |

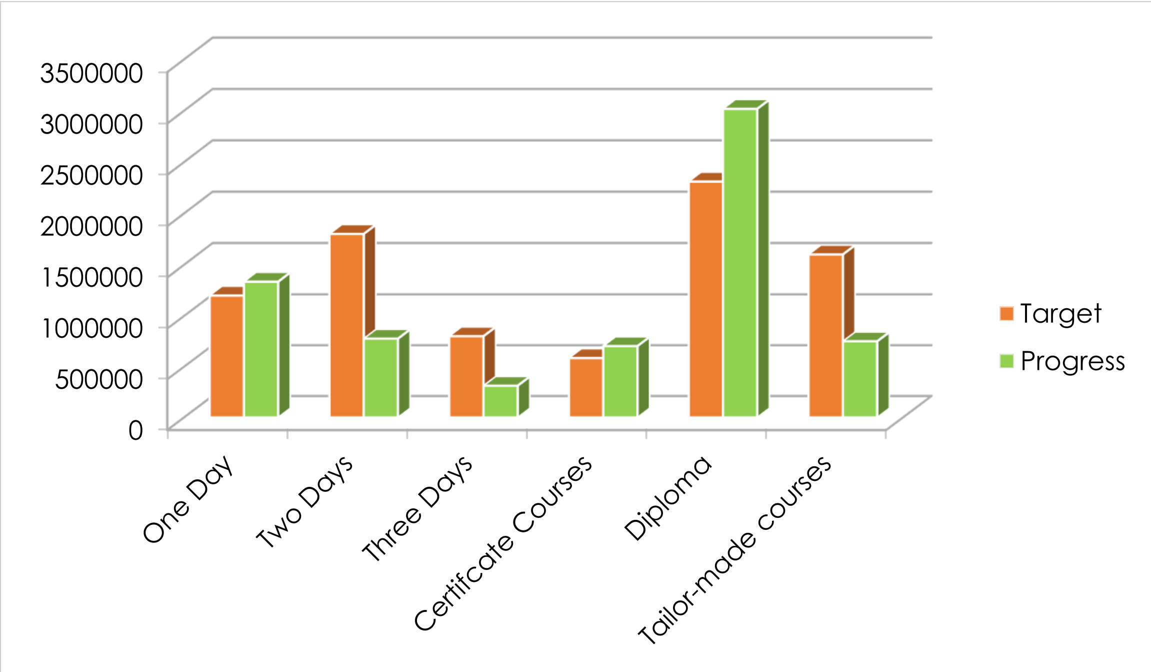
**Graph: 5**
**Physical Review 2017 – Target & Progress**
**Human Resource Management**



**Graph: 6**

**Financial Review 2017 – Target & Progress (Rs.'000)**

**Human Resource Management**



### 2.9 Workplace Productivity Enhancement

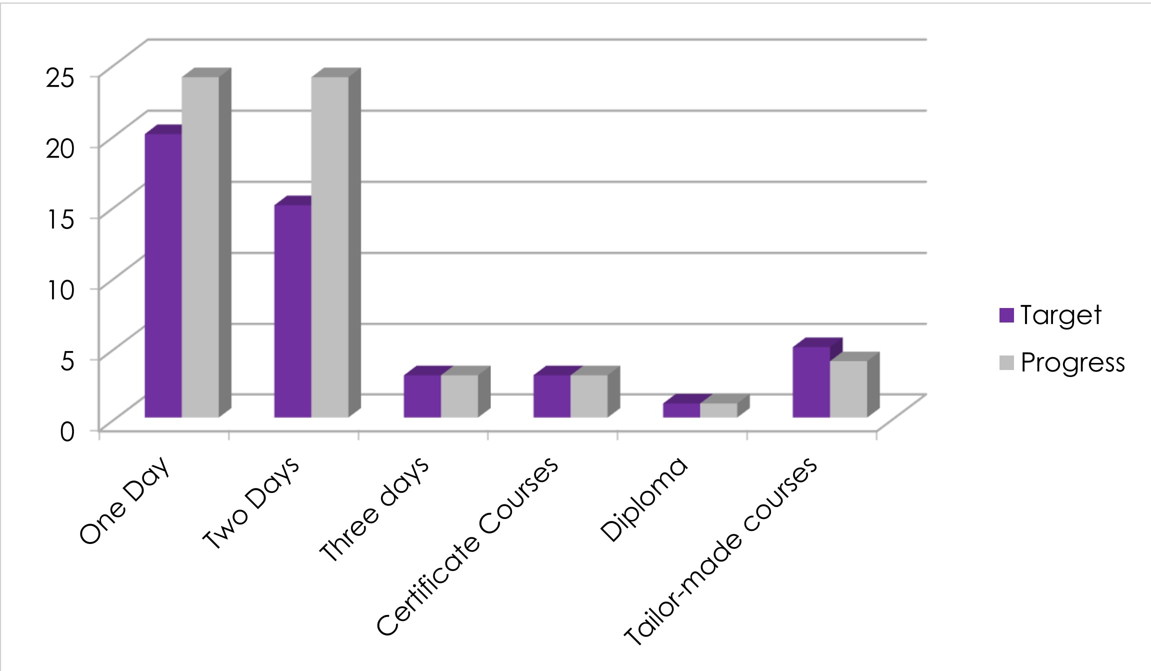
Workplace Productivity Enhancement division's financial target was Rs. 6.8 million by conducting 46 short term programmes and 1 Diploma programme. Eventually this division earned Rs.9.6 million by conducting 61 short term programmes and 1 Diploma programme. Performance data shows that Table-4, Graph-7 and Graph-8.

**Table: 4**
**Physical & Financial Review – 2017**
**Workplace Productivity Enhancement**

| Programme | Physical | | Financial (Rs.000') | |
|---|---|---|---|---|
| | Target | Progress | Target | Progress |
| One day | 20 | 24 | 1,200 | 2,232 |
| Two days | 15 | 24 | 1,800 | 3,842 |
| Three days | 3 | 3 | 480 | 393 |
| Certificates courses | 3 | 3 | 585 | 962 |
| Diploma course | 1 | 1 | 1,155 | 847 |
| Tailor-made Programmes | 5 | 7 | 1,600 | 1,386 |
| **Total** | **47** | **62** | **6,820** | **9,662** |

**Graph: 7**

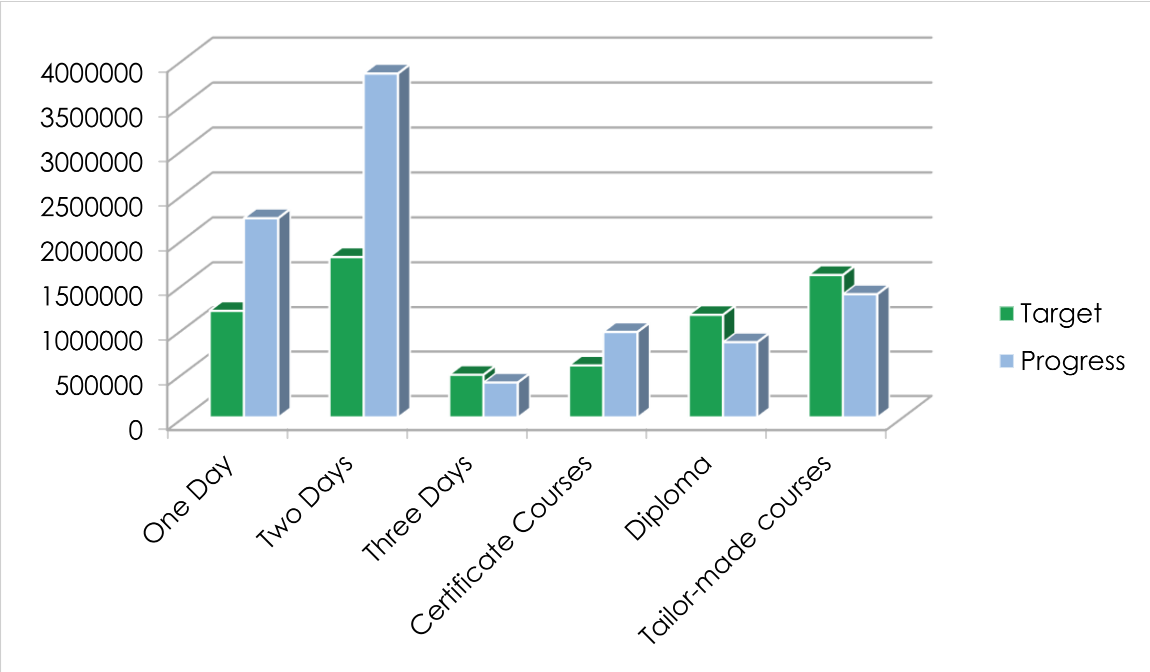
**Physical Review 2017 – Target & Progress**
**Workplace Productivity Enhancement**



**Graph: 8**

**Financial Review 2017 – Target & Progress (Rs.'000)**

**Workplace Productivity Enhancement**



## 3.0 **Financial Statements**

### **3.1** Statement of Financial Position

**NATIONAL INSTITUTE OF LABOUR STUDIES**
**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2017**

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | Rs. | Rs. |
| **Assets** | | | |
| **Non Current Assets** | | | |
| Plant and Equipment | 14 | 11,824,902.00 | 10,326,283.91 |
| **Current Assets** | | | |
| Inventories | 15 | 545,959.42 | 428,843.79 |
| Receivables | 16 | 12,822,429.17 | 8,582,078.96 |
| Cash Advances | 18 | 2,002,500.00 | 121,966.00 |
| Fixed Deposit (BOC) | | 22,071,383.37 | 10,393,205.48 |
| Cash & Cash Equivalent | 19 | 6,728,660.08 | 16,179,257.21 |
| **Total Assets** | | **55,995,834.04** | **46,031,635.35** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Accrued Expenses | 20 | 1,908,150.62 | 1,482,319.64 |
| Received in advance | 17 | 434,850.52 | 531,243.75 |
| **Total Net Assets** | | **53,652,832.90** | **44,018,071.96** |
| **Net Assets/ Equity** | | | |
| Accumulated Fund | | | |
| Balance B/F as at 01.01.2017 | | 44,018,071.96 | 40,049,284.44 |
| Adjustments in respect of the previous years | 21 | (759,325.29) | (1,524,600.00) |
| Adjusted Balance as at 01.01.2017 | | 43,258,746.67 | 38,524,684.44 |
| Capital Reimbursment | 22 | 3,000,000.00 | 2,481,015.30 |
| Adjustment for the Period | 23 | 2,244,785.10 | 2,683,186.61 |
| Excess/(Deficit) for the Year | | 5,149,301.13 | 329,185.61 |
| | | **53,652,832.90** | **44,018,071.96** |

The accounting policies on pages 07 to 09 and notes on pages 10 to 30 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,
Pelawatte, Battaramulla.

T M J W Tennakoon
Director General

T.M.J.W. Tennakoon
Director General
National Institute of Labour Studies
No. 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 A Nimal Saranatissa
Chairman

S. A. Nimal Saranatissa
Secretary
Ministry of Labour, Trade Union Relations and Sabaragamuwa Development
Labour Secretariat,
Narahenpita, Colombo 05

Final Accounts 2017 1
National Institute of Labour Studies

### 3.2 Statement of Financial Performance for The Year Ended 31 December 2017

| | Note | 2017 | 2016 |
|---|---|---|---|
| **<u>Operating Revenue</u>** | | | |
| Recurrent Reimbursement | 4 | 11,326,103.23 | 8,839,191.20 |
| Revenue | 5 | 32,910,137.28 | 23,025,998.92 |
| **Total Revenue** | | **44,236,240.51** | **31,865,190.12** |
| **<u>Operating Expenses</u>** | | | |
| Personnel Emoluments | 6 | 12,369,825.25 | 10,581,829.58 |
| Travelling | 7 | 751,341.56 | 826,368.20 |
| Supplies & Consumables used | 8 | 1,658,520.36 | 944,440.22 |
| Maintenance | 9 | 1,995,819.44 | 1,189,802.87 |
| Contractual Services | 10 | 8,945,746.79 | 7,886,033.50 |
| Depreciation & amotisations | 11 | 1,564,086.85 | 1,477,524.03 |
| Other Operating Expenses | 12 | 1,808,326.28 | 1,027,122.96 |
| Program Activities | 13 | 9,993,272.85 | 7,602,883.15 |
| **Total Operating Expenses** | | **39,086,939.38** | **31,536,004.51** |
| **Surplus/(Deficit) from Operating Activities** | | **5,149,301.13** | **329,185.61** |
| **<u>Finance Cost</u>** | | | |
| Bank Charges | | **-** | **-** |
| **Net Surplus/(Deficit) from Operating Activities** | | **5,149,301.13** | **329,185.61** |

### 3.3 Cash Flow Statement For The Year Ended 31 December 2017

| | Note | 2017 | 2016 |
|---|---|---|---|
| **<u>Cash flow from Operating Activities</u>** | | | |
| Surplus/(Deficit) from Operating Activities | | 5,149,301.13 | 329,185.61 |
| **Adjustment for:** | | | |
| Salaries : Ministry & Department (Schedule) | 23.1 | 1,563,007.04 | 2,683,186.61 |
| Operating Activities | 24 | (77,547.23) | (524,600.00) |
| Depreciation | 11 | 1,564,086.85 | 1,477,524.03 |
| **Operating profit before working Capital charges** | | **8,198,847.79** | **3,965,296.25** |
| (Increase) / Decrease in Inventories | 15 | (117,115.63) | (265,378.42) |
| (Increase) / Decrease in Receivables | 16 | (4,240,350.21) | (4,536,318.01) |
| (Increase) / Decrease in Ministry Account | | | 89,500.00 |
| (Increase) / Decrease in Cash Advances | | (1,880,534.00) | (121,966.00) |
| Increase / (Decrease) in Accruals | 20 | 425,830.98 | 1,263,760.50 |
| Increase / (Decrease) Income received in advance | 17 | (96,393.23) | 522,243.75 |
| **Cash Generated from Operations** | | **2,290,285.70** | **917,138.07** |
| Finance cost | | - | - |
| **Net cash flows from Operating Activities** | | **2,290,285.70** | **917,138.07** |
| | | | |
| **<u>Cash Flows from Investing Activities</u>** | | | |
| Acquisition of Plant & Equipment (Schedule) | 14.1 | (3,062,704.94) | (2,276,439.62) |
| Capital Re-imbursment | 22 | 3,000,000.00 | 2,481,015.30 |
| Fixed Deposits | | (11,678,177.89) | (10,393,205.48) |
| **Net Cash Flow from Investing Activities** | | **(11,740,882.83)** | **(10,188,629.80)** |
| Net Increase/ (Decrease) in Cash & Cash Equivalents | | (9,450,597.13) | (9,271,491.73) |
| Cash & Cash Equivalents at the beginning of the year | 19 | 16,179,257.21 | 25,450,748.94 |
| **Cash & Cash Equivalents at the end of the year** | 19 | **6,728,660.08** | **16,179,257.21** |

### 3.4 Statement of Changes in Equity

STATEMENT OF CHANGES IN EQUITY

AS AT 31ST DECEMBER 2017

| | 2017 |
|---|---|
| | **Rs.** |
| **Accumulated Fund Balance B/F as at 01.01.2017** | **44,018,071.96** |
| Adjustments in respect of the previous years | (759,325.29) |
| **Adjusted Balance as at 01.01.2017** | **43,258,746.67** |
| Capital Reimbursement | 3,000,000.00 |
| Adjustment for the Period | 2,244,785.10 |
| Excess/(Deficit) for the Year | 5,149,301.13 |
| **Balance as at 31.12.2017** | **53,652,832.90** |

## 3.5 Notes to the Financial Statements Year ended 31st December 2017

### 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:

| | **2017** |
|---|---|
| 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. 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 31.12.2017**

| Note: 4 | 2017 | 2016 |
|---|---|---|
| **Recurrent Reimbursement** | Rs. | Rs. |
| Recurrent Reimbursement (4.1) | 11,326,103.23 | 8,839,191.20 |
| **Total** | **11,326,103.23** | **8,839,191.20** |

| Note: 5 | 2017 | 2016 |
|---|---|---|
| **Revenue** | Rs. | Rs. |
| Diploma Course | 7,263,000.00 | 6,236,250.00 |
| Certificate Course | 2,575,000.00 | 1,574,000.00 |
| One day program | 3,718,050.00 | 3,453,200.00 |
| Two day Program | 5,176,700.00 | 3,039,000.00 |
| Three day Program | 1,449,000.00 | 1,932,800.00 |
| Special Program | 4,209,088.00 | 1,875,000.00 |
| Examination Income | 1,675,490.00 | 208,360.00 |
| ILO Project | - | 1,901,243.75 |
| Work Shops | 5,344,625.00 | 583,525.00 |
| Other Income | 1,499,184.28 | 2,222,620.17 |
| **Total** | **32,910,137.28** | **23,025,998.92** |

**National Institute of Labour Studies**
**Notes to the Financial Statement for the year ended 31.12.2017**

| Note: 6 | 2017 | 2016 |
|---|---|---|
| **Personnel Emoluments** | Rs. | Rs. |
| Staff Salaries | 4,039,618.17 | 1,962,686.46 |
| Ministry Staff Salaries | 1,563,007.04 | 1,802,896.47 |
| Department Staff Salaries | - | 880,290.14 |
| Secondment Salary | 2,402,843.24 | 2,530,275.74 |
| Secondment Allowances | 345,273.50 | 460,584.86 |
| Pension Fund Contribution | 331,166.65 | 355,404.50 |
| Management fee | 412,500.00 | 450,000.00 |
| Acting Allowances | 204,746.03 | 116,014.36 |
| Wages | 648,975.00 | 717,475.00 |
| Director General Fuel | - | - |
| EPF Contribution | 874,235.38 | 427,183.08 |
| ETF Contribution | 131,136.14 | 63,277.44 |
| Holiday Payment | 122,947.15 | 119,235.90 |
| Staff Overtime | 396,946.81 | 178,145.14 |
| Other Allowances | 422,894.64 | 29,282.81 |
| Governing Board Expenses | 218,854.00 | 320,689.68 |
| Audit & Management Committee Meeting Expenses | 95,981.50 | 115,108.00 |
| General Audit fee | 158,700.00 | 53,280.00 |
| **Total** | **12,369,825.25** | **10,581,829.58** |

| Note: 7 | 2017 | 2016 |
|---|---|---|
| **Travelling Expenses** | Rs. | Rs. |
| Domestic | 65,563.50 | 38,609.30 |
| Foreign | 685,778.06 | 787,758.90 |
| **Total** | **751,341.56** | **826,368.20** |

**National Institute of Labour Studies**
**Notes to the Financial Statement for the year ended 31.12.2017**

| **Note: 8** | **2017** | **2016** |
|---|---|---|
| **Supplies & Consumable Items** | **Rs.** | **Rs.** |
| Printing & Stationery | 1,371,584.38 | 798,748.22 |
| News Papers | 19,120.00 | 22,070.00 |
| Fuel | 259,815.98 | 123,622.00 |
| Diet & Uniforms | 8,000.00 | |
| **Total** | **1,658,520.36** | **944,440.22** |

| **Note: 9** | **2017** | **2016** |
|---|---|---|
| **Maintenance** | **Rs.** | **Rs.** |
| Air Conditioner repair | 105,674.40 | 84,836.41 |
| Computer maintenance | 126,005.00 | 33,130.50 |
| Office maintenance | 1,305,510.51 | 806,207.48 |
| Vehicle maintenance | 458,629.53 | 265,628.48 |
| **Total** | **1,995,819.44** | **1,189,802.87** |

| **Note: 10** | **2017** | **2016** |
|---|---|---|
| **Contractual Services** | **Rs.** | **Rs.** |
| Building Rent | 4,550,000.00 | 4,200,000.00 |
| Telephone | 399,812.32 | 331,566.79 |
| Cleaning Expenses | 1,493,996.80 | 1,393,366.12 |
| Electricity | 813,027.58 | 764,407.38 |
| Water | 58,677.69 | 72,662.92 |
| Stamps & Postage | 320,225.00 | 242,100.00 |
| Service Agreements | 190,931.29 | 274,986.92 |
| Security Charges | 983,877.18 | 566,614.60 |
| With Holding Tax | 135,198.93 | 40,328.77 |
| **Total** | **8,945,746.79** | **7,886,033.50** |

**National Institute of Labour Studies**
**Notes to the Financial Statement for the year ended 31.12.2017**

| Note: 11 | 2017 | 2016 |
|---|---|---|
| **Depreciation** | **Rs.** | **Rs.** |
| Machinery & Equipment's | 574,851.13 | 525,156.38 |
| Furniture & Fittings | 353,280.36 | 340,612.29 |
| Computers | 590,600.00 | 355,600.00 |
| Name Boards & Others | 30,010.00 | 240,810.00 |
| Books | 15,345.36 | 15,345.36 |
| **Total** | **1,564,086.85** | **1,477,524.03** |

| Note: 12 | 2017 | 2016 |
|---|---|---|
| **Other Operating Expenses** | **Rs.** | **Rs.** |
| Advertising & Promotion | 1,480,510.57 | 904,630.96 |
| Office welfare | 119,661.00 | 119,492.00 |
| Transport Charges | 161,000.00 | 3,000.00 |
| Miscellaneous Expenses | 47,154.71 | |
| **Total** | **1,808,326.28** | **1,027,122.96** |

| Note: 13 | 2017 | 2016 |
|---|---|---|
| **Programme Activities** | **Rs.** | **Rs.** |
| Lecture fees | 3,236,887.50 | 2,287,076.40 |
| Refreshment | 2,630,954.75 | 2,080,765.25 |
| Examination Expenses | 1,093,425.50 | 485,350.00 |
| Training & Development | - | 1,019,956.05 |
| Awarding Ceremony | - | 327,145.45 |
| Project Expenses | 3,032,005.10 | 1,402,590.00 |
| **Total** | **9,993,272.85** | **7,602,883.15** |

**National Institute of Labour Studies**
**Notes to the Financial Statement for the year ended 31.12.2017**

| Note: 14 | 2017 | 2016 |
|---|---|---|
| **Plant & Equipment** (14.1) | Rs. | Rs. |
| Machinery & Equipment's | 3,910,721.13 | 3,988,624.82 |
| Furniture & Fittings | 3,475,038.74 | 3,659,411.60 |
| Computers | 4,374,040.00 | 2,614,640.00 |
| Name Boards & Others | 34,066.06 | 17,226.06 |
| Books | 31,036.06 | 46,381.43 |
| **Total** | **11,824,902.00** | **10,326,283.91** |

| Note: 15 | 2017 | 2016 |
|---|---|---|
| **Inventories** (15.1) | Rs. | Rs. |
| Printing & Stationaries | 264,187.98 | 230,322.35 |
| Office equipment maintenance | 281,771.44 | 198,521.44 |
| **Total** | **545,959.42** | **428,843.79** |

| Note: 16 | 2017 | 2016 |
|---|---|---|
| **Receivable Income** (16.1) | Rs. | Rs. |
| One day Program | 450,000.00 | 502,000.00 |
| Two Days Program | 815,500.00 | 318,000.00 |
| Three Days Program | 272,000.00 | 564,800.00 |
| Special program | 2,850,588.00 | |
| Diploma Income | 4,850,000.00 | 2,970,750.00 |
| Certificate Courses | 672,000.00 | 486,000.00 |
| Tailor Made Courses | | 329,000.00 |
| Work Shops | 1,249,500.00 | 76,500.00 |
| Examinations | 1,552,840.00 | 43,900.00 |
| Reimbursement Recurrent | | 549,223.16 |
| Reimbursement Capital | 110,001.17 | 941,603.30 |
| Foreign Training - India | | 1,785,482.50 |
| Boiler Expenses from STC | | 14,820.00 |
| **Total** | **12,822,429.17** | **8,582,078.96** |

**National Institute of Labour Studies**
**Notes to the Financial Statement for the year ended 31.12.2017**

| **Note: 17** | **2017** | **2016** |
|---|---|---|
| **Received in Advance** | **Rs.** | **Rs.** |
| UN Women Project | 434,850.52 | 531,243.75 |
| **Total** | **434,850.52** | **531,243.75** |

| **Note: 18** | **2017** | **2016** |
|---|---|---|
| **Cash Advances** | **Rs.** | **Rs.** |
| Staff Loan | 2,500.00 | 57,166.00 |
| Building Rent | 2,000,000.00 | 64,800.00 |
| **Total** | **2,002,500.00** | **121,966.00** |

| **Note: 19** | **2017** | **2016** |
|---|---|---|
| **Cash & Cash Equivalents** | **Rs.** | **Rs.** |
| Bank of Ceylon, Pelawatte A/C 0071451995 | 6,728,660.08 | 16,179,257.21 |
| **Total** | **6,728,660.08** | **16,179,257.21** |

**National Institute of Labour Studies**
**Notes to the Financial Statement for the year ended 31.12.2017**

| **Note: 20** | **2017** | **2016** |
|---|---|---|
| **Accrued Expenses** (20.1) | **Rs.** | **Rs.** |
| Staff Over Time | 5,026.88 | 4,750.83 |
| Acting Allowances | 727.27 | 52,272.86 |
| Staff Travelling | 4,550.00 | |
| News papers | 80.00 | 460.00 |
| Security charges | 83,562.17 | 83,562.17 |
| Water | 6,065.38 | 3,119.73 |
| Office Cleaning expenses | 110,457.90 | 133,995.61 |
| Telephone | 34,729.47 | 34,348.31 |
| Staff Salaries | 27,801.54 | 8,712.00 |
| Wages | 4,500.00 | 8,000.00 |
| EPF | 2,613.46 | 512.13 |
| ETF | 392.86 | 76.82 |
| Office Maintenance | | 5,936.29 |
| Other Allowances | 349,352.06 | 2,965.89 |
| Pension Fund | | 2,202.00 |
| Diploma Awarding Ceremony | | 21,000.00 |
| General Audit Fee | 158,700.00 | 218,880.00 |
| Examination expenses | 362,472.50 | 101,525.00 |
| Diploma in Monitoring & Evaluation Share - SLAVA | 256,200.00 | 800,000.00 |
| Project Expenses | 30,107.03 | |
| Electricity | 77,393.10 | |
| Secondment Allowance | 131,119.00 | |
| Lecture fee | 232,400.00 | |
| Advertising & Promotion | 29,900.00 | |
| **Total** | **1,908,150.62** | **1,482,319.64** |

**National Institute of Labour Studies**
**Notes to the Financial Statement for the year ended 31.12.2017**

| **Note: 21** | **2017** | **2016** |
|---|---|---|
| **Adjustments for the Previous Years** | **Rs.** | **Rs.** |
| General Audit Fee | (1,920.00) | (165,600.00) |
| Short Term Programmes | (284,800.00) | (153,000.00) |
| Diploma Programmes | (275,500.00) | |
| 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) |
| Acting Allowances | 626.36 | |
| Diploma Awarding Ceremony | 18,000.00 | |
| Examination Expenses | 400.00 | |
| UN Project | (531,243.75) | |
| With Holding Tax | (8,079.81) | |
| Fixed Deposit Interest | 323,191.91 | |
| **Total** | **(759,325.29)** | **(1,524,600.00)** |

| **Note: 22** | **2017** | **2016** |
|---|---|---|
| **Capital Reimbursement** | **Rs.** | **Rs.** |
| Capital Reimbursement (23.1) | 3,000,000.00 | 2,481,015.30 |
| **Total** | **3,000,000.00** | **2,481,015.30** |

**National Institute of Labour Studies**
**Notes to the Financial Statement for the year ended 31.12.2017**

| **Note: 23** | **2017** | **2016** |
|---|---|---|
| **Adjustment for the Current Year 2017** | **Rs.** | **Rs.** |
| Ministry Staff Salaries (23.1) | 1,563,007.04 | 1,802,896.47 |
| Department Staff Salaries | | 880,290.14 |
| Foreign Travelling - Director General | 670,478.06 | |
| Vehicle Maintenance - Director General | 11,300.00 | |
| **Total** | **2,244,785.10** | **2,683,186.61** |

| **Note: 24** | **2017** | **2016** |
|---|---|---|
| **Adjustments for Operating Activities** | **Rs.** | **Rs.** |
| General Audit Fee | (1,920.00) | (165,600.00) |
| Short Term Programmes | (284,800.00) | (153,000.00) |
| Diploma Program | (275,500.00) | |
| Project Expenses -ILO | | (150,000.00) |
| Ministry Account | | (56,000.00) |
| Acting Allowances | 626.36 | |
| Diploma Awarding Ceremony | 18,000.00 | |
| Examination Expenses | 400.00 | |
| UN Project | (531,243.75) | |
| With Holding Tax | (8,079.81) | |
| Fixed Deposit Interest | 323,191.91 | |
| Foreign Travelling - Director General | 670,478.06 | |
| Vehicle Maintenance - Director General | 11,300.00 | |
| **Total** | **(77,547.23)** | **(524,600.00)** |

4.0 **Report of the Auditor General**

C - LEW - 079

**ජාතික විගණන කාර්යාලය**

**தேசிய கணக்காய்வு அலுவலகம்**

**NATIONAL AUDIT OFFICE**

| | | |
|---|---|---|
| මගේ අංකය / எனது இல. / My No. } එල්ඊඩබ්/ඒ/එන්අයිඑල්එස්/1/17 | ඔබේ අංකය / உமது இல. / Your No. } | දිනය / திகதி / Date } 2018 ඔක්තෝබර් 30 දින |

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ජාතික ශ්‍රම අධ්‍යයන ආයතනය

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**ජාතික ශ්‍රම අධ්‍යයන ආයතනයේ 2017 දෙසැම්බර් 31 දිනෙන් අවසන් වර්ෂය සඳහා වූ මූල්‍ය ප්‍රකාශන පිළිබඳව 1971 අංක 38 දරන මුදල් පනතේ 14(2)(සී) වගන්තිය ප්‍රකාර විගණකාධිපති වාර්තාව**

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මාගේ සමාංක හා 2018 ඔක්තෝබර් 05 දිනැති ලිපියට යොමුවේ.

02. ඉහත සඳහන් ලිපිය සමඟ එවන ලද මාගේ වාර්තාවේ ඉංග්‍රීසි අනුවාදය මේ සමඟ එවා ඇත.

ඊ.ඒ.ජී.ආනන්ද
නියෝජ්‍ය විගණකාධිපති
විගණකාධිපති වෙනුවට

පිටපත් - 1. ලේකම්, කම්කරු හා වෘත්තීය සමිති සබඳතා සහ සබරගමුව සංවර්ධන අමාත්‍යාංශය.
2. ලේකම්, මුදල් හා ජනමාධ්‍ය අමාත්‍යාංශය.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. } LEW/A/NILS/1/17    ඔබේ අංකය / உமது இல. / Your No. }    දිනය / திகதி / Date } 05 October 2018

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 2017 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971.**

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The audit of financial statements of the National Institute of Labour Studies for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 furnished to the Chairman of the Institute on 30 June 2018.

**1.2 Management's Responsibility for the Financial Statements**

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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.

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## 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 Institutes (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 judgment, 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.

## 1.4 Basis for Qualified Opinion

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

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## 2. Financial Statements

### 2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the National Institute of Labour Studies as at 31 December 2017 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

Following observations are made.

(a) **Sri Lanka Public Sector Accounting Standard-02**

Cash flow from the interest received that should be disclosed separately in accordance with the paragraph 40 of the Standard had been shown as Rs.11,678,177 after adjusting Rs.1,467,752 of interest income, Rs.210,385 of withholding tax and Rs.10,000,000 of Investment amount for the year in the cash flow statement.

(b) **Sri Lanka Public Sector Accounting Standard-07**

The depreciation of an asset that should be started after the available for use in accordance with the paragraph 69 of the Standard had been depreciated for the whole year of purchasing year, therefore the depreciation for the year had been overstated by Rs.280,819.

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(c) **Sri Lanka Public Sector Accounting Standard-09**

The Institute had expended Rs.553,526 for printing of T-shirts and the expended amount had been fully written off as an expense for the year. Though, there was a T-shirt stock amounting to Rs.181,322 as at 31 December 2017, Institute had not disclosed it as the closing stock, in accordance with the paragraph 12(h) and as a result, the surplus of the year had been understated by Rs.181,322.

(d) **Sri Lanka Public Sector Accounting Standard-10**

When recognizing the income from service rendered, the final situation of the transaction should be considered in accordance with the paragraph 19 of the standard, the Institute had accounted a sum of Rs.7,263,000 of income from the Diploma courses for the year 2017, which consist an income related to the courses conducted in 2018.

**2.2.2 Accounting Policies**

The Institute had not provided a provision for doubtful debtors, though there was an unrecoverable amount out of receivable income from courses and programs and the amount due from students who relinquish the courses.

**2.2.3 Accounting Deficiencies**

The following observations are made.

(a) Interest income from two fixed deposits amounting to Rs.592,885 relating to the year 2018 had been accounted as an income for the year under review.

(b) When accounting the salaries of the Institute, the gross salary had been adjusted instead of the net salary, as a result the employees' salary had been understated by Rs.349,694 in the Statement of financial performance.

(c) Although the Institutes' share of 12 per cent of the employees provident fund amounting to Rs.524,541 should be shown as the expense of the Institute, the amount of Rs.874,235 of 20 per cent share of employees provident fund with the employee's share had been accounted as the expense for the year and as a result, the surplus of the year had reduced by Rs.349,694.

(d) Course fees income relating to 10 students who were registered in 2016 – 2017, amounting to Rs.770,000 Rs.77,000 per person had been identified as an income for the year 2016.Nevertheless the students relinquish the courses, further receivable to the institute as unrealized income amounting to Rs.441,500 should be adjusted to the accumulated fund, only a sum of Rs.275,500 had been adjusted.

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

A division of Studies for Trade Unions had not been established to execute the objectives of the act in accordance with the section 17 of the Act No 12 of 2010, Institute of National Labour Studies.

**3. Financial Review**

**3.1 Financial Results**

According to the financial statements presented, the operations of the National Institute of Labour Studies for the year under review had resulted in a surplus of Rs.5,149,301 as compared with the corresponding surplus of Rs.329,186 for the preceding year, Therefore, it is observed a growth of Rs.4,820,115 in the financial result of the year under review as compared with the preceding year. Although operational expenses of the institute had increased by Rs.7,550,935, increase in operational income by Rs.9,884,139 and Treasury recurrent grants by Rs.2,486,912 had mainly attributed to above growth of the financial results.

An analysis of the financial results for the year under review with four preceding years revealed that, the surplus amounting to Rs. 502,932 in the year 2013 had been increased up to Rs.5,149,301 in the year 2017 with fluctuations and in taking into consideration the employees remunerations and the depreciations for non-current assets, the contribution of the Institute amounting to Rs.2,458,919 in the year 2013 had increased up to Rs.14,718,856 in the year 2017.

**4. Operating Review**

**4.1 Performance**

**4.1.1 Planning**

Although, a corporate plan to manage with a vision of short term and a long term should be prepared for minimum of three years period, a corporate plan had not been prepared to achieve the proposed targets of the Institute.

**4.1.2 Operations and Review**

The following observations are made.

(a) Even though the establishment and maintenance of libraries and information providing services is a main objective of the Institute, library had not been maintained properly for the use of students thus there was a library to fulfill above objectives.

(b) A strategic arrangement was not there with the Institute for the publication of magazines, journals, periodicals and books though it is an objective of the established act of the Institute.

(c) Following observations are made according to the 2017 action plan

i. Although an amount of Rs.1.5million had been estimated for 03 donor funded projects, no any project was done in the year under review.

ii. Though the Institute had estimated Rs.1million for two research projects, only one project of Rs.1.2million had been done.50 per cent of the target had not been achieved by the Institute.

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**4.2 Management Activities**

The following observations are made.

(a) Though the participants had been informed to do payments on or before the programme date for one day, two days, three days and special programmes which held by the Institute in the year under review, because of the non-execution of it, Fees of Rs.92,000 could not be recovered even March 2018 from 08 Institutes was observed in sample test which held in the year under review.

(b) Though the Institute had informed to the students to made payments on or before the course date relevant to the year of 2016, because of the weaknesses in the internal control, a sum of Rs.284,800 had been written off as course fees could not be recovered from short term courses.

(c) Due to the weakness in follow up procedure on realization of recognized income receivable on special programmes, diploma courses, workshops and conducting examinations amounting to Rs.10,502,928 could not be recovered by the end of the year under review.

**4.3 Operational Activities**

The following observations are made.

(a) According to the agreement entered in 2016, between the Institute of UN Women and the Institute of Labour Studies, a research project should have been implemented about the employment of women from 01 April 2016 to 31 December 2017.Though the 72 per cent of the project money had been utilized, the preliminary survey had not been finished by the end of the year under review. As the financial rules of the above Institution could not been followed by the Institute, out of the advances given a sum of Rs.Rs.558,263 had been again paid to the said Institution on 04 September 2017.

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(b) A private security firm had been engaged for supply of security service to the Institute. As per the agreement, agreed period was elapsed on 16 October 2017, but without the time extension the service had been obtained till December 2017 and a sum of Rs.247,990 had been paid for that period.

### 4.4 Underutilization of Funds

There were balances ranging from Rs.4,275,752 to Rs.21,411,748 in the Bank Current Account from January 2017 to September 2017. In accordance with Section 8.2.2 of the Public Enterprises Circular No.PED/12 dated 02 June 2003 and the section 4(d) of the National Labour Studies Act, the excess money had not been invested to earn income with the approval from the relevant parties. Also, the working capital requirement had not been reviewed by the Board of Directors in accordance with the 4.2.5 of that circular.

### 4.5 Personnel Administration

The approved cadre of the Institute as at 31 December 2017 was 45 and 03 Top management posts, 07 Tertiary level posts, 10 Secondary level posts and 02 Primary level posts, altogether 22 posts were vacant. Actions had not been taken to fill these vacancies for the year.

## 5. Sustainable Development

### 5.1 Achievement of Sustainable Development Goals

According to the United Nations year 2030 on Sustainable Development, every Public entity should act in accordance with its agenda, and the Institute was not aware how it would perform its functions within the scope of the National Institute of Labour Studies relating to the year under review.

(a) As unaware about United Nations year 2030 on Sustainable Development, Goals, targets, milestones and indicators actions had not been taken to identified relating to the Institutes' activities.

**6. Accountability and Good Governance**

**6.1 Internal Audit**

The internal audit of the Institute for the year 2017 should be done by the Ministry of Labour and Trade Union Relations in accordance with F.R. 133(b), an internal audit relating to the institute had not been done during the year 2017.Although a post of an Internal Auditor had been created in the approved cadre of the National Institute for Labour Studies, the relevant post remained vacant even by the end of the year under review.

**6.2 Budgetary Control**

As variations ranging from 100 per cent to 506 per cent were observed between the budgeted expenditures and the actual expenditures in the year under review, the Budget had not been made use of as an effective instrument of management control.

**7. 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) General Controls over Information Technology | A data base including the details of the courses conducted had not been established in the Institute. |

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| (b) Procurement Procedure | (i) | Notice of Invitation for bid had been prepared without mentioning the Bid opening date, time and venue. |
| | (ii) | Non-Approval of the bid opening committees. |
| | (iii) | The Institute had not used the specific formats for bid opening as per the procurement guidelines and the committee members had not signed. |
| | (iv) | Bidding invitation documents had been draft without matching to the Institutes' requirements. |

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M. Gamini Wijesinghe

Auditor General

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