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Ministry of Labour and Trade Union Relations
தேசிய தொழிற் கற்கைகள் நிறுவகம்

වාර්ෂික වාර්තාව
Annual Report 2015
வருடாந்த அறிக்கை



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National Institute of Labour Studies
தேசிய தொழிற் கற்கைகள் நிறுவகம்

නො 267 පන්නිපිටිය පාර පැලවත්ත බත්තරමුල්ල,
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The message of Hon. 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. Accordingly, National Institute of Labour Studies is responsible for making aware the labor force, who are approximately 8.6 million in this country, by training and development along the field of labour. The institution has used the training and development instruments such as conducting of diploma courses, certificate courses, workshops, and seminars for this purpose. It is great pleasure for me to remark that the institution possessed the obvious promotions by engaging in targeted procedure following above programs in the year 2015.

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 2015.

S.M Gatabaya Jayarathna
Chairman



The message of Director General



Action has been taken to conduct courses and workshops throughout the year 2015 by the NILS 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.

Saman D. Waduge.
Director General



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National Institute of Labour Studies (NILS)

“We are confident in delivering excellent service to tripartite constituents in the Labour Sector”

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 and Trade Union Relations.

Our Motto

Competencies add value to life

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 2015 is as follows,

1. Mr Herath Yapa, Secretary, Ministry of Labour and Trade Union Relations – Chairman – up to August 2015
2. Mr S M Gotabaya Jayarathna, Secretary, Ministry of Labour and Trade Union Relations – Chairman – from September 2015
3. Ms Chandani Amaratunga, Commissioner-General of Labour – Vice-chairperson
4. Ms C H Ranatunga – member – from June 2015



5. Prof Sunil Chandrasiri – member
6. Mr A Wimalaweera, Actg, Director General, NILS
7. Mr A Leslie Devendra – member
8. Mr Rohan G Pandithakoralage - member
9. Mr W M K L Weerasinghe - member
10. Mr W M Chandrasiri– member – from June 2015
11. Mr R L P Peiris – member – up to March 2015
12. Mr N H M Chitrananda – member – up to March 2015
13. Mr Suranga Naullage – member – up to October 2015
14. Mr J H M P Upul Jayasinghe – member – up to October 2015
15. Mr H M Abayarathna – member – up to October 2015
16. Mr Anton Marcas – member – up to October 2015
17. Mr Malin Gunathilaka – member – up to October 2015
18. R M P Rathnayake – member – up to October 2015
19. Mr Daham Gunawardena – member – up to March 2015
20. Ms Samanthi Senanayake – member – from December 2015
21. Ms A S Illangange – member – from December 2015
22. Mr C B Mayadunne – member – from December 2015
23. Mr J M N Jayasinghe – member – from December 2015
24. Mr M A M A Moragida – member – from December 2015
25. Mr W N S Wickramasinghe – member – from December 2015
26. Dhama Sri Weerasinghe – member – from December 2015
27. Ms P S Arambawatte – member – from December 2015
28. Ms R B Gankewela – member – from December 2015

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.

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 consist of five employees. It functions under the direct supervision of the assistant Director (T&D) and the Director General.

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 UNWomen. 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 (DiLLIR)
2. Human Resource Management (DiHRM) &
3. Workplace Productivity (DiWP).

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 2015



According to the activity plan, the NILS planned to conduct 26 one day programmes, 18 two day programmes and 6 three day programmes. The NILS was able to perform more than the target by conducting 29 one day programmes, 20 two day programmes and 9 three day programmes. It also conducted 4 special tailor-made programs on the request made by the clients and 3 examinations for government organizations. However, though the Institute aims to conduct 3 Diploma Programmes it was progressed by only conducting 2 Diploma programmes.

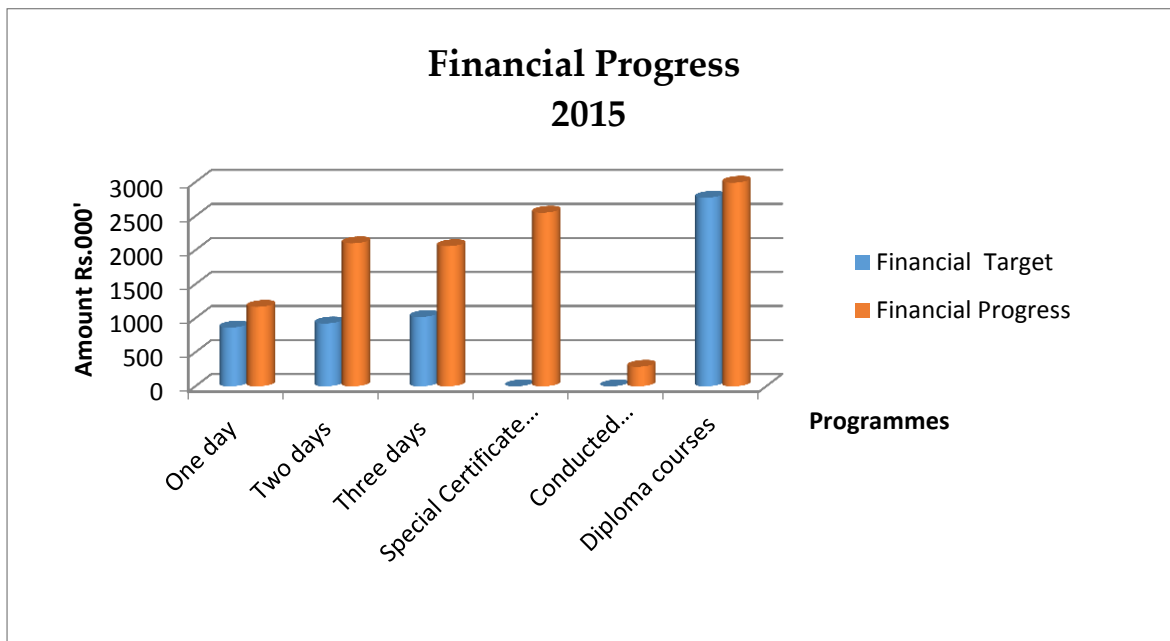
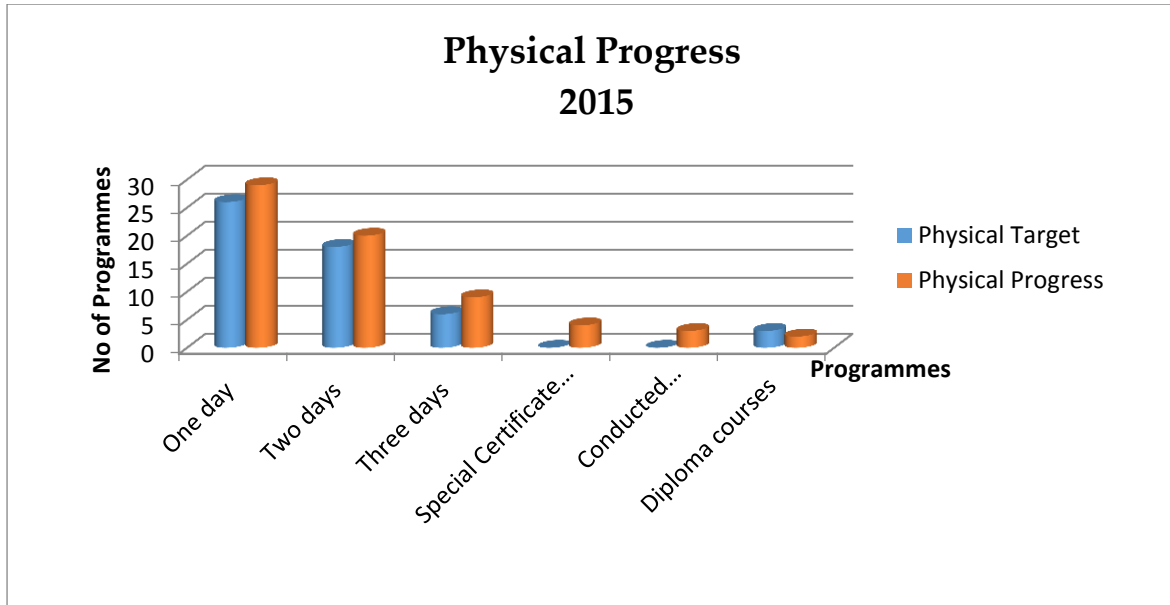
In 2015, financial target of the institute was Rs. 5.6 million through 50 short term courses and 3 Diploma courses. Eventually, NILS earned Rs. 11.2 million by conducting 62 short term courses, which includes 4 tailor-made courses and 3 examinations. The earnings of the NILS has been increased by 100% compared to the target of the year. (Table 1)



Physical and Financial Performance Highlights 2015

Table: 1

Programmes	Physical		Financial	
	Target	Progress	Target (Rs.'000)	Progress (Rs.'000)
One day	26	29	864	1,168
Two days	18	20	924	2,102
Three days	6	9	1,020	2,060
Special Certificate courses	0	4	0	2,552
Conducted Examinations	0	3	0	288
Diploma courses	3	2	2,772	2,992
Total	53	67	5,580	11,162



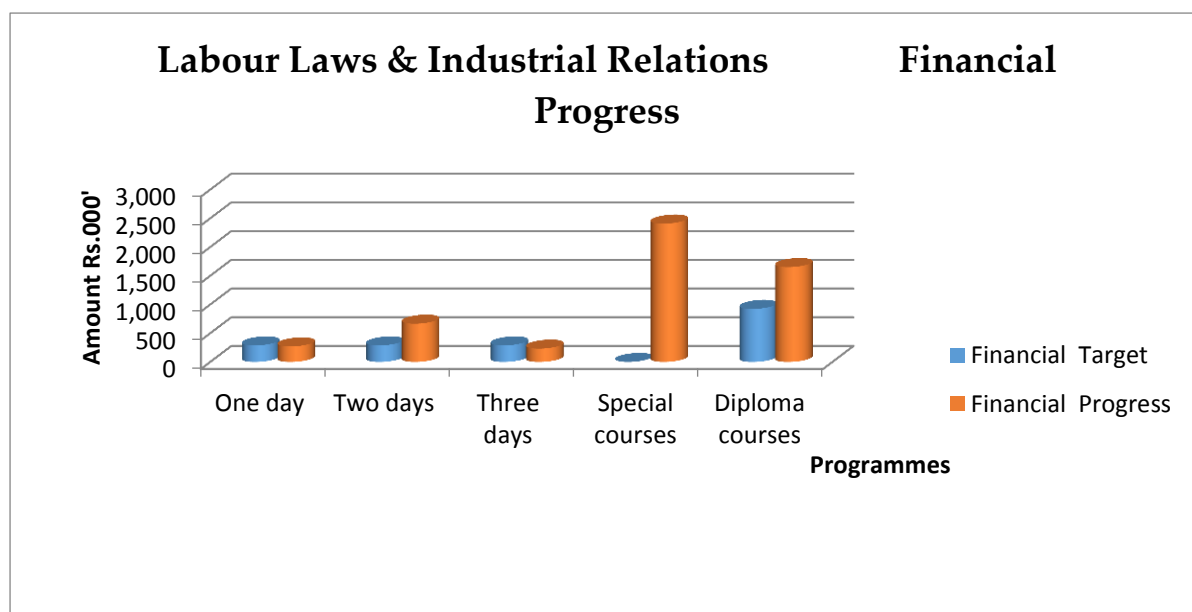
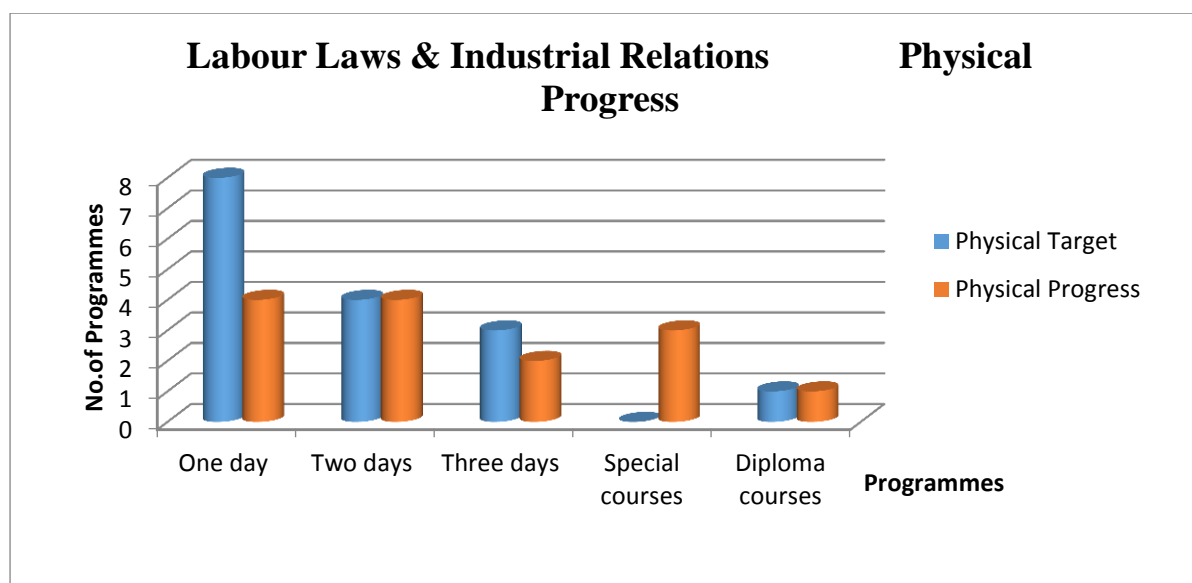
The progress of the institute on main subject area wise is shown below.

2.7 Labour Laws and Industrial Relations

Labour Laws and Industrial Relations division financial target was Rs. 1.8 million through 15 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 13 short term programs and 1 Diploma program

Table: 2

Programme	Physical		Financial (Rs.)	
	Target	Progress	Target	Progress
One day	8	4	288,000.00	270,000.00
Two days	4	4	288,000.00	666,000.00
Three days	3	2	288,000.00	232,000.00
Special courses	-	3	-	2,408,400.00
Diploma courses	1	1	924,000.00	1,651,500.00

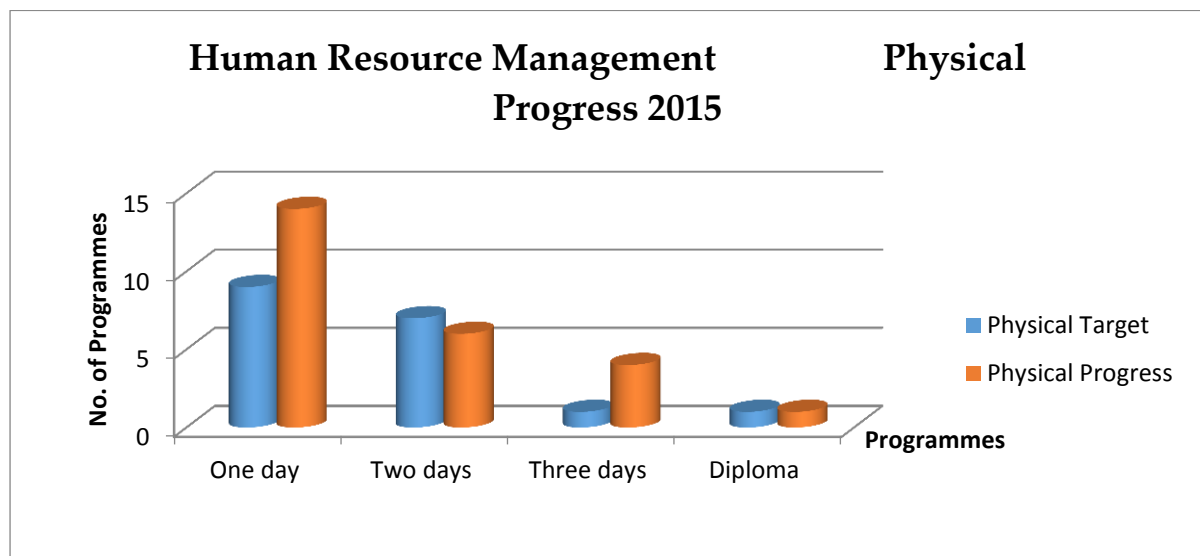
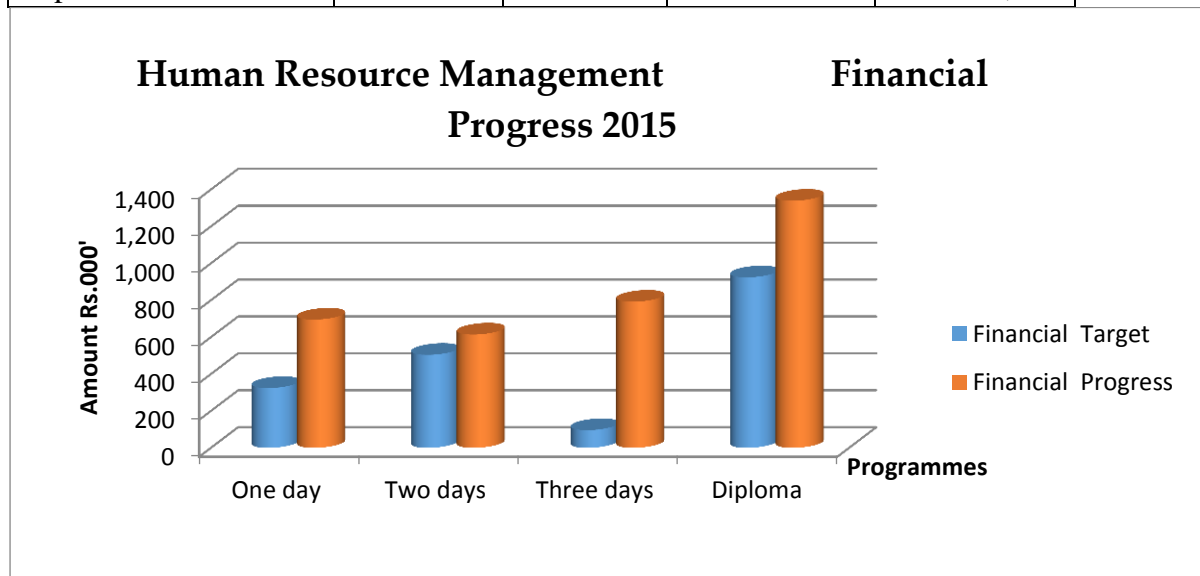


2.8 Human Resource Management

Human Resource Management division financial target for the year was Rs. 1.8million. It was planned to conduct 17 short term programmes and 1 Diploma Program. However due to the tremendous effort by the was able to conducted 1 Diploma & 24 short term programs and earned Rs.3.4 million which is 89% higher than the target income.

Table 03

Programme	Physical		Financial (Rs.000')	
	Target	Progress	Target	Progress
One day	9	14	324	695
Two days	7	6	504	614
Three days	1	4	96	792
Diploma	1	1	924	1,339



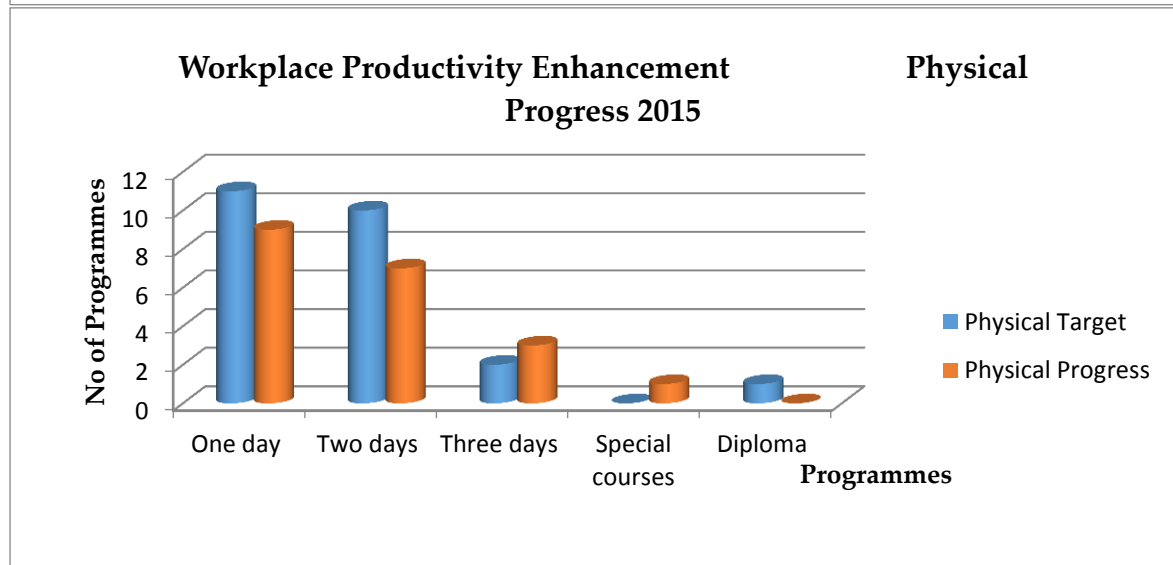
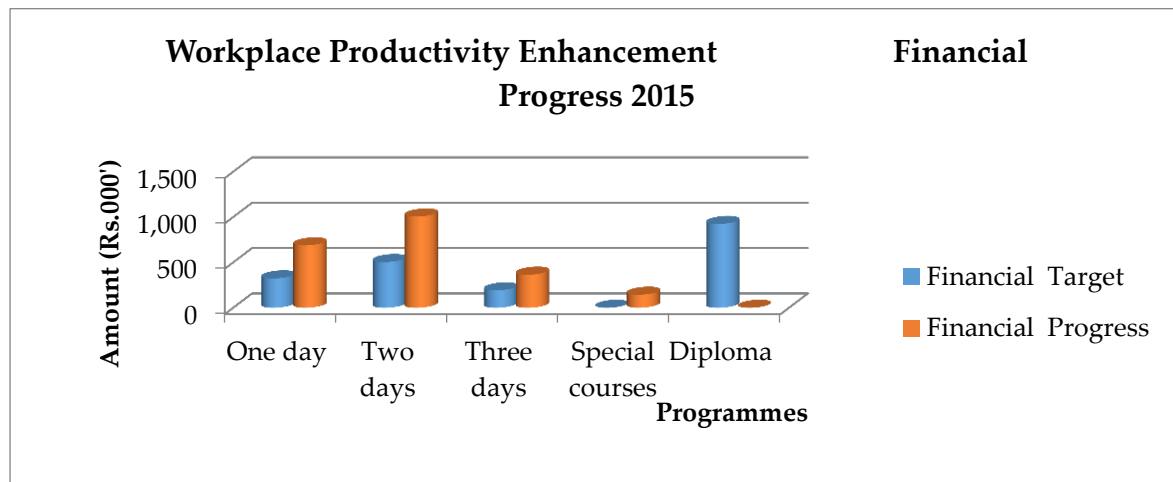
2.9 Workplace Productivity Enhancement



Workplace Productivity Enhancement division financial target was Rs.1.9 million by conducting 18 short term programmes and 1 Diploma programmes. Eventually this division earned Rs.2.2 million by conducting 25 short term programmes. But, due to the insufficient participation for this diploma, management decided postpone the said program.

Table 04

Programme	Physical		Financial (Rs.000')	
	Target	Progress	Target	Progress
One day	11	9	324	688
Two days	10	7	504	1,006
Three days	2	3	192	365
Special courses	0	1	0	144
Diploma	1	0	924	0



3.0 Financial Statements

3.1



3.2 Statement Of Financial Performance For The Year Ended 31 December 2015

	Note	2015 Rs.	2014 Rs.
<u>Operating Revenue</u>			
Recurrent Reimbursement	4	11,555,041.38	9,248,657.78
Revenue	5	11,161,090.00	12,458,085.00
Total Revenue		22,716,131.38	21,706,742.78
<u>Operating Expenses</u>			
Personnel Emoluments	6	7,412,495.76	1,702,200.11
Travelling	7	54,940.07	389,185.07
Supplies & Consumables used	8	443,674.15	1,296,110.89
Maintenance	9	1,049,525.33	853,711.31
Contractual Services	10	7,338,750.62	7,319,335.79
Depreciation & amortisations	11	1,493,258.47	1,330,342.87
Other Operating Expenses	12	495,264.20	331,388.60
Program Activities	13	3,194,564.40	3,992,826.56
Total Operating Expenses		21,482,473.00	17,215,101.20
Surplus/(Deficit) from Operating Activities		1,233,658.38	4,491,641.58
<u>Finance Cost</u>			
Bank Charges		-	-
Net Surplus/(Deficit) from Operating Activities		1,233,658.38	4,491,641.58



3.3 Cash Flow Statement For The Year Ended 31 December 2015

	Note	2015	2014
		Rs.	Rs.
<u>Cash flow from Operating Activities</u>			
Surplus/(Deficit) from Operating Activities		1,233,658.38	4,491,641.59
Adjustment for:			
Salaries : Ministry & Department	23	3,951,444.56	-
Depreciation	11	1,493,258.47	1,330,342.86
Operating profit before working Capital charges		6,678,361.41	5,821,984.45
(Increase) / Decrease in Inventories	15	(163,465.37)	-
(Increase) / Decrease in Receivables	16	1,697,693.67	3,799,057.15
(Increase) / Decrease in Prepayments		-	1,750,000.00
Increase / (Decrease) in Accruals	20	(72,667.49)	(1,185,295.57)
Increase / (Decrease) Income received in advance	18	9,000.00	
Cash Generated from Operations		8,148,922.22	10,185,746.03
Finance cost		-	-
Net cash flows from Operating Activities		8,148,922.22	10,185,746.03
<u>Cash Flows from Investing Activities</u>			
Acquisition of Plant & Equipment	14.1	(1,840,144.06)	(3,584,449.20)
Capital Re-imbursment	22	1,696,391.10	1,847,799.20
Net Cash Flow from Investing Activities		(143,752.96)	(1,736,650.00)
Net Increase/ (Decrease) in Cash & Cash Equivalents		8,005,169.27	8,449,096.03
Cash & Cash Equivalents at the beginning of the year	19	17,445,579.67	8,996,483.64
Cash & Cash Equivalents at the end of the year	19	25,450,748.94	17,445,579.67



NATIONAL INSTITUTE OF LABOUR STUDIES

STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2015

	2015
	Rs.
Accumulated Fund Balance B/F as at 01.01.2015	33,251,180.41
Adjustments in respect of the previous years	(83,390.01)
Adjusted Balance as at 01.01.2015	33,167,790.40
Capital Re-imburement	1,696,391.10
Adjustment for the Period	3,951,444.56
Excess/(Deficit) for the Year	1,233,658.38
Balance as at 31.12.2015	40,049,284.44



NATIONAL INSTITUTE OF LABOUR STUDIES

NO. 267, PANNIPITIYA ROAD, PELAWATTE, BATTARAMULLA.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2015

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, Pellowatta, 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:

	<u>2015</u>
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 of Income

Income computation on accrual basis when the participants make the payments. Due 20



unavoidable reasons some participants leave the course before completion and some course fees cannot be recovered due to various reasons. These receivables have not been considered as an Income. However action will be taken to recover balance amounts if it is possible. Income is determined year of the course commence. Until finalized the accounts any Income relating to the course commence for particular year will be accrued. Any income collection of the finalized final year will be considered as adjusted in previous year.

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 31.12.2015

Note 4	2015	2014
<u>Recurrent Re imbursement</u>	Rs.	Rs.
Recurrent Re imbursement	11,555,041.38	9,248,657.78
Total	11,555,041.38	9,248,657.78

Note 5	2015	2014
<u>Revenue</u>	Rs.	Rs.
Diploma Course	2,899,500.00	3,469,300.00
Certificate Course	90,000.00	298,500.00
One day program	1,653,900.00	1,723,300.00
Two day program	2,286,400.00	1,987,600.00
Three day program	1,389,200.00	1,006,000.00
Special Program	1,452,400.00	1,016,250.00
Examination Income	287,690.00	411,120.00
In house program	-	347,600.00
ILO project	1,100,000.00	2,095,000.00
Other Income	2,000.00	103,415.00
Total	11,161,090.00	12,458,085.00

Note 6	2015	2014
<u>Personnel Emoluments</u>	Rs.	Rs.
Staff Salaries	559,480.27	164,782.91
Ministry Staff Salaries	2,310,339.00	-
Department Staff Salaries	1,641,105.56	-
Secondment Salary	527,010.00	-
Acting Allowances	395,037.58	456,543.55
Secondment Allowances	346,327.62	-
Wages	786,495.00	188,530.00
Director General Fuel	128,700.00	94,810.00
EPF Contribution	98,916.91	97,234.61
ETF Contribution	14,823.14	14,599.59
Holiday payment	80,172.25	93,885.00
Overtime	6,395.93	136,941.95
Pension Contribution	64,087.50	-
Governing Board Expenses	100,325.00	101,169.90
Other Allowances	-	5,000.00
Audit & Management committee meeting Exp	-	23,702.60
General Audit fee	53,280.00	-
Management fee	300,000.00	325,000.00
Total	7,412,495.76	1,702,200.11

National Institute of Labour Studies



Notes to the Financial Statement for the year ended 31.12.2015

Note 7	2015	2014
<u>Travelling Expenses</u>	Rs.	Rs.
Domestic	54,940.07	259,501.00
Foreign	-	129,684.07
Total	54,940.07	389,185.07

Note 8	2015	2014
<u>Supplies & Consumables Items</u>	Rs.	Rs.
Printing & Stationery	334,564.35	1,111,060.89
News Papers	16,730.00	17,000.00
Fuel	92,379.80	160,050.00
Diets Uniforms	-	8,000.00
Total	443,674.15	1,296,110.89

Note 9	2015	2014
<u>Maintenance</u>	Rs.	Rs.
Air conditioner repair	76,750.00	61,446.40
Computer maintenance	42,120.00	91,950.00
Office maintenance	499,395.38	400,031.07
Plant & machinery maintenance	-	102,740.88
Vehicle maintenance	431,259.95	197,542.96
Total	1,049,525.33	853,711.31

Note 10	2015	2014
<u>Contractual Services</u>	Rs.	Rs.
Building Rent	4,200,000.00	4,200,000.00
Telephone	241,845.91	274,506.06
Cleaning Expenses	1,395,058.44	1,293,990.87
Electricity	640,689.19	744,045.56
Water	95,394.99	49,825.74
Postage	160,000.00	140,000.00
Service Agreement	100,730.00	108,748.00
Security charges	505,032.09	508,219.56
Total	7,338,750.62	7,319,335.79



National Institute of Labour Studies

Notes to the Financial Statement for the year ended 31.12.2015

Note 11	2015	2014
<u>Depreciation</u>	Rs.	Rs.
Machinery & Equipment	430,992.73	306,789.92
Furniture & Fittings	292,059.08	249,414.28
Computers	292,880.00	292,880.00
Vehicles	125,000.00	125,000.00
Name Boards & Others	347,326.67	351,258.67
Books	5,000.00	5,000.00
Total	1,493,258.47	1,330,342.87

Note 12	2015	2014
<u>Other Operating Expenses</u>	Rs.	Rs.
Advertising & Promotion	375,424.20	198,165.60
Miscellaneous Expenses	-	13,278.00
Office Welfare	119,840.00	119,945.00
Total	495,264.20	331,388.60

Note 13	2015	2014
<u>Programme Activities</u>		
Dayata Kirula	-	75,000.00
Lecture fee	1,092,000.00	1,036,425.00
Refreshment	944,855.00	1,103,876.56
Examination Expenses	271,743.00	319,125.00
Training & Development	7,500.00	-
Awarding Ceremony	205,266.40	12,798.00
Project Expenses	673,200.00	1,381,874.00
Decent work	-	63,728.00
Total	3,194,564.40	3,992,826.56

Note 14	2015	2014
<u>Plant & Equipment (14.1)</u>		
Machinery & Equipments	3,572,144.61	2,761,109.28
Furniture & Fittings	3,352,647.65	3,077,270.73
Computers	2,343,040.00	2,635,920.00
Vehicles	1,000,000.00	1,125,000.00
Name Boards & Others	249,536.06	649,572.73
Books	10,000.00	15,000.00
Total	10,527,368.32	10,263,872.75



National Institute of Labour Studies

Notes to the Financial Statement for the year ended 31.12.2015

Note 15	2015	2014
<u>Inventories (15.1)</u>		
Printing & Stationaries	136,611.30	-
Office equipment maintenance	26,854.07	-
Total	163,465.37	-

Note 16	2015	2014
<u>Receivable Income (16.1)</u>		
One day program	132,000.00	-
Two days program	444,000.00	-
Three days program	152,000.00	-
Special program	786,000.00	650,000.00
Diploma Income	311,000.00	11,000.00
Inhouse program	-	183,600.00
ILO project	1,050,000.00	151,000.00
Other Income	-	27,435.00
Reimbursement Recurrent	396,919.85	2,924,620.42
Reimbursement capital	773,841.10	1,795,799.20
Total	4,045,760.95	5,743,454.62

Note 17	2015	2014
<u>Ministry Account</u>		
Ministry Account (17.1)	89,500.00	89,500.00
Total	89,500.00	89,500.00

Note 18	2015	2014
<u>Received in advance</u>		
One day program	3,000.00	-
Two day program	6,000.00	-
Total	9,000.00	-

Note 19	2015	2014
<u>Cash & Cash Equivalent</u>		
Bank of Ceylon-Pelawatte A/C 0071451995	25,450,748.94	17,445,579.67
Total	25,450,748.94	17,445,579.67

National Institute of Labour Studies



Notes to the Financial Statement for the year ended 31.12.2015

Note 20	2015	2014
<u>Accrued Expenses (20.1)</u>		
Over time	372.90	2,814.50
Acting Allowances	-	26,688.55
Travelling domestic	2,100.00	1,925.00
Examination expenses	-	51,900.00
News papers	-	1,540.00
Security charges	42,061.86	42,351.63
Water	15,413.43	-
Cleaning expenses	124,072.15	111,220.65
Telephone	22,163.80	19,030.11
Staff salaries	-	13,216.15
Wages	12,375.00	8,000.00
ETF	-	427.83
EPF	-	2,756.21
Office equipment maintenance	-	9,356.00
Total	218,559.14	291,226.63

Note 21	2015	2014
<u>Revaluation adjustment in respect of the previous year</u>		
Furniture & Fittings	5,161.29	(5,161.29)
Provision for depreciation: Furniture & Fittings	(1,161.30)	1,161.30
Provision for depreciation: Name Boards & Others	(87,390.00)	-
Total	(83,390.01)	(3,999.99)

Note 22	2015	2014
<u>Capital Reimbursement</u>		
Capital Reimbursement (22.1)	1,696,391.10	1,847,799.20
Total	1,696,391.10	1,847,799.20

Note 23	2015	2014
<u>Adjustment for the current year</u>		
Ministry staff salaries (23.1)	2,310,339.00	-
Department staff salaries (23.1)	1,641,105.56	-
Total	3,951,444.56	-

Note 24	2015	2014



Revaluation surplus		
Revaluation Account : Furniture & Fittings	-	(3,386.11)
Revaluation Account : Furniture & Fittings	-	2,400.00
Total	-	(986.11)

4.0 Report of the Auditor General



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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 எனது இல. } එල්ඒ/2015 } உமது இல. }
 My No. } } Your No. }

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 திகதி }
 Date }

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ජාතික ශ්‍රම අධ්‍යයන ආයතනය,

ජාතික ශ්‍රම අධ්‍යයන ආයතනයේ 2015 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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02. ඉහත සඳහන් ලිපිය සමඟ එවන ලද මාගේ වාර්තාවේ ඉංග්‍රීසි අනුවාදය මේ සමඟ එවා ඇත.

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- පිටපත් : 1. ලේකම් - කම්කරු හා වෘත්තීය සමිති සබඳතා අමාත්‍යාංශය
2. ලේකම් - මුදල් අමාත්‍යාංශය

අංක 306/72, පොල්ව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka

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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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எனது இல. } LEW/A/NILS/FA/2015

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உமது இல. } Your No.

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திகதி } Date

18 October 2016

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 2015 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 2015 comprising the statement of financial position as at 31 December 2015 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 19 May 2016.

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, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka
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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 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.

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.



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 2015 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 Standard-1

The name board of the Institute valued at Rs.295,300 that should be recognized as a non-current assets in accordance with the Standard had been brought to account as revenue expenditure.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Although accounts had been prepared on accrual basis, the liability amounting to Rs.194,805 relating to the acquisition of capital assets had not been brought to account.
- (b) Officers of the Department of Labour and the Ministry of Labour had been deployed in the Institute from the year 2011 to 2014 and salaries amounting to Rs.12,297,470 had been paid from the Heads of Expenditure of the Department and the Ministry. As this expenditure had not been adjusted to the accounts of the Institute, the accumulated surplus and the Government contribution to the Institute had been understated by that amount.
- (c) The motor vehicle valued at Rs.1,250,000 which had been received from the Ministry to be used as a pool vehicle had been brought to account as an assets of the Institute, though the ownership of the vehicle had not been transferred.



- (d) The direct bank deposit amounting to Rs.50,000 as at the end of the year under review, had not been identified and brought to account.

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

A Register of Fixed Assets on the Computers Accessories had not been maintained in accordance with the Treasury Circular No. IAI/2002/02 dated 28 November 2002.

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.1,233,658 as compared with the corresponding surplus of Rs. 4,491,642 for the preceding year, thus indicating a deterioration of Rs.3,257,984 in the financial result of the year under review as compared with the preceding year. Although recurrent grants had increased by Rs.2,306,383 increase in the employees remuneration expenditure by Rs.5,710,296 had mainly attributed to this deterioration of the financial results.

An analysis of the financial results of the year under review with that of four preceding years revealed that, the surplus of income over expenditure of the Institute was ceaselessly declining and in taking into consideration the employees remunerations and the depreciations for the non-current assets, the contribution of the Institute amounting to Rs.7,260,727 in the year 2011 had decreased up to Rs.2,861,026 by the year 2013, but it had increased up to Rs.9,557,107 in the year 2015.



4. Operating Review

4.1 Performance

Establishment of a Division of Studies for Trade Unions, conduct of researches and surveys and 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 National Institute of Labour Studies. The following observations are made on the achievement of the objectives of the Institute.

- (a) Adequate activities had not been carried out to implement labour study programmes in collaboration with the local and international institutions and to ensure the welfare of the employees.
- (b) No activities whatsoever connected to the conduct of seminars, workshops, conferences and meetings relating to the labour studies, publication of magazines, journals, periodicals and books, conduct of researches and surveys and making arrangements for the courses related to the labour studies had been carried out during the year under review.
- (c) A formal library had not been establish for the provision of library and information services and their maintenance and made available for the students for utilization while close relationship had not been maintained with the national and international institutions, organizations, associations and societies that have the objectives similar to this Institute, though it was expected as an objective from this Institute.
- (d) Although the Institute had commenced courses including diploma courses on labour studies, assistance of the Universities and the similar institutions had not been obtained therefor.

In view of the overall matters, it was observed that out of the main objectives relating to the establishment of the Institute, only the conduct of courses pertaining to the



labour studies is in progress and it had failed to achieve 05 main objectives specified in the Act, despite the lapse of five years from the inception of the Institute.

4.2 Conducting Courses

The following observations are made.

- (a) Out of 9 courses subjected to the audit test check, the income earned from 3 courses had increased by 27.9 per cent as compared with the preceding year and income of 06 courses had deteriorated by 27.7 per cent than the preceding year.
- (b) It was observed that the subject units had not been introduced relating to the course syllabus so as to enable the students to select subjects according to their requirements. Further, making it necessary for the students to follow compulsory units and the obtaining assistance of the Universities and similar institutions in terms of Section 3 (f) of the National Institute of Labour Studies Act, being at a low level had affected the performance of the Institute.

4.3 Management Activities

The following observations are made.

- (a) A data base including the details of the students relating to the courses conducted had not been established in the Institute and as such the identity of the students and the fact that the courses had been followed by them could not be confirmed.
- (b) As an Bank Account had not been opened for the National Institute of Labour Studies, the course income amounting to Rs.89,500 received by the Institute for the year 2011 had been credited to a Bank Account of the Ministry of Labour and Labour Relations. Although requests had been made to the Ministry to obtain that money, the Ministry had not granted this money up to 09 June 2016, the date of audit.
- (c) Without a written service agreement, the cleaning services of the Institute had been obtained from an external institution and a sum of Rs.1,135,118 had been paid in that respect even in the year under review from 02 December 2014.





- (d) A sum of Rs.86,400 had been paid to two resource persons as lecture fees in the year under review without the approval of the Board of Governess.
- (e) A sum of Rs.205,266 had been spent for the diploma and certificate awarding ceremony in the year 2015 without preparing an estimate of expenditure and obtaining approval therefor.

4.4 Underutilization of Funds

A considerable cash balance had been retained idling in the Bank Current Account since several preceding years and that balance by the end of the year under review was Rs.25,450,749. It was observed that an adequate attention had not been drawn on utilizing that money for the activities relating to the achievement of the objectives of the Institute.

4.5 Personnel Administration

The following observations are made

- (a) The approved cadre and the actual cadre of the Institute stood at 45 and 11 respectively by the end of the year under review and as such the number of vacancies was 34. Out of the officers employed in the Institute, 10 officers were the officers of the Ministry of Labour Relations and the Department of Labour, whereas the Institute had not taken action to recruit permanent officers even up to 30 June 2016. Such circumstances, indicated that there were difficulties in taking management decisions of the Institute and maintaining its performance at a higher level and that it had considerably affected the achievement of the objectives of the Institute.



- (b) 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 30 September 2016.
- (c) The officers of the Ministry of Labour and Trade Union Relations and the Department of Labour had been attached to perform duties of the Institute. Although the cost of employees had been correctly adjusted in the financial statements for the year 2015 as the employees expenditure, it had not been so adjusted in the preceding years. Accordingly, employees' expenditure was lacking in considerably.
- (d) Even though expenditure amounting to Rs.50,505 had been incurred in February 2015 for publishing newspaper advertisements for 13 vacant posts of the Institute, recruitment had not been made up to 30 June 2016.

5. Accountability and Good Governance

5.1 Procurement Plan

The Institute had prepared a Procurement Plan amounting to Rs.2,496,000 under 15 items during the year under review. The following observations are made in this connection.

- (a) Thirty four items expected to be purchased according to the Procurement Plan during the year under review had not been purchased and 28 chairs and 02 air conditioners had been purchased exceeding the planned amount.
- (b) Accordingly, it was observed that the plan prepared for the purchases during the year under review was not effective and a sum of Rs.2,000,269 had been spent only for the purchase of 02 times and it represented 80 per cent of the estimated amount.





5.2 Annual Action Plan

The audit test check carried out on 19 courses planned for the year under review revealed that only 12 courses had been conducted and the course income had decreased by Rs.1,296,995 during the year under review.

5.3 Conduct of Audit and Management Committees

The meetings of the Audit and Management Committees in accordance with Section 7.4.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003 had not been held for the year under review.

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
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(a) Accounting Activities	Failure to maintain accounts consistently by selecting Sri Lanka Public Sector Accounting Standards and accounting policies.
(b) Operating Activities	Even though targets should be set in order to achieve the general objectives of the Institute, adequate strategies had not been adopted for their achievement





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| (c) Budgetary Control | Failure to use the budget as an instrument in finance control. |
| (d) Staff Administration | Failure to take action to fill the vacancies. |
| (e) Library Administration | Library books should be made available for use. |
| (f) Fixed Assets Control | Failure to conduct Annual Board of Survey. |

H.M. Gamini Wijesinghe

Auditor General