

## **National Institute of Labour Studies - 2023**

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### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the financial statements of the National Institute of Labour Studies for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1.2 Basis for Opinion**

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Institute is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Institute.

## 1.4 Audit Scope

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Institute, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute ;

- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

### 1.5 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Non-compliance Laws, Rules Regulations etc.		Management Comment	Recommendation
(a) Sections 5 (1) and (2) of the National Labour Studies Act No. 12 of 2010	According to the provisions of the Act, the administration, management and control of the institution have been entrusted to the governing body of the institution. The Board of Directors of the Institute met only once and twice in the years 2022 and 2023 in relation to the exercise of the powers assigned, prescribed or entrusted to the Governing Council by the Act to administer the affairs of the institution.	Since the members of the governing board of the National Institute of Labour Studies appointed for the year 2022 have resigned, the institute has informed the Ministry of Labour and Foreign Employment to appoint a new governing board on 02.06.2022 and to appoint the member of the Ministry of Higher Education who will be appointed officially for the governing board. Even if the facts are, as per the institute's act states that the quorum for a meeting of the board should be five members that 02 Board of Directors meetings have been held in the year 2023 with the full quorum of the Chairman of the Governing Board and five other ex officio members.	Should be acted in accordance to the provisions of the Act.
(b) Section 16(1)	Although the Board could have appointed a certain number of Technical Committees required for the performance of duties under the Act, such Committees	Although such provisions have been made in the Act regarding the future opportunities and matters to be done with the future expansion of the Institute, the	Should be acted in accordance with the provisions of the Act.

were not appointed.

Board has not appointed technical committees that as such need has not arisen so far. That the appointment of technical committees under sections 16 (i) of the Act shall be made on the advice of the Governing Body upon the need when there is sufficient financial capacity to expand the activities of the Institute in the forthcoming period.

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| <p>(c) National Labour Studies Act No. 12 of 2010 Subsection 3 (d).</p> | <p>Although the establishment and maintenance of libraries and information providing services is one of the main objectives of the Institute, such information providing services had not been implemented until 31 March 2024.</p>                                | <p>The National Institute of Labour Studies will not obtain any allocation from the Treasury from the year 2023. Therefore, the work of establishing a library with the income generated by the National Institute of Labour Studies will be done in the near future. Also, arrangements are being made to provide electronic publications through a separate page on the website. That the settings on the web page that includes e-publishing are begun.</p> | <p>Objectives should be accomplished as per the provisions of the Act.</p> |
| <p>(d) National Labour Studies Act No. 12 of 2010 Section 3 (e).</p>    | <p>Although, should be worked in close cooperation with national and foreign organizations, associations and societies with similar objectives, the institute has not taken the necessary actions to work in cooperation with such institutions organizations.</p> | <p>An MoU was signed in 2008 with V V Giri National Labour Institute in India and it was implemented from 2008 to 2016. After that, an attempt was made to implement this again in the year 2020, but, it did not happen due to various reasons and a memorandum of understanding will be signed with V V Giri</p>   | <p>Should be acted in accordance with the provisions of the Act.</p>       |

National Labour Institute in India in the near future. That MoU has been forwarded to the Attorney General's Department for observation. After that, it is expected to get support from the International Labour Organization to establish cooperation with institutions related to labour studies in Korea and Japan.

<p>(e) Public Enterprises Circular No. 04/2023 dated 11 December 2023</p>	<p>Although 30 percent of the profit of the year 2022 should be remitted to the treasury before paying bonuses/incentives for the staff in the year 2023, without doing so, Rs.325,000 were paid as bonuses and a balance of Rs.2,315,712 is due to the treasury was stated as a payable balance.</p>	<p>Necessary arrangements have been made to pay the amount of Rs.2,315,712.00 due to the Treasury for the year 2023 and In order to confirm the bank accounts to which the relevant payments are to be made, notices have been given to the Grand Treasury and arrangements will be made to make the payments promptly. That it is indicated under the 2023 annual accounts.</p>	<p>Should be acted in accordance with the provisions of the Act.</p>
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## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 11,095,653 and the corresponding surplus in the preceding year amounted to Rs.18,874,140 Therefore a deterioration amounting to Rs. 7,778,487 of the financial result was observed. The reasons for the deterioration are mainly due to the increase in conducting programs and other operating expenses.

## 3. Operational Review

### 3.1 Procurement Management

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
<p>(a) According to the Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka-</p>	<p>Would like to inform that it was confirmed repairs are guaranteed to be correct. It is filed in file</p>	<p>Should be acted in accordance with Procurement guidelines.</p>

2006, without making formal estimates and carrying out inspections, without maintaining the details related to the repaired air conditioners and without ensuring whether the repairs have been done properly, Rs.1,096,250 had been spent. in 07 cases in the year 2023, for the repair of air conditioners.

Except for the supplier selected for the new air conditioner repair, it was revealed that the prices of the remaining suppliers had been faked and two air conditioners which had been repaired at a cost of Rs.481,825 with all the accessories were repaired again at a cost of Rs.91,075, but the respective machines remained inactive.

NILS/AD/03/21/03 (PRO). In the future, before starting the procurement process, it is informed that the procurement documents will be properly prepared and the work will be carried out properly and that the maintenance of these air conditioners had to be done due to the urgent need of the institution and it was not possible to purchase new machines at great cost to the institution during that year.

(b) Rs.522,930 was spent for printing 25 copies and 6 soft copies of the annual reports of the National Institute of Labour Studies and for the years 2021/2022, Although the orders had been delivered based on the agreement to carry out the printing work by offset method, the printed copies were paid for printed copies that were printed by digital method outside of that method, and it was observed that the cover of the annual report of the year 2022 was also not in proper standard.

In the future, payment will be made after confirming whether all printing work has been done to the required standard.

Procurement should be done efficiently.

### 3.2 Human Resources Management

#### Audit Issue

Although a Research Publication and Project Division had been established in July 2020 to achieve the objective of establishing the Institute, it had adversely affected

#### Management Comment

The recruitment notification for the recruitment of the post of Business Promotion Officer has been prepared and approval has been obtained from the Secretary of the Ministry. Soon it will be

#### Recommendation

Actions should be taken to achieve the desired goals.

the achievement of the desired objectives due to the fact that an officer had not been formally assigned to the relevant division till the date of audit.

published on the websites of the Ministry of Labour and Foreign Employment, the Department of Labour and the National Institute of Labour Studies. After that, a suitable officer will be selected and recruited for that position.

#### **4. Accountability and Good Governance**

##### **4.1 Internal Audit**

###### **Audit Issue**

Although there was an internal auditor position in the approved carder of the institution, the internal audit division of the relevant line ministry had not taken steps to fill the relevant position, and no internal audit had taken place.

###### **Management Comment**

The recruitment of officers of the institution is done only on the basis of the need of the institution and the internal audit work is done by the internal audit of the Ministry as per the instructions of the Secretary of the Ministry. Hence, that the internal audit function is being performed properly.

###### **Recommendation**

Internal audit should be done properly.

##### **4.2 Audit Committee**

###### **Audit Issue**

According to 4.2 (h) of the Code of Guidelines for Public Enterprises bearing No. 01/2001 dated 16 November 2021, the Audit Committee shall meet once in 03 months and submit its reports and recommendations to the Board of Directors, but no Audit Committee meetings were held in the year 2023.

###### **Management Comment**

The audit committee meeting could not be held in the year 2023 due to the lack of proper appointment of the governing board, and from the year 2024 the first quarter meeting has already been held (10/01/2024) and the date is fixed for the audit committee meeting for the second quarter, it will be held on 10/05/2024.

###### **Recommendation**

Should be acted in accordance with Treasury guidelines.