

Sri Lanka Bureau of Foreign Employment

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1. Financial Statements

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1:1 Qualified Opinion

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In my opinion, except for the effects of the matters described in paragraph 1:2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Bureau of Foreign Employment as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the consolidated financial statements give a true and fair view of the financial position of the Sri Lanka Bureau of Foreign Employment and its Subsidiary Company as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1:2 Comments on Financial Statements

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1:2:1 Accounting Deficiencies

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The employment Agencies had deposited a sum of Rs.258,832 in the Bureau in the years 2010 and 2011 for the settlement of complaints of emigrants. That amount had been credited by Journal Entry to the Expenditure on Settlement of Complaints of Emigrants Account and as such, the expenditure for the year had been understated by that amount.

1:2:2 Unreconciled Control Accounts

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 The following observations are made.

Particulars of Accounts	Balance according to Financial Statements	Balance according to Consolidated Schedules	Difference
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	Rs.	Rs.	Rs.
Balance of Distress Loans	155,216,941	155,213,833	3,108
Balance of Motor Vehicles Loans	83,358,631	83,405,346	46,715
Agency Creditors	215,943,664	223,590,871	7,647,207
Charges for Supply of Facilities	56,818,485	56,673,000	145,485
Labour Agreement Charges (Missions)	1,446,958,337	1,446,843,893	114,444

1:2:3 Suspense Accounts

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 A Suspense Account balance of Rs.148,865 existed under the sundry creditors and action had not been taken for the settlement.

1:2:4 Accounts Receivable and Payable

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 The following observations are made.

- (a) In deciding on the settlement of complaints of emigrants, the money deposited with the Bureau by the respective Employment Agencies had been retained by the Bureau without being paid to the emigrants promptly. The money so retained from the year 2008 up to 31 December 2012 amounted to Rs.13,741,167.

- (b) Out of the Labour Contract Agreements charges recovered by the Foreign Missions during the period 2003 to 31 December 2012 amounting to Rs.2,596,463,468 and remitted to the Bureau through the General Treasury and receivable by the Bureau from the year 2003, a sum of Rs.1,446,843,893 remained receivable by the Bureau.
- (c) Out of the money received as insurance indemnity from the year 2009 to the year 2012, a sum of Rs.3,629,174 had been shown as creditors in the financial statements without being paid to the emigrant labour.
- (d) The money received from the United Nations Compensation Commission for the payment of Compensation for the distress caused to Sri Lankans employed in Kuwait due to the invasion of Kuwait by Iraq in the year 1990, had been retained in temporary deposits until payment to them. The interest earned on those deposits during the respective periods had also been credited to that Fund and a further balance of Rs.2,431,078,149 remained as at 31 December 2012. Action had not been taken during the year under review either to settle the balance or credit it to the Consolidated Fund.
- (e) The Bureau had deposited a sum of Rs.6,195,396 with different institutions and action had not been taken for the recovery of those deposits.

<u>Particulars</u>	<u>Amount</u>
	Rs.
Refundable Deposits	167,358
Other Receivables	642,875
Sri Lankan Embassy in Italy	887,610
Sundry Deposits	<u>4,497,553</u>
	<u>6,195,396</u>

- (f) Distress Loans and Motor Vehicle Loans outstanding from 18 officers amounting to Rs.4,918,736 had not been recovered over periods ranging from 05 to 60 months.

1:2:5 Lack of Evidence for Audit

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The evidence indicated against the following items had not been furnished to audit.

Item -----	Value -----	Evidence not made available -----
	Rs.	
Sundry Deposits - Debit	167,358	(a) Sundry Deposits
- Credit	26,832,000	(b) Deposit Receipts
Sundry Creditors	74,059,860	(a) Detailed Schedules
		(b) Confirmation of Balances

1:2:6 Non-compliance with Laws, Rules, Regulations and Management Decisions

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The following non- compliances were observed.

Reference to Laws, Rules, Regulations, etc. -----	Non-compliance -----
(a) Sri Lanka Foreign Employment Bureau Act, No. 21 of 1985 Section 15	Even though the objective of the Bureau is the promotion of better employment opportunities to the Sri Lankan labour in the Foreign Job Market, contrary to that a sum of Rs.1,000,000 had been spent on the upliftment of volley ball sport.

(b) Financial Regulations of the  
Democratic Socialist Republic of  
Sri Lanka

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|-------|--------------------------------|--|
| (i)   | Financial Regulation<br>371(2) | Advances amounting to Rs.3,645,507 granted in 31 instances had not been settled even by 31 December 2012. The settlement of advances granted to certain officers had taken more than 03 years. |
| (ii)  | Financial Regulation 756       | The Foreign Employment Office maintained in the Embassy Office in Seoul had not furnished the Board of Survey Reports as at 31 December 2012.  |
| (iii) | Financial Regulation 1646      | The Daily Running Charts and the Monthly Performance Summaries of all pool motor vehicles of the Bureau had not been furnished to the Auditor General.   |

1:2:7 Transactions not supported by Adequate Authority

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Even though a post of Labour Welfare Officer for the Labour Welfare Division of the Sri Lanka Embassy in Japan had not been approved, a sum of Rs.5,103,405 had been paid as salaries to an officer attached to that unapproved post by the Bureau for the year 2012.

2. Financial Review

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2:1 Financial Results

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According to the financial statements presented, the operations of the Bureau and the Subsidiary for the year under review had resulted in a pre-tax surplus of Rs.258,895,523 as compared with the corresponding surplus of Rs.598,382,192 for the preceding year, thus indicating a deterioration of Rs.339,486,669 or 57 per cent of the consolidated financial results of the year under review. The increase of the Welfare Fund expenditure, operating expenditure, administrative expenditure and the trade promotion expenditure of the year under review as compared with the preceding year by sums of Rs.268,054,910, Rs.52,940,739, Rs.30,604,247 and Rs.27,660,538 respectively had been the major factors affecting the deterioration of the financial results.

2:2 Legal Actions instituted against or by the Institution

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External parties had filed 11 cases against the Bureau while the Bureau had filed 303 cases against external parties as at 31 December 2012.

2:3 Unusual Increase in Expenditure

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An analysis of the expenditure shown in the consolidated financial statements for the year under review revealed unusual increases in the expenditure of the year under review as compared with the preceding year as shown below.

Category of Expenditure	2012	2011	Variance	
	Rs.	Rs.	Rs.	Percentage
Trade Promotion – Foreign Mission Offices	49,357,705	17,857,135	31,500,570	176
Seminars and Workshops	8,474,920	2,576,038	5,898,882	229

3. Operating Review

3:1 Performance

The following observations are made.

- (a) A Complaints Settlement Division had been established in the Bureau for making complaints about the difficulties caused to the persons employed as domestic servants. The complaints received by that Division should be investigated and settled by providing clear solutions and the relevant files should be closed thereafter. Nevertheless, audit test checks revealed instances of finalization of action by making minutes in the files that the complaint was withdrawn by telephone calls and indicating through non-formal letters that the complaint had been settled.
- (b) The Progress according to the Performance Report on Employee Welfare Activities for the year 2012 is given below.
  - (i) Even though a target of 500 children had been launched in the year 2012 for the supply of the financial and advising services for the children of emigrants whose education has been disrupted to acquire vocational education and training, financial assistance had been provided only to 16 children to undergo training.

- (ii) An estimate of Rs.1.3 million had been made for the year 2012 for providing assistance to 50 persons for earning income through self employment with the objective of improving the income of emigrants returning to the country totally disabled due to accidents caused while being employed abroad. Self employment assistance had been provided only to two disabled persons in the year under review
- (c) A land of 1 acre 0 roods 19.5 perches in extent belonging to the Government had been made available to the Bureau in 11 August 1997 for the construction of a Circuit Bungalow for the emigrants at Katharagama. Forwarding the plan for the construction to the line Ministry and inviting bids for testing of soil of the land only had been done up to the end of the year 2012.

### 3:2 Management Inefficiencies

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A sum of Rs.340 million had been assessed as the income to be earned through the Diplomatic Mission in the year 2012. Out of the sum of Rs.629 million collected, the actual income earned after deduction of Rs. 345 million comprising the refundable and non-refundable deposits of clients and deposits on safe houses, amounted to Rs. 284 million. As such the sum of Rs.56 million or 16 per cent of the estimated income had not been collected. Similarly, non-achievement of the targeted income at the Diplomatic Mission levels was also observed. Details appear below.

Diplomatic Mission	Assessed Income	Actual Income	Variance	
	Rs.Millions	Rs.Millions	Rs.Millions	Percentage
Jeddah	16	05	11	69
Lebanon	20	11	09	45
Qatar	110	64	46	42
Abu Dhabi	16	10	06	38



3:3 Operating Inefficiencies

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The following observations are made.

- (a) According to paragraph 1.1 of the conditions on the payment of compensation from the Relief Insurance Fund, the Fund should bear the cost of air tickets under the procedure for the repatriation of persons emigrated for employment and subject to serious harassment. The value of air tickets of 524 seriously harassed emigrants in the year under review totalling Rs.18,348,183 had been paid from the Employees Welfare Fund and action had not been taken to recover the expenditure from the Insurance Fund.
- (b) A formal procedure had not been followed for the collection and accounting for the registration fee charges and the Korean Training Fees collected by the Bureau.
- (c) The employment agencies established in the Middle East Countries and Cities such as Riyadh, Kuwait, Jeddah, Jordan, Qatar, Oman and Lebanon had obtained the labour requirements of the employers from the Foreign Employment Agencies in Sri Lanka. In that connection the Bureau had not launched a formal course of action for the Agencies to carry out a proper evaluation of those employers and the labour for providing job opportunities. As such, it had not been possible to prevent the repatriation of 1,428 labourers before the completion of employment period and the retention of 671 emigrants in the safe houses of Diplomatic Missions. Similarly it had not been possible to maintain at the minimum level the 12,681 complaints received and 202 emigrants imprisoned in those countries.
- (d) Even though an expenditure of Rs.26,466,500 had been estimated for the International Emigrants Day, a sum of Rs.1,182,381 exceeding the estimate had been spent. Out of that, a sum of Rs.24,079,633 had been spent on the purchase of T Shirts, caps and umbrellas, printing of notices and calendars, venues of celebrations and decoration of lorries.

- (e) Sri Lanka Foreign Employment Bureau Act has devolved the powers on the Bureau for the issue of licences to the Foreign Employment Agencies, determination of qualifications required for the licence holder, specifying the security deposits, renewal of licences and cancellation of licences. Accordingly the Act had made provision for a strict control of the licence holders and for the protection of the emigrant labour. Nevertheless, contrary to such provisions the Bureau had introduced a methodology for the registration of Foreign Employment Promotion Assistants from the year 2012 for a registration fee Rs.5,000. Accordingly, 434 Foreign Employment Promotion Assistants had been appointed on considering only the copy of the National Identity Card, the Certificate of the Grama Niladhari and an oath of attestation.
- (f) Even though a sum of Rs.3,460,000 had been received as licence fees for the applications for registration as foreign employment Agencies from the year 2008 to 2011, action had not been taken even up to the end of the year under review for the registration of those institutions or for the refund of the money.

#### 3:4 Identified Losses

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The following observations are made.

- (a) Officers of the Bureau had planned a tour of Italy from 02 to 09 September 2012. As that tour had been postponed to 09 to 16 September 2012, an additional sum of Rs.32,342 had been spent for the cancellation of tickets and obtaining insurance again.
- (b) The Bureau had obtained a land 04 acres in extent belonging to the Matugama Pradeshiya Sabha on a 30 year lease on 03 September 2003 for the construction of a Foreign Service Training Institute. The annual lease rent of Rs.380,000 payable in respect of each 05 year period had not been paid for the 05 year period from the year 2009 to the year 2003 and the 30 per cent penalty of Rs.342,000 for three years delay had been paid.

3:5 Idle and Underutilization Assets

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The Urban Development Authority had decided on 03 November 2010 to grant a 50 year lease of a land 05 acres in extent situated in the Homagama Pitipana area to the Bureau for the establishment of a Training Centre. In accordance with the decision of the Cabinet of Ministers dated 15 January 2010, the Internal Valuation Committee of the Urban Development Authority had valued the land for a sum of Rs.52 million. The bureau had paid a sum of Rs.26 million on 26 February 2010 as 50 per cent of the value of the land. The physical title of the land had been transferred to the Bureau by the agreement No. 10/08/2426 dated 04 March 2010. The Urban Development Authority had, by letter No. 5/5/10/1/11/3/Pro 21 V dated 15 September 2011, informed the Bureau to settle the balance amount. The 50 per cent payment had been made without paying adequate attention to obtain a valuation from the Chief Valuer. The Bureau had not made use of the land for the intended purpose even up to 14 May 2013.

3:6 Resources of the Bureau given to other Government Institutions

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The following observations are made.

- (a) In terms of Section 8.3.9 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the resources of Public Enterprises should not be used by the line Ministries. Nevertheless, 06 motor vehicles belonging to the Bureau and hired by the Bureau had been used by the Ministry and the Presidential Secretariat. The Bureau had spent a sum of Rs.4,459,024 in that connection during the year under review.
- (b) Four officers of the Bureau had been deployed in the services of the Ministry and other institutions contrary to the above mentioned circular. The Bureau had paid a sum of Rs.2,085,345 during the year under review as their salaries and allowances while sums totalling Rs.839,266 had been spent by the Bureau in 09 instances in connection with the activities of the Ministry of Foreign Employment Promotion and Welfare.

3:7 Staff Administration

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The particulars of the staff of the Bureau as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Excess	Number of Vacancies
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Staff Grades	237	257	20	--
Non-staff Grades	472	541	69	--
Minor Grades	178	133	--	45
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Total	887	931	89	45
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The following observations are made.

- (a) According to the restructure proposals for the staff of the Bureau, a staff of 887 for 24 posts of the Bureau had been approved by the letter No. DMS/E4/46/4/27/274/1 dated 06 September 2010 of the Department of Management Services and a staff of 931 had been recruited. Out of that, the numbers recruited under contract, secondment and assignment basis had been 83, 15 and 03 respectively.
- (b) Seventeen officers had been recruited for 09 posts not approved and a sum of Rs.7,238,789 had been paid as salaries and allowances during the year under review.

3:8 Motor Vehicles Utilization

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The following observations are made.

- (a) The Bureau had a fleet of 57 motor vehicles out of which 31 had been pool motor vehicles. A sum of Rs.14,038,184 had been paid for motor vehicles procured on hire basis to various intuitions from January 2012 to 31 December 2012 without utilizing properly the motor vehicles of the Bureau for its daily requirements.
- (b) Contrary to the Public Enterprises Circular No. PED/50 of 28 July 2008, the officers of the Bureau had obtained additional fuel in excess of the limits without obtaining the formal approval.

4. Accountability and Good Governance

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4:1 Action Plan

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A sum of Rs.1,769,315 had been spent for the conduct of the residential workshop for the Senior Management of the Bureau and the Officers of the Ministry for 13 to 15 January 2012 for the purpose of preparing the Corporate Plan and the Action Plan. The Corporate Plan and the Action Plan so prepared had been revised from time to time and the revised Action Plan for the year 2012 had been presented to audit after the close of the year of accounts on 15 March 2013.

5. Systems and Controls

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Deficiencies observed during the course of audit were brought to the notice of Chairman of the Bureau from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Motor Vehicles Control
- (c) Regularization and Control of the Activities of Foreign Employment Agencies
- (d) Collection of Income
- (e) Assets Control