

Sri Lanka Bureau of Foreign Employment - 2010

1. Financial Statements

1:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Sri Lanka Bureau of Foreign Employment had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the Sri Lanka Bureau of Foreign Employment as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1:2 Comments on Financial Statements

1:2:1 Accounts Receivable and Payable

The following matters were observed.

- (a) Steps had not been taken for the settlement of works advances totalling Rs.230,183 relating to the period from 2002 to 2004.
- (b) Out of the sum of Rs.1,832,240,979 labour contract agreement charges recovered during the period from the year 2003 to 31 December 2010 by the Foreign Missions and remitted to the Labour Welfare Fund of the Bureau through the General Treasury, a sum of Rs.927,505,633 only had been received. As such the labour agreement charges receivable by the Fund as at 31 December 2010 amounted to Rs.904,735,346. In view of the non-receipt of the money receivable by the Labour Welfare Fund regularly had resulted in the utilization of the funds of the Bureau for incurring the expenditure of the Labour Welfare Fund during the relevant period.

1:2:2 Lack of Evidence for Audit

The following items could not be satisfactorily vouched or accepted in audit due to the non-submission of the documentary evidence to audit.

Particulars of Account	Value	Documentary Evidence not made Available
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	Rs.	
Fixed Assets (Foreign Welfare Fund)	92,405,181	Physical Verification Reports relating to 08 Missions.

1:2:3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Comments
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(a) Public Enterprises Circular No. PED/12 of 02 June 2003	
(i) Section 9.14	Action had not been taken to prepare a Manual of Procedure of Rules and Regulations on the Human Resources Management for the Bureau and obtain the approval of the Board and the concurrence of the Treasury.
(ii) Section 8.3.3(c)(ii)	In instances where attendance incentives are paid in addition to the bonus, the bonus payable should be Rs.7,500 or the gross salary for 02 months whichever is less. Contrary to such provision, the Bureau had paid twice the salary of the last month of the year as the bonus.

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| (b) Management Services Circular No. 24 of November 2004 and Section 8.3.3(c)(ii) of the Public Enterprises Circular No. PED/12 of 02 June 2003. | The prior approval of the Treasury for the Incentive Allowance Scheme implemented at present by the Bureau had not been obtained. |
| (c) Public Finance Circular No.353(5) of 31 August 2004 Paragraph 2 | The Maximum monthly hire charges payable for the procurement of motor vehicles on hire basis is Rs.40,000. Contrary to such limit, two motor vehicles had been procured on hire basis for Rs.47,500 and Rs.57,500 per mensum. |
| (d) Public Administration Circular 13/2008(II) of 24 March 2009. | Instead of paying a monthly fuel allowance in terms of the circular to the officers of the Bureau entitled to official motor vehicles, fuel had been supplied to their motor vehicles on fuel orders without any limitation. |

2. Financial and Operating Review

2:1 Financial Review

2:1:1 Financial Results

The operating of the Bureau for the year ended 31 December 2010 had resulted in a pre-tax surplus of Rs.591.08 million as compared with the corresponding surplus of Rs.490,53 million for the preceding year. As such it indicated an increase of Rs.100.55 million or 20.49 per cent in the surplus. The increase of the income by a sum of Rs.256.50 million as compared with preceding year had affected it.

2:1:2 Transactions of Contentious Nature

The following matters were revealed.

- (a) The loan balances of the loan scheme implemented for the staff on concessionary interest rates as at 31 December 2010 totalled Rs.206,263,984. The Treasury approval for the loan scheme had not been obtained.
- (c) A case on the loss of 02 cheques had been filed in connection with the legal action taken on the fraudulent encashment by placing bogus signatures on 02 cheques of a Bank account of the Bureau in the year 2009. Nevertheless, legal action had not been taken against the Bank concerned to cover the loss of Rs.800,000 caused by the payment made on 02 cheques with bogus signatures.

2:2 Operating Review

2:2:1 Performance

The performance levels targeted in the Action Plan had not been adequately achieved in the year 2010. Information on few items with a poor level of performance is given below.

Programme/ Project/ Activity	Indicator	Target	Achievement	Percentage
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				Rs.
Welfare Programmes				

Construction of Houses for Disabled Migrant Labour / Members of Families of Migrant Labour	Number of Houses	150	16	10.67
Grant of Loans on Concessionary Interest rates				
- Housing Loans	Number of	150	62	41.33

-	Pre-migrant Loans	Loans Number of Loans	1,000	126	12.60
-	Self Employment Loans	Number of Loans	50	10	20.00
Approval -----					
	Grant of First Approval for Job Orders of Agencies	Number of Orders	7,453	4,671	62.67
	Grant of First approval for Newspaper Advertisements	Number of Advertise- ments	5,828	2,015	34.57
	Grant of First Approval for Advertisements (Others)	Number of Advertise- ments	5,015	2,282	45.50
Airport Sahana Piyasa -----					
	Construction and Modernization work on the Premises of Airport Unit Office Counter for Departure Information	--	02	Not done	--
	Immigration and Emigration Counter	--	01	Not done	--
Training -----					
	Cyprus (Providing Training for Domestic Service)	Number of Programmes	249	147	59.04
	Registration of Candidates for Jobs through Internet	Candidates	6,000	579	9.65
	One Day Mediation Programmes Conducted at Branch Offices	Number of Programmes	04	Not done	--
Promotion Programmes -----					
	Conduct of Awareness Programmes for School Leavers	Number of Programmes	360	177	49.17

Foreign Relations

Strengthening of Staff of Foreign Missions

Local	Number of Officers	13	02	15.38
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Non-local	Number of Officers	41	19	46.34
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Publicity

Television	Number of Advertisements	12	07	58.33
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Middle East Programmes	Number of Programmes	25	05	20.00
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Research

* Study on the success for the Loan Scheme implemented by the Bureau in providing benefits to migrant labourers	Percentage	100%	60%	
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* Survey on the Sri Lankan Migrant women who become pregnant while working abroad.	Percentage	100%	50%	
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* Build up of liaison with the Research Institutions of other countries exporting labour	Percentage	100%	60%	
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2:2:2 Management Inefficiencies

The inefficiencies observed are given below.

- (a) According to the agreement entered into between the Sri Lanka Foreign Employment Bureau and the Korean Micro Industries Association under the Korean Technical Training Project in the year 1995, a sum of Rs.12,835,772(US\$ 351,235) out of a sum of Rs.17,399,465 collected from the trainees up to the year 2002 had been remitted to the Government of the Republic of Korea as Bank Guarantees. Despite the elapse of a period exceeding 03 years after the end of the Project, the deposits had been shown as debtors and creditors without recovering the deposits and settling the money collected. In this connection the Chairman of the Bureau made the following comments.

“Efforts for the recovery of this amount were made at the Bureau level, through the line Ministry of the Bureau and the Sri Lanka Ambassador in the Republic of Korea and continuous steps will be taken in the future as well. The Bureau is unable to settle the amounts until the money is recovered”.

- (b) Out of the entire expenditure of the Labour Welfare Fund incurred abroad by the Bureau through the Missions abroad an amount exceeding 50 per cent had been incurred in the maintenance of the staff rather than spending on the labour welfare.
- (c) Out of the 984 persons staying as at 31 December 2010 in the safe houses of the Foreign Missions due to various problems faced abroad by the migrant labour, 145 had been staying for more than 03 months. The Bureau had not prepared a methodology and a legal framework for minimizing such position. The Chairman informed that such delays are beyond the scope of the Bureau or the Embassy Offices.
- (d) An analysis of the data of several past years revealed that the complaints made by the migrant labour to the Bureau are of a ratio higher than the ratio of labour emigration. A comparison of the year 2009 with the preceding year indicated that those who proceeded abroad decreased by 1.35 per cent while the complaints received had increased by 25.06 per

cent, Even though the emigration of labour during the year 2010 increased by 0.40 per cent the complaints had increased by 22.61 per cent. Out of every 100 migrant labour in the year 2008 four had made complaints to the Bureau of Foreign Employment while that position had increased to 05 and 06 by the years 2009 and 2010 respectively.

In this connection the Chairman of the Bureau informed as follows.

“In view of the awareness created in the migrant labour through the process implemented by the Bureau for entering into employment agreements and the conduct of training programmes and the increase in the confidence of the public with regard methodology used by the Bureau for inquiry into complaints, an increasing trend in the receipt of complaints to the Bureau has developed.

- (e) As all the complaints received from the migrants in a year cannot be settled in the year itself, the unsettled complaints as at the end of the years 2007, 2008, 2009 and 2010 had been increasing gradually. Out of the 6,455 unsettled complaints that remained as at 31 December 2010, the complaints older than one year stood at 318. Steps had not been taken to expedite the settlement of long outstanding complaints by following a methodology for strengthening the capacity of the Mediation Division by the recruitment of new Mediation Officers.
- (f) Even though the Foreign Missions at present obtain orders for Sri Lanka labour and grant approval thereto, it is not possible to review the registration due to the inability to obtain statements of Sri Lanka migrant labour employed in the area of authority of each office of Sri Lanka Embassies from such offices and the absence of a methodology employed by the Department of Immigration and Emigration in collaboration with the Ministry of External Affairs requiring the migrant employees to report to the respective Embassy Offices. In this connection it was observed in audit that problems could arise in taking action in times of calamity. The Chairman of the Bureau made the following comments in this connection.

“The Bureau has entered into a Memorandum of Understanding on this matters with the Department of Immigration and Emigration and action has been taken to feed that information to this computer system within 03 months”.

- (g) Out of the sum of Rs.351,715,000 deposited by the Bureau in the savings accounts opened in the People's Bank from the year 1996 up to the end of the year 2009 for the purpose of granting scholarships to the children of the migrant employees, a major portion was for the first year scholarship holders who are minors. Even though this money is retained in the Bank over long periods, the Bank pays interest on those saving at the normal rates of interest applicable to savings deposits. The Bureau had not taken action to discuss the matter with the People's Bank to avoid the economic loss caused by that practice to the scholarship holders.

2:2:3 Resources of the Bureau Supplied to other Government Institutions

According to Section 8.3.9 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the resources of public enterprises should not be made available to the line Ministry or any other Government Institutions. Nevertheless a hired motor vehicle and 02 drivers of the Bureau had been released in the year under review to the Presidential Secretariat. As such the Bureau had to spend a sum of Rs.447,898 as motor vehicle hire, salaries, allowances, fuel and overtime.

2:2:4 Uneconomic Transactions

The following observations are made.

- (a) According to the Memorandum of Understanding entered into with the Banks in connection with the Housing Loan Scheme for the migrant employees implemented through the State Banks, the Bureau should ensure that such loans are used for the intended purposes. Nevertheless, the Bureau had not carried out any checks to ensure that the sum of Rs.297,398,964 paid on 1,461 housing loans to the migrant labour from the year 1995 to May 2010 had been used for the intended purpose. In this connection, the Chairman of the Bureau made the following comments.

“The Bureau is not having a staff to carry out a technical supervision relating to housing loans. Therefore this loan process is implemented through Banks without any intervention by the Bureau”.

- (b) Even though the Training Centres of the Bureau have a surplus capacity for training of 3,100 persons per mensum a building owned by its Subsidiary Company, Sri Lanka Foreign Employment Agency had been procured without calling for tenders at a monthly rental of Rs.300,000 to run a training centre. It was observed that the capacity of the training centre is not utilized at the optimum level.

2:2:5 Idle and Underutilized Assets

Even though a newspaper advertisement costing Rs.23,400 had been published in the year 2010 for the disposal of the used editing system of the Bureau valued at Rs.2,428,000, that asset had not been disposed of even up to 31 December 2010.

2:2:6 Cash Management

The Bureau had opened separate Bank Accounts for different specific objectives and balances totalling Rs.2,148,367 in two such accounts, remained idle even by the end of the year under review.

2:2:7 Assets Management

The following observations are made.

- (a) Even though a sum of Rs.875,000 had been paid to a company of consultants in connection with the construction of the Holiday Home for the migrant employees at Katharagama commenced in the year 2007, the construction work thereon had been stopped in the year 2008 in accordance with a decision of the Board of Management. Even the land, 01 acre 19.5 perches in extent remained without being used.

- (b) The construction work of the Mathugama Residential Training Centre comprising 06 housing units with a total cost estimate of Rs.164,698,608 planned for construction on a land taken on lease for a period of 30 years, had been abandoned halfway in the year 2004 after spending a sum of Rs.50,454,317. Steps had been taken in the year 2010 for the commencement of construction of 02 of those 06 housing units at an estimated cost of Rs.37.3 million.

2:2:8 Budgetary Control

Variances ranging from 50 per cent to 472 per cent were observed between the estimated financial provision of Rs.59.05 million made under 23 items of expenditure and the actual expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

3. Systems and Controls

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

- (a) Foreign Welfare Fund
- (b) Fixed Assets
- (c) Grant of Approval for Registration
- (d) Accounting for Enrollment Fees
- (e) Repairs to Motor Vehicles
- (f) Payment of Overtime to Drivers
- (g) System for the Supervision of Safe Houses
- (h) Maintenance of Bank Accounts