

Sri Lanka Foreign Employment Agency (Pvt) Limited - 2015

The audit of financial Statements of the Sri Lanka Foreign Employment Agency (Pvt) Limited for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of comprehensive income, 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 .My comments and observations which I consider should be published with the Annual Report of the Agency appear in this report.

1.2 Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka 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.

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 Accounting Standards consisted with International Auditing Standards of Supreme Audit Institutions (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 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 Agency's preparation and fair presentation of 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 Agency'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 Sri Lanka Foreign Employment Agency (Pvt) Limited as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard 16

Even though the furniture costing Rs.51,488 had been fully depreciated due to the useful life for the non-current assets had not been reviewed annually, it was being utilized further more. Action had not been taken in terms of Sri Lanka Accounting Standard 16 to revise the estimated error existed accordingly.

(b) Sri Lanka Accounting Standard 24

Even though the loan amounting to Rs.20,000,000 received in August 2014 and a sum of Rs.9,154,109 payable furthermore obtained by the Sri Lanka Foreign Employment Agency from its Mother Company which is Sri Lanka Foreign Employment Bureau, had been stated in the financial statements by 31 December 2015 the necessary disclosures had not been made as per the standard.

2.2.2 Unexplained Differences

Differences of Rs.8,140,015 were observed relating to 05 assets between the financial statements and the Schedule of Fixed Assets presented therewith.

2.3 Accounts Receivable and Payable

The following observations are made.

(a) Distress Loans amounting to Rs.652,234 outstanding from more than 05 years recoverable from 05 officers had not been recovered even by the end of the year under review.

(b) Action had not been taken to settle the sum of Rs.3,109,336 payable to the Army Head Quarters for the Israel Training Programme implemented from 01 to 17 August 2013 and the advances refundable amounting to Rs.1,687,805 received from 402 trainees who had not obtained job

opportunities in Israel but participated for the above Programme even by 16 February 2016, the date of audit.

- (c) A sum of Rs.17,085,000 out of the refundable deposits which was deposited in the Agency by 824 Korean migrants from June 2006 to January 2007 had not been settled to the migrants even by 31 December 2015.
- (d) Action had not been taken to identify the relevant parties and settle the death indemnity amounting to Rs.2,884,020 payable even by 31 March 2016 relevant to the years 2013 and 2014 .

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Agency for the year ended 31 December 2015 had resulted in a surplus of Rs.896,118 as compared with the corresponding surplus for the preceding year amounting to Rs. 35,270,469, thus indicating a deterioration of Rs.34,374,351 in the financial result for the year under review.

In the analysis of the financial results in the year under review and 4 preceding years, continuously growing surplus had been obtained since the year 2012 to the year 2014 though a deficit obtained in the year 2011. Accordingly, in considering the employee emoluments ,state taxes and depreciation on non-current assets ,the contribution of the Agency had been increased continuously since the year 2011 to the year 2014. However, the financial result and the contribution of the year under review had been decreased by 97 per cent and 52 per cent respectively as compared with the year 2014 due to the insurance income received by performing as an insurance agent who make insurance for the migrants had been decreased by Rs.33,520,079 as compared with the preceding year.

3.2 Analytical Financial Review

The following observations are made.

- (a) An adequate current assets to cover the total current liabilities had not been available in the Agency as the current ratio of the Agency was 1:1.6 .
- (b) The earning of a share in the year 2014 amounted to Rs.70.19 and the earning of a share in the year under review amounted to Rs.1.79 . Thus the earning of a share had been deteriorated by 97 per cent as compared with the preceding year .
- (c) Investments at a cost of Rs.38,025,000 had been utilized for the settlement of the expenses of the Agency in the year under review.
- (d) After declaration of the dividends in year of accounts 2006/2007, dividends had been declared again in the year 2013 . However, of this declared money, the money payable to the Bureau amounted to Rs.3,510,033 had not been

paid and had been added again to the income on behalf of the development activities of the Agency.

- (e) As the reason of financial difficulties, failure to take action in accordance with the conditions of the Agreement comply with in respect of the loan amounting to Rs.20,000,000 obtained in August 2014 from the Sri Lanka Bureau of Foreign Employment based on completion by 20 monthly instalments . The concurrence of the Parent Company had been obtained again to pay the money amounting to Rs. 9,154,109 further payable in 36 instalments of Rs.250,000 each to monthly interest of 5 per cent .

3.3 Identified Losses

The following observations are made.

- (a) In the case of Insurance Company had rejected the re-imburement of requests for insurance indemnity of Rs.228,395 as non-submission of the insurance indemnity applications within due period by the Agency. Therefore ,the Agency had been paid that money to the insurers .
- (b) In accordance with the contract of insurance agreement entered into with the Agency and the Bureau, payment of death indemnity amounting to Rs.2,000,000 had been rejected by the Insurance Corporation due to non-formation of insurance agreement between the Agency and the Sri Lanka Insurance Corporation . Therefore, the Agency had been paid that indemnity.
- (c) Tax relief totaling Rs.2,459,015 could not be obtained since the year 2010 due to non –adjustment of the Value Added Tax duly within due period by the Agency.

3.4 Resources of the Agency given to other Government Institutions

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 made utilize to the other Public Enterprises. Nevertheless ,a driver of the Agency had been employed in the Maganeguma Road Construction Machinerics Company .

4. Operating Review

4.1 Performance

The main objectives of the Agency are provide jobs or recruit the employees belonging to the all categories such as professional, administrative technical and industrial, skilled, semi-skilled and unskilled domestic and hotel employees, teachers, care takers and undertake employee trainings and maintain in accordance with the statutory laws and regulations.

The matters observed in the achievement of the above objectives are as follows.

- (a) Even though supply of employees for the foreign market was a main function among the main objectives of the Agency, it was observed that the quantity acquired by the Agency by the contribution of Foreign Employment Agencies for the foreign job market was a value less than 1 per cent. Details are given below.

Year	Total Departures for Foreign employment	Departures for Employment through the Agency	Foreign	Market Share as a percentage
2013	180,463	460		0.25
2014	177,099	529		0.30
2015	116,866	375		0.32

- (b) Even though the fee of recruitment and the fees received by the Bureau for act as the foreign employment agency should be the main income of the Agency, it was observed that ,a low percentage of 39 per cent was existed that from the total income.
- (c) A decrease in the contribution of the Foreign Employment Agencies for the foreign employment market was shown as compared with the preceding year. It was observed that the percentage of decreasing the number of employees proceeded abroad by the Foreign Employment Agency took a higher value than decreasing the contribution of other foreign employment agencies for the foreign employment market under the manpower levels such as professional, middle skills, skilled and domestic servants.

Details are given below.

Classification of emigrant Labourers	Decrease in the number of emigrants from registered sources	Decrease in the number of emigrants in the Agency
	%	%
Professional	15	93
Middle	87	100
Skilled	9	48
Domestic Servants	19	58

5. Accountability and Good Governance

5.1 Internal Audit

An Internal Audit Unit had not been established for the audit of the activities of the Agency.

5.2 Execution of Environmental and Social Responsibilities.

The insurance premium charged for the insurance was included in the registration fee of the emigrants and the Agency had earned income by charging an amount more than the defined insurance indemnity from each migrant due to the Agency had been connected as an intermediary .

6. 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.

Areas of Systems and Controls

Observations

(a) Debtors and Creditors Control

(i) Non-settlement the balances receivable and payable .

(ii) Receiving and settling of insurance indemnity had not been done properly.

(b) Human Resources Management

Control and utilization of physical and human resources had not been carried out effectively.