Sri Lanka Bureau of Foreign Employment – 2015

The audit of consolidated financial statements of the Sri Lanka Bureau of Foreign Employment and its Subsidiary for the year ended 31 December 2015 comprising the consolidated statement of financial position as at 31 December 2015 and the consolidated income statement, 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 18(3) of the Sri Lanka Bureau of Foreign Employment Act, No.21 of 1985. My comments and observations which I consider should be published with the Annual Report of the Bureau in terms of Section 14(2)(c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 Auditing Standards consistent 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 the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Bureau'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 Bureau'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. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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 paragraphs 2.2 and 2.3 of this report.

2. Financial Statements

2.1 Qualified Opinion

2.1.1 Group

In my opinion, except for the effects of the matters described in paragraphs 2.2 and 2.3 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 as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.1.2 Bureau

In my opinion, except for the effects of the matters described in paragraph 2.3 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 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-Group

2.2.1 Consolidated Financial Statements

The Sri Lanka Foreign Employment Agency (Private) Ltd with the authorized capital of Rs.100 million had been incorporated on 06 October 1996 by the Cabinet Memorandum No. 96/1019/107/028 dated 18 April 1996 and Rs.5 million out of the issued share capital of Rs.5,000,040 had been obtained as an investment of the Bureau.
The following observations are made in this connection.

a) In terms of Section 15 (e) of the Sri Lanka Bureau of Foreign Employment Act, No.21 of 1985, the Sri Lanka Bureau of Foreign Employment had been delegated powers to recruit Sri Lankans who leave for employment outside Sri Lanka. Nevertheless, a Subsidiary Company had been established for the fulfilment of the same objective. Accordingly, the need for the establishment of a separate company for the same objective in addition to the Bureau is questionable to Audit.

b) Without obtaining the dividend amounting to Rs.3,510,033 due from the Subsidiary relating to the period from the year 2008 to 2013 to the Bureau, it had been used for the development activities of that company.

c) Despite being queried about the grant of a loan amounting to Rs.20 million to the private company by the Bureau at the Committees on Public Enterprises held on 14 August 2012 and 07 February 2014, further granting of a loan amounting to Rs.20 million to the private company was questionable to Audit.

2.2.2 Transactions with the Related Parties

The loan amounting to Rs.20 million granted to the Subsidiary by the Bureau in August 2014 had not been settled in accordance with the relevant agreement and according to the Letter dated 20 January 2016 of the Chairman of the Company, an agreement had been reached to pay the sum of Rs.9,000,000 further remained payable due to financial difficulties in 36 installments at Rs.250,000 per month at an interest rate of 05 per cent. Accordingly, the loan balance further remained receivable from the Agency as at 31 December 2015 had been shown as Rs.9,153,340 according to the final accounts, whereas necessary disclosure on the said transaction had not been made in terms of Sri Lanka Accounting Standard 24.

2.3 Comments on Financial Statements- Bureau

2.3.1 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard 01

The assets belonging to the Welfare Fund shown under the Property, Plant and Equipment had not been classified and shown.

(b) Sri Lanka Accounting Standard 07

The balancing of the cash flow statement was questionable in audit due to the following matters.

i According to the information furnished to audit, the cash flow received from the sale of assets and the interest received and investment income had been adjusted to the cash flow from the investment activities by overstating Rs.956,209 and understating by Rs.409,589 and Rs.47,099,267 respectively.

ii Amortization of Rs.666,058 relating to Differed Government Assistance and Grants, bad debts amounting to Rs.2,992,868, financial charges of Rs.1,633,422, provision for gratuity of Rs.4,993,117 and interest of Rs.563,698 had not been adjusted to the operating profit.

(c) Sri Lanka Accounting Standard 08

The Bureau had adjusted the entire premium or discount relating to the Treasury Bonds matured in the year under review to the investment value and the income at the same time in its maturity and action in terms of the Standard had not been taken in connection with the prior years adjustments relevant thereto.

(d) Sri Lanka Accounting Standard 12

The Bureau had not effected necessary recognition and disclosures on the deferred tax assets or liabilities and main tax income and expenditure and explanations on the relationship between tax income and expenditure and the rate of tax used as well had not been made.

(e) Sri Lanka Accounting Standard 16

(i) In order to establish a Migrants Training Centre at Homagama, the Bureau had paid an advance of Rs.26,000,000 to the Urban Development Authority in the year 2010 to purchase a land. The physical ownership of this land had not been taken over by the Bureau even up to the end of the year 2015 and a sum of Rs.26,000,000 had further remained payable. This land, only the advance of which had been paid had been stated under the property, plant and equipment contrary to the Sri Lanka Accounting Standard 16 and a sum of Rs.520,000 had been depreciated for the year under review. Further, the contractual commitments should be disclosed in the financial statements according to the Standard, whereas such a disclosure had not been made in this connection.

(ii) In the depreciation of property, plant and equipment, the useful life of the assets should be annually reviewed and the method and rate of depreciation should be changed accordingly. As an estimate of that nature had not been made, the net value of the assets valued at Rs.130,881,482 had been stated in the financial statements at a least value.

(iii) Although the depreciation of an asset begins when it is available for use, contrary to that, the Bureau had made depreciation for the entire year without considering the date of purchase in the depreciation of assets.

(f) Sri Lanka Accounting Standard 19

The Bureau had not adjusted the fair value on the investments on gratuity liability amounting to Rs.148,224,223.

(g) Sri Lanka Accounting Standard 20

The necessary disclosures had not been made on the policy adopted, in respect of the nature and the amount of the grant relating to the Government grants.

(h) Sri Lanka Accounting Standard 36

The values had not been compared or adjusted under the impairment of assets.

(i) Sri Lanka Accounting Standard 38

Neither the amortization nor impairment had been made on the intangible assets amounting to Rs.10,544,625 included in the financial statements according to the Standard and necessary disclosures thereon had not been made.

(j) Sri Lanka Accounting Standard 39
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(i) In the purchase of Treasury Bonds with the accrued interest, the Bureau had not accounted for the accrued interest as an interest receivable and the investment had been recognized as cost.

(ii) The value of the investments had not been stated at the amortized cost.

2.3.2 Accounting Deficiencies

The following observations are made

a) Depreciation of Rs.71,732,940 for the Oman Embassy Building relating to the years 2013,2014 and the year under review had not been made.

b) The rental amounting to Rs.15,298,560 receivable for the buildings of the Oman Embassy given to the Ministry of External Affairs had not been brought to account.

c) According to the audit test check, a sum of Rs.9,983,493 payable in the year under review relating to the foreign missions had not been brought to accounts.

d) Although a sum of Rs. 26,040,000 had remained payable as installments and the tax for the period from 08 November 2013 to 31 December of the year under review in respect of the Tangalle District office Lands obtained on long term lease basis according to the agreement, no provision whatsoever had been made on that amount.

e) The balance of the Kuwait Compensation Fund amounting to Rs.3,213,918,952 required to be shown as a long term liability had been stated as a capital reserve.

f) A sum of Rs.1,476,499 payable to and a sum of Rs.11,767 receivable from the Foreign Employment Agency had not been stated in the financial statements of the Bureau.

g) Although the telephone bills amounting to Rs.374,771 stated as receivable at the beginning of the year under review had been received during the year under review, it had not been adjusted to the said account.

h) The profit gained from the sale of fixed assets had been overstated by Rs.945,540.

i) Adjustments had not been made to the Gratuity Investment Account in respect of the payment of gratuity amounting to Rs.4,993,117 made during the year.

j) The current employees cost and the interest cost totalling Rs.4,993,117 computed on the actuarial assessment by the Bureau had been excessively adjusted to the income statement.

k) Although a sum of Rs.111,533 out of the Deferred Grant should be recognized as the income of the year, it had been stated as Rs.666,058 under the operating income in the income statement and as such the profit of the year had been overstated by Rs.554,525.

l) As the preliminary expenditure incurred on the accounting software had not been stated as intangible assets, those assets had been understated by Rs.13,580,375.

2.3.3 Unexplained Differences

The following observations are made.

(a) A difference of Rs. 105,202,595 between the Kuwait Compensation Reserve and the assets thereof as at 31 December 2015 was observed.

(b) According to the schedules presented together with the financial statements, differences of Rs.26,101,447, Rs.2,456,125 and Rs.22,136,639 were observed relating to 06 Assets Accounts, 02 Liability Accounts and one Expenditure Account respectively, whereas action had not been taken to identify and settle them.

(c) The following differences were observed between the computations made at the audit test check carried out on the interest income of the fixed deposits of the Bureau and the computations of the Bureau.

Description	Computation of the Audit according to the schedules	Computations of the Bureau	Effect on the financial statements
	Rs.	Rs.	Rs.
Interests of Fixed Deposits-2015 (NSB, BOC, Samurdhi)	28,884,060	28,452,889	431,171
Interests of Fixed Deposits Receivable (NSB, BOC, Samurdhi)	14,920,102	14,466,948	453,154
Interests of Fixed Deposits Receivable (SMIB)	1,621,073	1,734,069	112,996

2.3.4 Lack of Evidence for Audit

Evidence indicated against the following items had not been made available to audit.

Item of Account	Balance	Evidence not made available
	Rs.	
Airline Tickets Charges Receivable	812,328	
Insurance Indemnities	2,006,745	
Korean Visa Deposit Charges	31,524,662	
Korean Tickets Deposit Charges	124,121,275	
Sundry Creditors	1,587,599	
Kuwait Insurance Indemnity Deposits	15,460	Schedules and supporting documents
Project for the Prevention of Rackets	554,111	
Monies Payable to the Food Suppliers	16,952,941	
Charges for Returning to Korea	1,542,535	
Security Charges of Foreign Missions	32,411,265	
Charges for Bringing Back	11,536,835	
Telephone Charges Recoverable	2,126,675	
Total	**225,192,431**	

2.3.5 Transactions not Supported by an Adequate Authority

The following observations are made

(a) Without obtaining approval of the Secretary to the Treasury in terms of Section 9.7 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, various allowances amounting to Rs.84,371,445 had been paid to the officers of the Bureau solely on the approval of the Board of Directors.

(b) A post of Welfare Officer had not been approved for the Japan Labour Welfare Division and salary totalling Rs.11,169,507 had been paid for an unapproved post from the year 2012 to May 2015. According to the expenditure summary reports of the Foreign Mission in Japan , that appointment had been terminated at the end of May 2015 but action had not been taken to remit the cash balance of Rs.277,132 back to the bank account of the Bureau even by 31 August 2016.

(c) In the settlement of monthly mobile phone charges, the Bureau had paid tax totalling Rs.588,842 from 01 June 2015 contrary to the Circular No.PED 2/2015 dated 25 May 2015.

2.4 Accounts Receivable and Payable

The following observations are made.

(a) Action had not been taken to settle the balance totalling Rs.9,980,554 older than 6 years that had been deposited by the Agencies for the settlement of complaints/disputes of the migrants even by June 2016.

(b) Although the Provident Fund scheme maintained by the Bureau for the migrant workers is inoperative at present, action had not been taken to redeem the contribution amounting to Rs. 7,068,901 retained by the Bureau as at the end of the year under review relating to 1620 migrants.

(c) The Bureau had not implemented a formal methodology to pay compensations to the relevant workers, the balance of Rs.3,213,918,952 remained out of the money received from United Nations Compensation Commission for the payment of compensation in respect of the hazards caused to the Sri Lankans employed in Kuwait as a result of invasion of Kuwait by Iraque in the year 1990.

(d) The Bureau had not taken a proper action to release the insurance indemnity to the relevant victims amounting to Rs.2,884,020 received by the Subsidiary in the years 2013 and 2014 for the payment of compensations to the migrant workers even by the end of the year under review.

(e) A sum of Rs.1,010,548,646 out of the labour contract agreement charges remitted to the Bureau after recovering by the Foreign Mission Welfare Division through the Treasury from the year 2003 to the end of the year under review had further remained receivable from the General Treasury..

(f) The tender deposits totalling Rs.1,554,566 and retention money amounting to Rs.12,318,067 older than 02 years had neither been refunded to the relevant parties nor had settled those accounts after crediting to the income of the Bureau in terms of the Financial Regulation 572 (2) even by June 2016.

(g) Action had not been taken to recover the Cess amounting to Rs.944,500 remained recoverable from 96 Foreign Employment Agencies even by June 2016.

(h) A sum of Rs.4,660,315 due from the Ministry of Foreign Employment relating to the settlement of telephone bills of the Development Officers from the year 2013 to 2015 had remained unrecovered.

(i) Action had not been taken to recover a sum of Rs.670,780 due from the migrants who had not paid the full amount receivable in obtaining registration of the Bureau by the Airport Division from the year 2008 to the year 2011.

(j) The loan balances totalling Rs.1,473,381 relating to 07 officers whose services were suspended had remained unrecovered since the year 2010.

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

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
(a) Statutory Provisions	
(i) Section 47 of the Sri Lanka Bureau of Foreign Employment Act, No. 15 of 1958.	In the computation of the contribution to the Provident Fund, the Bureau had not considered the Cost of Living Allowance and as such contribution totalling Rs.21,607,947 up to November of the year under review had been undercalculated and remitted according to the sample, checked.
(ii) Section 6 (2) of Payment of Gratuity Act No.12 of 1982.	An employee who resigns from the service should be paid the relevant gratuity within 30 days from the termination of his service, whereas payments had not been made accordingly relating to 10 officers.
(b) Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	
(i) Section 3.5	Salary loans exceeding 40 per cent limit had been granted to 04 officers.
(ii) Section 3.7	As the interest had not been recovered at the specific rate from the date of payment of the loan, an interest income of Rs.279,357 had been deprived of.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 371	Even though ad-hoc sub imprests should be settled immediately after the completion of the relevant purpose, the advances totalling Rs.8,534,350 given from the year 2003 to the year 2015 had not been settled even by 26 August 2016.

	(ii)	Financial Regulation 770	Action had not been taken to dispose of 223 units of scrapped goods according to the Boards of Survey Report relating to the year 2014 and the obsolete items valued at Rs.1,321,160 identified in the year 2015.
(d)	**Public Enterprises Circulars**		
	(i)	Paragraph 4.2.3 of the Public Enterprises Circular No.PED/12 dated 02 June 2003.	Although the Bureau should hold discussions on the performance of the Subsidiary at least once in 06 months, furnish Half Yearly Performance Reports to the Department of Public Enterprises of the General Treasury, take steps to obtain correctly the dividends based on the profit and carry out supervision on the other investment activities, attention had not been drawn thereon.
	(ii)	Circular No.PED/50 dated 28 July 2008 and PED/1/2015 dated 25 May 2015.	Payments for additional fuel amounting to Rs.912,876 had been made to 15 officers without obtaining the approval of the Board of Directors.
(e)		Paragraph 08 of the Letter No.PRE/2015/43 dated 22 November 2014 of the Commissioner of Elections.	Payments amounting to Rs.627,984 had been made for obtaining the motor vehicles on rent basis for the organization of Rataviru Programmes at the districts of Monaragala and Badulla during the period of elections.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Bureau and its Subsidiary for the year ended 31 December 2015 had resulted in a profit of Rs.356,598,859 and Rs.355,700,950 respectively as compared with the corresponding profit of Rs. 450,821,256 and Rs.413,934,370 respectively thus indicating a deterioration of Rs.94,222,397 and Rs.58,233,420 respectively in the financial result for the year under review as compared with the preceding year. The above deterioration had mainly attributed to the adjustment of income tax.

3.2 Legal Actions Instituted Against or/ by the Bureau

Twenty nine cases had been filed against the Bureau by external parties and the officers of the Bureau as at the end of the year under review and the value identified by the Bureau as a contingent liability relating to 05 cases amounted to Rs.375,290. Further, the number of cases filed against the Bureau had increased from 95 per cent to 115 per cent as compared with the preceding year.

4. Operating Review

4.1 Performance

According to Section 15 of the Sri Lanka Bureau of Foreign Employment Act, the main objectives of the Bureau are to enhance and develop foreign employment opportunities, monitor the affairs of the licensed agencies and provide facilities thereto and to provide security and welfare to the migrant workers and their family members.

(a) The following matters were observed on the achievement of the above objectives in the examination of the Performance Report of the year under review.

(i) The Agencies registration fees in the year 2014 amounted to Rs.527,321,250 and it was Rs.285,109,500 in the year under review, thus indicating a decrease in the income by 46 per cent as compared with the preceding year.

(ii) As compared with the preceding year, there had been a decrease in the activities relating to the foreign employment orders. Details appear below.

Description	**Year**		**Percentage of the Decrease (%)**
	2015	**2014**	
Grant of approval for foreign employment orders	5632	6184	9
Grant of approval to the institutions for media advertisements.	2756	3232	15
Extension of the approval for foreign employment orders	1802	3274	45

(iii) The number of foreign employment vacancies received by the licensed employment agencies was 343,626 during the year under review and it had been 356,318 in the preceding year. Accordingly, the number of foreign employment vacancies received had declined by 3.6 per cent. Although a sum of Rs.21.34 million had been spent for the members of the Missions arrived in and departed from this country during the year 2015, it was questionable in audit as to whether the maximum benefits thereof had been received by this country.

(iv) The labourers proceeded abroad through the licensed employment agencies were 117,532 during the year under review and it was 177,012 in the preceding year. Accordingly, the migrant workers proceeded abroad through the licensed employment agencies had decreased by 34 per cent.

(v) The number of raids carried out in connection with the illegal recruitments was 91 during the year under review and the number of raids in the preceding year was 138. Hence, the number of raids had decreased by 34 per cent as compared with the preceding year. Accordingly, the Bureau had paid minimum attention on the illegal recruitments and as a result, the number of complaints received from the general public against the persons engaged in the foreign employment activities without a valid licence had increased from 616 to 805 by 31 per cent as compared with the preceding year.

(vi) Training programmes had been conducted for the persons who seek foreign employments in the countries which were not the Middle East countries and the number of trainees had decreased than that of the preceding year. Accordingly, the income received from the training amounting to Rs.159,807,926 in the year 2014 had decreased up to Rs.137,739,805 by 14 per cent during the year under review.

(vii) For the foreign employment opportunities in South Korea, 5992 employment agreements had been received during the year under review but only 4942 persons had left the country for those opportunities. Accordingly, employment opportunities for 1050 persons or 17.5 per cent were available, whereas the Bureau had not taken step to formulate a procedure to send the workers for those employment opportunities.

(b) Due to various issues and problems faced by the works engaged in domestic service in the Middle East, 1065 workers came to the security homes of the welfare divisions situated abroad during the period from October to December 2015. Out of them, 832 persons had arrived due to various tortures and 281 persons were observed staying in the security homes for more than 03 months. As the Bureau had not directed the workers for employments after following proper control methodologies and giving trainings, a considerable number of persons out of the migrants thus retain in the security homes being a burden to the Bureau again and it was problematic. Further, according to the Act of the Bureau, the respective agencies should pay heed on the security and the welfare of the Sri Lankans employed in the relevant country. Nevertheless, the audit could not satisfy as to whether an adequate attention had been drawn on the Sri Lankans who thus arrived as a result of tortures.

(c) It was observed in the examination of the Performance Reports that, bringing back of the migrants retained in the security homes under the Employees Welfare Fund and the Insurance Programme had decreased by 59 per cent and 89.9 per cent respectively and the money utilized thereon had decreased by 19.7 per cent and 90 per cent respectively during the year under review as compared with the preceding year. Accordingly, it was questionable in audit as to whether the procedure in relation to bringing back the migrants retained at the security homes was at the optimal level as a whole.

(d) In analyzing the expenditure incurred on the migrants retained in the Foreign Missions during the year under review, it was revealed that the expenditure incurred by the Missions in Abu dhabi, Dubai, Qatar and Riyadh in respect of one migrant according to the value of foreign currencies converted to Rupees had been Rs.27,745, Rs.61,653, Rs.7,365 and Rs.86,344 respectively. Accordingly, an abnormal position in relation to the expenditure incurred on one migrant in Riyadh was observed in the above expenditure analyzing.

(e) The following matters were observed in the examination of the activities of the Settlement Division of the Bureau.

(i) Nine hundred and ninety four complaints, out of 2646 complaints received from the year 2009 to the year 2014 and 1867 complaints, out of 2910 complaints received within the first half of the year 2015 had not been solved even by 30 June 2015.

(ii) According to the manner in which 500 complaints subject to the sample test had been resolved, the complainants of 75 complaints had stated that further action was no needed and the complainant had agreed to close the file in 55 instances. Accordingly, it was observed that action had not been taken on the complaints in 130 files. Out of the sample, 204 complaints had been solved after bringing back the relevant migrant. However, the audit could not satisfy whether it is adequate only to bring back the migrant to the country as a solution to the issue of the migrant.

(f) According to the data made available by the Bureau, the expenditure incurred for the welfare of the migrant workers during the year under review had gradually decreased from 42 per cent to 30 and the direct expenses made on the staff had increased from 47 per cent to 62 per cent.

(g) As the diaries had been printed without assessing the requirement, 1898 management diaries and 2878 ordinary diaries costing Rs.1,163,337 of the year under review and 65 management diaries of the year 2014 had been included in the balance stock and it had become a fruitless expenditure.

(h) As referred to in the Performance Report, 2015, 20 projects valued at Rs.59.35 million and 09 projects, the value of which had not been stated expected to be implemented within the year according to the Action Plan had not been implemented entirely. Further, the progress of the activities carried out had ranged from 48 per cent to 85 per cent.

(i) It is an objective of the Bureau to promote and develop foreign employment opportunities outside Sri Lanka for the Sri Lankans. It had been estimated in the Action Plan of the Bureau for the year 2015 to conduct discussions on the promotion of employment opportunities with the foreign agents, and business owners of the countries selected for employment opportunities. Nevertheless, action required in that connection had not been taken.

(j) It had been expected through the Action Plan for the year 2015 to undertake researches and studies into foreign employment opportunities for the Sri Lankans, and granting loans or constructing houses for the migrants through the *"Rataviru Piyasa"* Project. Nevertheless, action required in that connection had not been taken.

4.2 Management Activities

The following observations are made.

(a.) Of the 6,260 Korean job seekers who had been directed to obtain medical certificates during a period of 06 months in the year 2015, only 2,931 persons had been directed to *Insilab* Medical Centre representing 47 per cent of the total number of migrants. The rest of the migrants had been directed to other hospitals, and a possible income had been deprived of due to failure in directing them to the Medical Centres affiliated to the Bureau.

(b.) A combined housing aid programme, and an integration programme had been planned and implemented for the migrant workers in collaboration between the *Samurdhi* Authority of Sri Lanka and the Bureau. Loans totalling Rs. 2648.11 million had been released therefrom to 9103 persons during the year under review. Of them, 2500 persons had defaulted paying loans totalling Rs. 587.1 million indicating 22 per cent. Furthermore, 10 per cent of the loans issued had become doubtful debts by 30 June 2015. Accordingly, it was observed in accordance with the following matters that the follow up action relating to the recovery of loans, had remained at a weaker level.

(i) As the ownership of the lands at certain locations where foundation stones had been laid for the housing scheme could not be ensured, houses could not be constructed. As such, it was observed that the preliminary planning relating to the construction of houses, had been at a weaker level.

(ii) According to the information made available by the Bureau as at 01 January 2015, housing loans had been granted to 9450 persons. Nevertheless, the total number of houses of which constructions had been completed, was 3412, representing 36 per cent.

(iii) The Bureau had agreed to act in a manner that, in the event of a loss or an expenditure sustained by the Samurdhi Authority due to defaulting of loans or any other activity whilst the project is in progress, such loss or expenditure shall be distributed among the parties. Hence, the loss had to be recovered from the security deposit of the Bureau and the interest thereon.

(c.) An advance of Rs. 20 million had been spent by the Bureau to obtain a land the estimated value of which amounted to Rs. 95 million belonging to a company, on 99 year lease basis, and a sum of Rs. 309.6 million had also been incurred by the Bureau in the year 2013 on the improvement of lands in Tangalle, Kahagolla, and Kurunegala. Nevertheless, action had not been taken even up to October 2016 to vest those lands in the Bureau.

4.3 Operating Activities

The following observations are made.

(a.) An insurance scheme had been launched on 19 June 2012 by the Bureau together with the Sri Lanka Foreign Employment Agency (Pvt) Ltd for the workers proceeding abroad by registering with the Bureau. A sum of Rs. 594,890,103 (inclusive of taxes) had annually been paid by the Bureau to the Agency as insurance premium with respect to the period from 2013 up to March 2015 until the end of the period of agreement. The following matters were observed in this connection.

(i) The Agency had not reimbursed the airfares totalling Rs. 13,355,054 that had been paid by the Bureau in respect of 514 migrant workers brought back to Sri Lanka during the period from 2013 up to 28 March 2015 due to various hardships and troubles, affected. Of that, the Agency had refused to pay fares totalling 5,048,597 with respect to 195 migrants.

(ii) According to the agreement, an migrant is entitled to fully reimburse the actual airfare inclusive of taxes incurred on being brought back to Sri Lanka due to hardships and troubles. However, it was revealed in the sample tests conducted that the Agency had not reimbursed the full amount with respect to 140 migrants, thus causing a loss of Rs. 922,833 to the Bureau.

(iii) Although the migrants had been brought back to Sri Lanka at the expense of the Bureau, it was revealed in the sample tests that, in certain instances, indemnities had been obtained by the migrants by requesting for the insurance claim through the Welfare Division before being requested through the Foreign Relations Division. As 53 migrants had obtained claims by requesting in that manner due to lack of coordination between the Divisions, a loss of Rs. 1,071,639 had been sustained by the Bureau.

(b.) In case of the demise of an migrant proceeding abroad under the insurance scheme, it had been stated in the agreement to pay a compensation of Rs. 400,000 to his dependents. The following matters were observed in the sample test conducted in this connection.

(i) By stating that the dependents of 281 migrants deceased in the years 2014 and 2015, had not requested for insurance claims, compensation approximately totalling to Rs. 112,400,000 receivable by them had been desisted from being paid without properly informing the dependents. Furthermore, the heirs of 46 deceased migrants had been ascertained by the Legal Division, but the compensation totalling Rs. 18,400,000 payable to them had not been granted even up to 19 January 2016, the date of audit. Even though it was stated that the files belonging to 42 deceased migrants had been incomplete, no action had been taken to expedite the granting of compensation to the dependents after settling those issues by both the Company and the Bureau.

(ii) In accordance with the Sri Lanka Bureau of Foreign Employment Act, it is one of the objectives of the Bureau to undertake the welfare and protection of migrants, and it was the responsibility of the Bureau to assist the dependents in obtaining indemnities and encourage them to do so. However, due to failure of the external insurance companies to grant the indemnities properly, the audit could not be satisfied with the involvement of the Bureau in ensuring welfare and protection of the migrants.

(c.) Sub section 3 of Section 17 in Part II of the Sri Lanka Bureau of Foreign Employment Act, details out how to spend the fund of the Bureau. Contrary to that , it was observed that the fund had been utilized for a scheme for reimbursing the medical bills of the staff, and granting compensation for accidents. Accordingly, a sum of Rs. 35,084,908 had been spent on the reimbursement of medical bills of the officers in the year under review contrary to Section 9.7 of the Public Enterprises Circular, No. PED/12 dated 02 June 2003. Although a fee is levied for the insurance scheme from the migrants proceeding abroad after being registered with the Bureau, it was questionable in audit as to why no such fee was levied from the officers of the Bureau for their insurance scheme. Medical bills amounting to Rs. 35,070,123, and Rs. 1,190,000 pertaining to the employees of the Bureau and the migrants respectively had been reimbursed in the year under review. Three per cent of the total expenditure on the medical bills of the year, pertained to the migrants.

(d.) Paragraph 2.1 of the Minute of the Sri Lanka Foreign Service is applicable to the employees of the Sri Lanka Foreign Service, and all other officers who do not belong to the Sri Lanka Foreign Service, holding diplomatic posts at the overseas diplomatic missions. However, contrary to that, it was observed that payments had been made as follows for the officers attached to the overseas diplomatic missions by the Bureau.

(i) Only the home based resident staff should be paid the monthly salary equivalent to monthly consolidated salary (without allowances) of their Sri Lankan counterparts holding the permeant position after being converted to the US Dollars by the Ministry of Foreign Affairs. Nevertheless, the said officers had been paid their total salaries with allowances in Rupees.

(ii) For the local based officers sent from Sri Lanka, salaries are not paid for the post held by them in Sri Lanka. In accordance with Sub chapter 16 of Chapter XII of the Establishments Code, the officers should proceed abroad at his own expense, and they are entitled only to the salary for being employed in the relevant country. Nevertheless, year end bonus, monthly salaries, return air tickets, and the medical facilities with respect to the period of service at the foreign diplomatic mission, had been provided through the Board Paper, No. 163/ 2013 (M – 11), dated 14 November 2013.

(iii) A special cost of living allowance of US Dollars 200 per month for the home based officers employed at the labour sectors in foreign diplomatic missions, and US Dollars 150 per month for the local based officers, had been paid by the Bureau with effect from 21 February 2013. In addition to that, concurrence for the accommodation allowance of US Dollars 300 paid to the staff with effect from 01 April 2014 , had not been granted by the letter, No. DMS/ 0066/ VOL I of the Director General of the Department of Management Services dated 17 November 2016.

(e.) A surplus amount of Rs. 39,402,347 had been earned by the subsidiary company during the period from August 2012 to March 2015 in respect of the insurance scheme for the migrants. Furthermore, the Agency, for acting as the Insurance Agent, had reacquired a sum of Rs. 51,889,091 from the Insurance Corporation during the period from December 2013 to March 2015 as the 10 per cent commission. Accordingly, due to failure of the Bureau to carry out those functions, the Bureau had deprived of an income amounting to Rs. 91,291,438 as mentioned above.

(f.) As 100 safety stamps with a face value of Rs. 3,200 each that can be used for registering the process of proceeding abroad, had been misplaced, the Bureau had deprived of the possibility to earn an income of Rs. 320,000.

4.4 Transactions of Contentious Nature

The following observations are made.

(a.) A sum of Rs. 57,284,528 had been spent from the Temporary collection of surplus money of the Public Institutions Fund Account of the Bureau on the construction of the Migrant Training Centre, Haliela, in the year 2014. Although provisions had been received from the Ministry in the year 2015 for reimbursing that sum, those funds had not been credited to the relevant fund.

(b.) In order to implement the housing aid and integration programme for the migrant workers, a fixed deposit valued at Rs. 100 million from the fund of the Bureau should have been deposited in the Samurdhi Bank in accordance with the Cabinet Decision Paper, No. 13/ 0086/ 544/ 002 dated 24 January 2013. Nevertheless, that sum had been deposited in a bank financial activities investment account being maintained under Samurdhi Authority at the Bank of Ceylon on 08 March 2013. No any investment income whatsoever had been received by the Bureau in respect of the said deposit after 31 December 2013.

(c.) Despite being stated that a balance of Rs. 3,767,965 should be paid to the International Labour Office by the Bureau under the long term creditors in respect of the project affiliated to the International Labour Office, it was observed in audit that such a balance should not be paid according to the confirmation of balances obtained from the Labour Office.

(d.) Despite being confirmed in accordance with the bank reports that a balance of Rs. 8,484,161 had existed in a savings account of the People’s Bank as at 31 December of the year under review, no information whatsoever on the said sum had been made available to the audit. This balance had not been included in the financial statements presented by the Bureau as well.

4.5 Idle and Underutilized Assets

The following observations are made.

(a.) Although a motorcycle had been given to the training centre in Ratmalana, tree - wheeler fares amounting to Rs. 72,770 had been paid during the first 10 months of the year 2015 without utilizing the motorcycle. According to the sample check conducted by the audit, 09 motorcycles given to 07 migrant training centres had remained idle without being utilized.

(b.) A land in extent of about 01 acre belongs to the training centre in Mathugama. Action had not been taken by the management to utilize the land in a productive manner.

(c.) In order to train the migrants, buildings had been obtained by the Bureau on lease from the areas such as, Kegalle, Pasyala, Meegoda, Kalmunei, and Matara without conducting a feasibility study. As those buildings had remained underutilized, they had been closed during the year under review. However, for the maintenance of those training centres, lease rents and maintenance expenses totalling Rs. 35,249,757 had been incurred uneconomically for the period during which the buildings had remained closed.

(d.) The Bureau had conducted training courses for the migrants in 03 buildings belonging to the Bureau, whilst training cetres and hostels had been maintained in the buildings obtained on rent. A sum of Rs. 53,228,410 had been incurred on the activities of the training centres for the period from January to June, 2015, and a sum of Rs. 21,758,076 therefrom had been incurred as lease rents. However, according to the following matters, it was observed that those training centres had been underutilized.

(i) No trainee whosoever had undergone residential training at the hostels in Matara, and Seeduwa in the year 2015. The training centres in Batticaloa, Jaffna, Kegalle, Matara, Seeduwa, Trincomalee, and Vavuniya had been established only for conducting one training course. Furthermore, no trainee whosoever had been residentially trained at the hostel in Anuradhapura during the period from May to August, and with respect to the hostels in Badulla and Ampara, only 8 to 9 trainees had been trained from January to September 2015.

(ii) During the period January to June, 2015, a number of 277 trainees had been trained under the Middle East Training Course (07 Days) at 04 training centres in 24 sessions, while 2371 trainees had been trained under Middle East Training Course (21 Days) at 17 training centres in 145 training sessions. The average number of trainees who had been trained at the training centres, remained low ranging from 8 to 21

(iii) There were 63 beds and 154 mattresses at 02 training centres where no residential trainee had been accommodated in the year 2015, whilst 36 bunk beds, 08 single beds, 24 double beds, and 14 mattresses belonged to 04 training centres without hostels. There had been an excess of 356 mattresses as opposed to the number of bunk beds at the training centre in Badulla where only 15 trainees had been trained by conducting only one training course in the year under review. Due to difficulties in hanging, 83 mosquito nets granted for the resident trainees of the Migrant Resource Centre in Mathugama, had remained idle without being used.

4.6 Identified Losses

The contract for the construction of Migrant Resource Centre in Dambulla, had been cancelled by the Cabinet of Ministers. As consultancy fees amounting to Rs. 9,878,224 had been paid thereon, a loss had been sustained by the Bureau.

4.7 Procurement Process of the Contracts
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A contract valued at Rs. 394,370,184 had been awarded to a private company for the construction of a Migrant Resource Centre in Ratnapura. The construction thereof had been scheduled to be commenced on 28 August 2014, and completed by 29 November 2015. The following observations are made in this connection.

(a.) A contract valued at Rs. 13,840,876 had been awarded to a private institution through open tender procedure for consultancy services.

(i) In terms of Section 2.29 of the consultancy services agreement entered into between the Bureau and the consultancy firm on 10 April 2012, it was the responsibility of the consultancy firm to determine the performance of the works, and complete and hand over the project on time. However, due to failure in performing those functions properly, 90 per cent of the project duration had elapsed by 01 October 2015, the date of audit, but only 30 per cent of the constructions had been completed.

(ii) A feasibility study report should have been prepared initially in terms of Section 1.1.5 of the consultancy service agreement, but such a report had not been made available to audit.

(b.) Payments amounting to Rs. 4,499,354 had been made without prior approval to the contractor by the Bureau for extra works presented by the consultancy firm.

(c.) According to Guideline 2.14.1 of the Supplement 28 to the Procurement Guidelines dated 04 July 2014, the Head of the institution is authorized to deviate from the Procurement procedure up to a value of Rs. 250,000 in an extreme urgency. Contrary to that , a sum totalling Rs. 13,465,000 had been paid on publicity at Rs. 3,366,250 per month, whilst a sum of Rs. 1,133,120 had been paid for purchasing dongles and projectors after being approved by the Chairman of the Bureau.

(d.) After the period of agreement for the supply of food and beverages to the Korean job seekers, had elapsed, action should have been taken to select a supplier again by following the procurement procedure. Nevertheless, by extending the period of agreement from time to time despite the lapse of the period of agreement, a sum of Rs. 1,465,255 had been paid to the previous contractors in the year under review for the supply of food up to 13 June 2015.

(e.) According to Guideline 2.14.1 of the Supplement 28 to the Procurement Guidelines dated 04 July 2014, the Head of the institution is authorized to deviate from the Procurement process up to a value of Rs. 250,000 in an extreme urgency. Nevertheless, for the purchase of 3057 T-shirts, a sum of Rs. 3,329,073 had been paid after being directly recommended by the Chairman to get the contract done by a Government institution. The following matters were observed in that connection.

(i) The institution that the contract had been awarded to, was involved in an irrelevant field. Accordingly, the Bureau had paved the way for granting sub contracts.

(ii) Following complaints on the lack of quality of the T-shirts purchased from the institution, the supplier had agreed to exchange those T-shirts with new ones. Nevertheless, new T-shirts had not been furnished to the Bureau even up to 02 October 2015, the date of audit, in exchange of 312 T-shirts valued at Rs. 339,768.

(f.) As the letters of appointment to the Technical Evaluation Committee and Procurement Committee on the purchases valued at Rs. 10,615,826 had not been made available to audit in accordance with Guideline 2.7.5 of the Procurement Guidelines, the formality of the appointment could not be ensured in audit.

(g.) Although lands had been acquired in the year 2012 and plans were being prepared for the construction of Migrant Resource Centre and a tourist bungalow in Kataragama, only the Technical Evaluation Committee and the Procurement Committee had been appointed in the year under review for constructing the building. Due to delay in the said work, the Bureau had deprived of a likely income, and the expenditure on the payment of additional rents for maintaining the office could not be minimized.

4.8 Delayed Projects

For the preparation of an accounting and financial reporting system with an estimated value of Rs. 26,707,353, few institutions had been paid a sum of Rs. 18,052,303 by the Bureau on 20 July 2015 as the license fee and advances. A sum of Rs. 482,333 had been spent for obtaining the assistance of a financial advisor, and the Bureau had failed even up to October 2016 to make use of the software as proposed. Furthermore, on the agreement that the review of the existing accounting and financial reporting system of the Bureau would be completed within a period of 08 months, a sum of Rs. 2,100,000 had been granted to a firm of Chartered Accountants on 17 March 2015. Nevertheless, this task had not been completed even up to 31 May 2016. An agreement had not been entered into between the two parties as well.

4.9 Resources of the Bureau Released to Other Government Institutions

Three officers of the Bureau had been attached to the Office of the Governor of Sabaragamuwa Province in the year under review.

4.10 Personnel Administration

Particulars relating to the cadre of the Bureau as at 31 December 2015, had been as follows.

(a.) Although a permanent staff of 1230 had been approved for the Bureau as at 31 December 2015, the actual cadre had been 1001, thus observing 229 vacancies in the staff. Twenty drivers and 31 office assistants had been employed on permanent and contract basis in excess of the approved cadre.

(b.) Action had not been taken by the Bureau to recruit 44 officers for 07 posts approved by the Department of Management Services 5 years ago, and make recruitments for 72 vacant posts during the year under review.

(c.) Instead of taking action to recruit permanent officers to fill the vacancies in the approved cadre, 168 officers had been employed on contract basis. Contrary to the letter, No. DMS/ 1727 of the Department of Management Services, dated 08 December 2015, salaries and allowances totalling Rs. 6,606,000 had been paid to 34 employees recruited on contract basis in excess of the approved cadre for the period from the date of appointment up to 31 December of the year under review. Furthermore, it had been stated in the said letter that a contract employee would be entitled to interim allowance with effect from 01 June 2015. However, it was observed that interim allowance totalling Rs. 210,000 had been overpaid to all the employees recruited in the year 2015 on contract basis, even before 01 June 2015 or since the date of recruitment.

(d.) Two officers had been recruited on contract basis since the year 2012 to the unapproved post of Air Ticketing Executive, and salaries and allowances totalling Rs. 4,345, 058 had been paid for the period 2012 to 2014, whilst a sum of Rs. 590,400 had also been paid to an officer in the year under review.

(e.) Prior approval of the Department of Management Services had not been obtained for 109 officers recruited on contract basis on 22 May 2015.

5. Accountability and Good Governance

5.1 Internal Audit

The following observations are made.

(a.) As the Bureau had failed to rectify the weaknesses pointed out by the Internal Audit Unit through the audit reports of the preceding year, it was observed during the inspection of reports issued to 2 Missions that the said weaknesses had been shown in the reports of the ensuing year as well.

(b.) The following matters were observed while inspecting the performance of the Internal Audit Unit.

(i) Of the 59 fields planned for the year 2015, attention of the Internal Audit Unit of the Bureau had been brought only on 13 fields. As such, the Internal Audit Unit had not achieved only 78 per cent of its targeted objective.

(ii) The number of man days allocated in the plan for the fields covered, had been 530 indicating 16 per cent of the total man days of 3388 pertaining to the entire staff.

(iii) A sum of Rs. 299,220,355 had been spent by the Bureau on capital expenditure in the year under review, and a sum of Rs. 271,784,451 therefrom had been spent on constructions. Attention of the Internal Audit Unit had not been drawn on that construction on which 91 per cent of the total capital expenditure had been incurred.

5.2 Budgetary Control

As compared with the year 2014, an increase from 122 per cent to 213,703 per cent , and a decrease from 84 per cent to 99 per cent were observed in respect of 04 and 03 Items of Expenditure respectively for the year under review.

5.3 Unresolved Audit Paragraphs

Although the Bureau had been informed on the following matters through the previous reports, it was observed that attention had not been drawn on those matters.

(a.) A sum of Rs. 925,304 had been paid to a private institution for the purchase of 3,000 gas-filled balloons at Rs. 192 each, and 30 banners at Rs. 11,652 each in respect of a walk held in the districts of Colombo and Gampaha as an awareness campaign for foreign employment opportunities. A proper procurement procedure had not been followed in that connection. Furthermore, the documents furnished relating to the said payments could not be accepted, and as the purchases had not been made properly through the store of the Bureau, there was no evidence to prove that those items had been received by the Bureau.

(b.) Although a sum of Rs. 1,713,600 had been paid to the Salacine institute in the year 2014 for publicity in conducting the awareness programme on 09 May 2014 for the foreign job seekers of the Hambanthota district, no any document to ensure whether such a programme had been conducted, was made available to audit.

(c.) A sum of Rs. 12,612,500 had been approved by the Chairman for the expenses on the ceremony for laying the foundation stone of the Migrant Resource Centre in Haliela. Despite being stated that a sum of Rs. 9,157,060 had been spent therefrom, Rs. 8,048,648 from that sum had not been incurred on the said activity. Furthermore, the financial authority of the Chairman had been limited to Rs. 2,000,000 in accordance with the delegation of financial authority set forth in Financial Regulation 135, and the Decision No. 20.11.15 of the Board of Directors, dated 20 February 2014. However, an estimate of expenses valued at Rs. 12,612,500 had been approved by the Chairman, and those expenses had been incurred without following the provisions of the Procurement Guidelines, No. 08 of 25 January 2006.

(d.) Contrary to the Presidential Elections Act, No. 15 of 1981, and the Letter No. PRE/015/43 of the Commissioner of Elections, dated 22 November 2014, a number of 116 officers of the Bureau had been attached to the Provincial Office in Badulla for conducting the programmes on empowering the Rataviru Organizations in the districts of Badulla and Monaragala during the period from 01 December 2014 to 31 January 2015. A sum totalling Rs. 9,439,884 had been incurred on those programmes held during that period inclusive of a sum of Rs. 4,314,110, paid to the officers as salaries and allowances, and a sum of Rs. 5,125,824 paid as lease rents on the supply of 10 vehicles on rent. Nevertheless, the expected objective had not been achieved.

(e.) In order to provide relief for the Rataviru families in the areas hit by the landslide such as Meeriyabedda, and Koslanda, a sum of Rs. 1,000,000 had been paid in the year under review to the officer in charge of the Migrant Resource Centre in Badulla through a bank draft without a prior approval of the Board of Directors.

(f.) Due to failure in taking into account the input tax amounting to Rs. 23,430,210 in respect of the insurance premiums totalling Rs. 218,681,760 paid to the National Insurance Trust Fund, and the Sri Lanka Foreign Employment Agency for the years 2011 and 2012, when computing the repayment, the Bureau had overpaid the tax by that sum. That money could not be reclaimed as the one year duration had been exceeded, and no proper action had been taken on the said loss.

(g.) The Value Added Tax of Rs. 5,635,915 included in the mobilization advance amounting to Rs. 58,549,800 paid for the construction of Migrant Resource Centre in Tangalle which had been handed over to the Bureau after completion of the constructions, had been accounted as fixed assets, and due to failure in taking action to recover the said sum as input tax, a loss had been sustained by that sum.

(h.) The Bureau had not taken proper action on the failure of the Labour Clerk of the Labour Welfare Division of the Bureau maintained at the Embassy of Sri Lanka in Abudhabi, to promptly bank the sum of AED 29,295 (approximately Rs. 1,058,276) that she had collected during the period from 03 June 2014 to 9 June 2014 in terms of Financial Regulation 187 (3), and the shortage of cash by that sum in the Labour Welfare Division. Despite being emphasized that it is the responsibility of the staff officer in charge to ensure the proper accounting of the money received in terms of Financial Regulation 165 (1) thereby taking proper action, the said officer had been released from the Welfare Division without handing over the relevant books and registers properly.

6. Systems and Controls

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

Areas of Systems and Controls	Observations
(a) Accounting	(i) Failure to include the income and expenditure of the Bureau in the accounts and books properly. (ii) Collection of the income earned by the foreign missions, and utilization of those funds to serve the migrants effectively.
(b) Procurement Process	Purchasing in accordance with Procurement Guidelines.
(c) Control of Vehicles	Vehicle Control and fuel consumption of the vehicles being utilized by the Bureau.
(d) Management of Physical and Human Resources	(i) Administration and formalization of the functions of the Foreign Employment Agencies. (ii) Management and utilization of Physical and Human Resources owned by the Bureau.
(e) Stores Control	Failure of the Bureau to safely and properly store the counterfoil books.