

Sri Lanka Foreign Employment Bureau - 2016

The audit of consolidated financial statements of the Sri Lanka Bureau of Foreign Employment and its Subsidiary for the year ended 31 December 2016 comprising the consolidated statement of financial position as at 31 December 2016 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 of this report.

2. Financial Statements

2.1 Qualified Opinion - Group

In my opinion, except for the effects of the matters described in paragraphs 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 2016 and their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Qualified Opinion - Bureau

In my opinion, except for the effects of the matters described in paragraphs 2.2 and 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 2016 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 difference between the actual benefit and the expected benefit should be identified as profit or loss computed on the actuarial assessment by carrying out an adjustment for fair value in respect of the relevant investment if there is an investment belongs the gratuity liability in terms of Sri Lanka Accounting Standard 19 . Nevertheless the Bureau had not done an adjustment with regard to the fair value on the investments on gratuity liability valued at Rs. 151,637,722 as at 31 December 2016 and that investment value had not been considered at the actuarial assessment.

2.2.2 Accounting Deficiencies

Even though the balances not cleared amounted to Rs. 2,453,136 and Rs. 21,140,548 respectively had been included in 02 account items within the financial statements of the year under review, actions had not been taken to identify and settle those balances.

2.2.3 Receivable and Payable Accounts

The following observations are made.

- (a) The balance deposited in the Bureau for the mediation of complaints / disputes of the emigrants by the Agency institutions as at the end of the year under review was Rs. 10,120,447 and actions had not been taken even by the end of the year under review to

settle the balances amounted to Rs. 6,788,954 included in that relating to the period from the year 2005 to the year 2015.

- (b) Out of the amount of Rs. 4,781,403 received to the Bureau for the payment of compensation as at the end of the year under review, a sum of Rs. 939,510 with regard to the period from the year 2005 to the year 2011 could have not been able to settle to the related parties even by the 31 December 2016 due to various reasons.
- (c) Out of the labour contract agreement charges amounted to Rs. 2,622,815,725 collected and handed over to the General Treasury for the remittance to the Bureau relating to the period from the year 2006 to the year 2013 by the Welfare Divisions of the Foreign Missions, a sum of Rs. 953,461,366 had not received to the Bureau even by the 31 December 2016.
- (d) Action had not been taken by the Bureau even by the year under review to recover or to take another proper action with regard to the Cess which should be recovered from the 84 Foreign Employment Agencies amounted to Rs. 658,250 relating to the period from the year 2000 to the year 2010.
- (e) Actions had not been taken even as at the year under review to recover the receivable amount of Rs. 3,213,783 from the line Ministry in respect of the settlement of telephone bills of the Development Officers relating to the year 2013 and the year 2014.
- (f) The Bureau had not taken actions to recover the receivable amount of Rs. 602,759 from the migrant workers who had not paid the total charge which should be receivable at the instance of registration of the Bureau by the Airport Unit from the year 2008 to the year 2011 or to take another proper actions in respect of that even by the 31 December 2016.
- (g) It had failed to recover a sum of Rs. 52,270,080 receivable from the year 2013 from the Ministry of Foreign Affairs even by the year under review for running of the Embassy office of the Oman in a building belonging to the Bureau.
- (h) Actions had not been taken by the Bureau to settle the balances amounted to Rs. 24,317,124 relating to the period from the year 2012 to the year 2015 included in the balance of sundry creditors amounted to Rs. 37,172,298 as at the end of the year under review or to take another proper actions even by the 30 June 2017.
- (i) Actions had not been taken to settle the Korean Visa Deposits amounted to Rs. 730,200 charged in the year 2015.
- (j) Actions had not been taken to settle to the Korean job candidates even by the 31 December 2016 a sum of Rs. 89,184,454 which had been charged for the Korean Ticket Charges relating to the period from the year 2011 to the year 2015.
- (k) According to the audit test checks conducted in respect of the staff loans the distress and vehicle loans amounted to Rs. 2,222,165 remained outstanding for more than the period of one year as at the 31 December 2016 and actions had not been taken to recover that.

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

The following observations are made.

Reference to Laws, Rules Regulations and Management Decisions	Non- compliance
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulations 371	Even though the advances obtained as sub- imprests should not be delayed more than 31 December of the issued financial year, in contrary to that the sub- imprests which had been granted from the year 2003 to the year 2015 amounting Rs. 7,559,410 had not been settled.
(ii) Financial Regulations 571	Actions had not been taken to settle or to take in to the government revenue the deposits amounted to Rs. 578,680 remained for more than 05 years included in the payable tender deposit balance amounted to Rs. 1,875,084.
(iii) Financial Regulations 757 (2)	Actions had not been taken in terms of the Financial Regulation in respect of the misplacement of the 2106 equipment items identified at the Board of Survey in the year 2014.
(b) Treasury Circular No. 842 of 19 December 1978	A Register of Fixed Assets had not been properly maintained by the Bureau.
(c) Paragraph 6.5.1 of the Public Enterprises Circular No. PED 12 dated 02 June 2003	The Draft Annual Report which should be presented with the financial statements had not been furnished to audit even by the 24 November 2017.
(d) Paragraph 05 (i) of the Election Commissioner's Circular No. PRE /2015/ 43 of 22 November 2014	In contrary to the Circular a sum of Rs. 2,858,641 had been paid in the year 2016 for the vehicles obtained on rent basis for the deployment for the Rataviru Organization programmes during the period of Election in the Badulla and Monaragala Districts.

2.4 Transactions not Supported by an Adequate Authority

Without obtaining the approval of the Secretary to Treasury in terms of Paragraph 9.7 of Public Enterprises Circular No. PED /12 of 02 June 2003 the sundry allowances amounted to Rs. 64,491,839 had been paid only on approval of the Board of Directors as attendance allowances, allowances for accomplishment of monthly targets, payments made for the officers of the airport unit, payment of special allowances for the officers employed in the Migrant Workers Information Room functioned throughout the 24 hours and risk allowances for the officers of the Bureau.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Bureau and the Group for the year then ended 31 December 2016 amounted to a profit of Rs. 944,363,600 and Rs. 942,355,085 respectively and the corresponding profit of the preceding year was Rs. 884,713,213 and Rs. 883,817,095 respectively thus indicating an improvement in financial result of the Bureau and the Group in the year under review by Rs. 59,650,387 and Rs. 58,537,990 respectively as compared with the preceding year. Increase of the operational and financial income by Rs. 622,757,544 and decrease of advertising expenses and other expenses of Welfare Fund by Rs. 44,714,891 had been mainly attributed for this improvement .

In analyzing of the financial results for the year under review and the 4 preceding years even though an improvement had occurred in the net profit from the year 2012 to the year 2014, there was a less decrease occurred in the year 2015. Nevertheless there was an increase of 57.5 per cent in the year 2016 as compared with the preceding year. Further, the contribution of the Bureau for the year 2012 amounting to Rs. 1,252,718,830 while making adjustments employees' remuneration, the taxes paid to the Government and the depreciation again for the financial result had increased to Rs. 2,640,624,061 as at the year under review and it had been a 50 per cent increase as compared with the year 2015.

3.2 Legal Actions Instituted Against or/ by the Bureau

Thirteen cases had been filed up against the Bureau by the external and internal parties as at the end of the year under review and a sum of Rs. 73,766,962 had been identified as contingent liabilities by the Bureau for that.

4. Operating Revoew

4.1 Performance

The following observations are made.

- (a) The following matters were observed at the audit test checks carried out with regard to the complaints made to the Bureau.

- (i) Out of the complaints received from the year 2010 to the year 2015 2,267 number of complaints had not been solved by the 01 January 2016 and 244 complaints from that had not been further solved by the end of the year.
 - (ii) Out of the 5,686 complaints received in the year 2016, solutions had been given only for 2,320 or 41 per cent of complaints.
 - (iii) The number of complaints informed as further interference of complainant was unnecessary and decided to close the files by the complainants themselves were 1,911 during the year under review. Accordingly, 2,274 number of complaints had been reported as solved complaints which were considered as the files closed without a solution and decided to close after informing by the complainants as further interference of complainant was unnecessary and it was observed that , this was improper . However, the Bureau had not taken action by conducting a study to examine whether there was a further problem exists exactly in respect of those complaints.
 - (iv) Even though it was mentioned as “Bringing back the migrant workers to Sri Lanka” for the solution given for the complaints, the number of migrant workers brought back as such were 2016. Accordingly, out of the 5,686 number of complaints solved in the year , 2016 complaints were given the solutions by only bringing back the employee to Sri Lanka and action had not been taken by the Bureau to create a method paying attention in respect of the permanent rectification not to spring such problems again .
- (b) Whilst the renewal of the license under the Section 30 of the Act of the Bureau, the Bureau should satisfy as the terms in the Section 28 there on were adhered and further it had been shown as if any foresaid term had been violated under the Section 31 of the Act the license could have been able to cancel. But at the instance of the examination of the complaints and foreign travels received within the two years in respect of the 27 Licensed Foreign Employment Agencies , increase in the number of complaints of the Agency institutions and the receiving of the complaints had been decreased by low percentage less than the two years emigrations and even though the emigrations had increased in certain instances an increase of the number of complaints were observed in a high percentage more than that. Therefore, it was problematic at the audit whether the Bureau had taken actions in terms of the Sections of the foresaid Act.

4.2 Management Activities

The following observations are made.

- (a) A loan amounted to Rs. 2,998 million had been granted by the Samurdhi Bank for 10,264 migrant workers under the housing loan scheme implemented for the migrant workers with the collaboration of the Sri Lanka Samurdhi Authority and the Bureau and the Scheme had been inactive by this . Paying back of the loans granted for 2,674 or 26 per cent of migrant workers amounting Rs. 610.14 million (or 20 per cent) had been defaulted out of that. Further, the loans amounted to Rs, 360.27 million or 12 per cent out of the total amount of loans had been granted for 1,573 migrant workers in contrary to the regulations of granting loans and without taking any surety. Further, the interest for the deposits amounted to Rs. 100 million deposited in the Samurdhi Authority by the Bureau for the above activity also had not been received from the year 2014.

- (b) Even though more than 3 years period had lapsed after making a complaint to the Department of Criminal Investigations on 17 June 2014 to conduct a formal investigations with regard to the cash irregularity happened in the month of June 2014 amounted to Rs. 1,058,276 in the Abu Dhabi Office of the Foreign Employment Bureau a considerable progress was not observed in audit. A proper action also had not been taken by the Bureau in this regard.
- (c) Out of the advance of Rs. 2,822,750 granted for various activities in 101 instances by the Bureau a sum of Rs. 1,762,741 or amount more than 50 per cent had been settled to the Bureau again without utilizing. Accordingly, it was not observed in audit that the advances had been granted in proper management.
- (d) An advance of Rs. 20 million had been paid to the Public Resources Management Corporation Ltd. in the year 2013 by the Bureau for obtaining a land belonging to a Company of Kahagolla Engineering Service Ltd. at the estimated value of Rs. 95 million on 99 years lease basis. Even though it had been informed to the Bureau to undertake the quiet possession the land and buildings according to the Board of Directors Decision No. 10/2013 (M -01) of 17 January 2013 the quiet possession of the land could not be able to obtain even by the October 2017.
- (e) Even though a sum of Rs. 309,600,107 had been paid for the activities of the development of the lands in Kurunegala and Thangalla by the Bureau, actions had not been taken to acquire those lands to the Bureau even by the October 2017.
- (f) It had been decided to hand over a land in extent of 05 acres situated at Mahenawattta Pitipana for a period of 50 years on lease basis on 03 November 2010 by the Urban Development Authority for the establishment of a training centre of the Bureau. As per the approval of the Cabinet of Ministers on 15 January 2010 the title of the land had been acquired by the Bureau by assessing Rs. 52 million by the Internal Valuation Committee of the Urban Development Authority by paying 50 per cent or Rs. 26 million out of that amount. Without having a valuation report from the Chief Valuer with regard to this land a 50 per cent had been paid and actions had not been taken to get the title and to occupying of the land even by the 04 December 2017.

4.3 Operational Activities

The following observations are made.

- (a) Even though it was included within the objectives of the Bureau the upgrading of the job opportunities and development of them for the Sri Lankans out of Sri Lanka, the Bureau had failed to supply the workers even up to the 50 per cent out of the number of job opportunities received for the approval to the Bureau from the year 2008 to the year 2016.
- (b) The decrease of the foreign job demand was 40 per cent in the year 2012 as compared with the year 2008 and it had increased in the year 2013 by 21 per cent. Nevertheless that had gradually decreased from the year 2014 to the year 2016 and that was 34 per cent as compared with the year 2014. Accordingly the loss of the job market in the year 2016 as compared with the year 2008 was 73 per cent. Although the 16 per cent of worker supply in the year 2008 shown an increase up to 32 per cent in the year 2016 it was observed in

audit that, this was not because of the growth of the performance of the Bureau but the decrease of the demand for Sri Lankan workers in the foreign employee market.

- (c) For the direction of majority of trained workers to the foreign job market the Pilot Project which had been commenced based on the Districts of Ratnapura and Galle for the awareness of Youth at rural level, 06 and 04 Coordinating Officers had been recruited respectively from those Districts on contract basis. Those Officers had been recruited based on an allowance of Rs. 30,000 in contrary to the terms of the Paragraph 07 of the Public Administration Circular No. 25 /2014 of 12 November 2014 and a sum of Rs. 2,344,000 had been spent by the Bureau up to 31 December 2016. Nevertheless the time period of that Pilot Project had lapsed any follow up procedure had not been conducted with regard to the progress of the Project by the Bureau.
- (d) Even though it could not be bore by the Welfare Fund of the Bureau the amount of Singapore Dollar 989.5 (approximately Rs. 102,993) incurred for the medical treatment obtained in Singapore by the Minister that amount had been reimbursed to the Minister by other officer's name.

4.4 Idle and underutilized Assets

The following observations are made.

- (a) The 27 vehicles of the Bureau in due to be disposed in terms of Public Finance Circular 02 /2015 and actions had not been taken to dispose them even by the 31 December 2016.
- (b) Seven items of goods which were in the closed training centres remained in idle without utilization.

4.5 Uneconomic Transactions

The Bureau had taken action to establish and conduct Information Data Bank in respect of the Sri Lankan migrant workers who leave the Sri Lanka and arrive after the employment. Accordingly, a sum of Rs. 8,274,964 had been paid by the Bureau for the advertising activities implemented for the registration during the period from 08 January to 14 January 2016.

However, the registration in aforesaid Data Bank had not been occurred even a 25 per cent out of the workers who had gone abroad during that period in the years of 2014 and 2015. Accordingly it was observed in audit that the expenditure incurred for that was not effective.

4.6 Identified Losses

The following observations are made.

- (a) As a result of the foreign travels made by the Line Minister without the prior approval of the Ministry the reimbursement of a sum of Rs. 463,481 incurred by the Bureau had been refused by the Ministry.

- (b) A Circular had been issued in contrary to the Section 53 (3) of the Act of the Bureau allowing applying for the registration through the Foreign Employment Agency institutions which were nominated by the Bureau. As a result of that despite the actions had been taken to pay 70 per cent or total of Rs. 123,235,000 as Rs. 31,612,000 and Rs. 91,623,000 respectively to the Private Agency Institutions nominated as above by the Bureau out of the revenue collected in the year 2015 and 2016 as registration fees, the Bureau had lost that revenue.
- (c) It had been agreed to pay 25 per cent out of the medical charges to the Subsidiary for the relevant month for the activities of granting administrative services required for conducting medical tests of the Korean job candidates by the Bureau. Accordingly even though the Company had earned a revenue of Rs. 9,507,988 during the year all the relevant administrative activities had been conducted by the Recruitment Division of the Bureau.

4.7 Resources of the Bureau Released to Other Institutions

The following observations are made.

- (a) Seven officers to the Line Ministry and 03 officers to the Subsidiary Company had been employed during the year 2016 by the Bureau and a sum of Rs. 5,308,240 had been paid by the Bureau as salaries and allowances. In addition to this two officers had been released to the Office of the Governor of Sabaragamuwa Province.
- (b) Four vehicles had been assigned for the duties of the Ministry of Foreign Employment during the year 2016 by the Bureau and a sum of Rs. 3,292,242 had been paid for that.

4.8 Staff Administration

The following observations are made.

- (a) The approved cadre as at 31 December 2016 was 1248 and the vacancies in officers in staff grade, non- staff grade and other categories were 81, 38, and 11 respectively and the excess in minor employees was 46 .
- (b) Salaries amounted to Rs. 17,892,771 had been paid for 44 officers for 05 unapproved positions during the year under review.
- (c) Recruitments had been carried out in a method prepared by the Bureau without an approved Scheme of Recruitment for the posts approved by the Department of Management Services for the Missions of Bureau of Foreign Employment.

5. 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
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(a) Accounting	<ul style="list-style-type: none"> <li data-bbox="788 344 1417 456">(i) Delays existed in settlement of receivable to the Bureau and balances payable by the Bureau. <li data-bbox="788 501 1417 651">(ii) Collection of revenue earned by the Foreign Missions and non- utilization of those money for delivering service to migrant workers effectively.
(b) Operating Control	<ul style="list-style-type: none"> <li data-bbox="788 696 1417 808">(i) Actions taken to purchase lands without confirming the proper ownership at the instance of purchasing. <li data-bbox="788 853 1417 965">(ii) Actions not taken to control and regularize the activities of the Foreign Employment Agencies.
(c) Human Resources Control	Non- execution of physical and human resources control and utilization belonging to the Bureau properly.