

Sri Lanka Bureau of Foreign Employment - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Bureau of Foreign Employment for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and Finance act No. 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Bureau as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bureau's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Bureau or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bureau's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Bureau is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Bureau

1.4 Responsibility of the Auditor on Audit financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bureau's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bureau to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to

enable a continuous evaluation of the activities of the Bureau and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Bureau has complied with applicable written law, or other general or special directions issued by the governing body of the Bureau;
- Whether the Bureau has performed according to its powers, functions and duties; and
- Whether the resources of the Bureau had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the Preparation of Financial statements

1.5.1 Internal Control over the Preparation of Financial Statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that, transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards, and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-Compliance with Sri Lanka Accounting Standards

The following non compliances are observed.

Non Compliance with the Reference to Particular Standard	Comment of the Management	Recommendation
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(a) The total depreciation from the year 2010 to year 2020 amounted to Rs. 14,174,070 for the land acquired in 2010 by the bureau at Homagama with the right of use for a period of 50 years had been accounted as an expense in the current year without retrospective adjusted in accordance with the paragraph 46 of Sri Lanka Accounting Standard 08. As such, the profit of the year was understated by that amount.	Action will be taken to correct the accounts in the future.	Financial statements should be prepared in accordance with Sri Lankan accounting standards.
(b) The fair value of an asset differs materially from the carrying value a revaluation should be carried out and the value of an asset experience significant and volatile changes in	The comment mentioned by the audit is correct. Procurement activities of an external institution are in progress to carry out	Financial statements should be prepared based on the correct values of the assets owned by the Bureau in accordance with Sri Lanka

fair value, thus necessitating annual revaluation in accordance with the paragraph 34 of Sri Lanka Accounting Standard 16. But the fair value of property, plant and equipment had not been reflected in the financial statements due to the assets of the Bureau had not been revalued since 2010. the asset revaluation. accounting standards.

1.5.3 Accounting Deficiencies

The following observations are made.

Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) Although the opening balance of the deferred tax asset account should be Rs.127,248,426, the balance was accounted as Rs.131,782,817, as such, the balance of the deferred tax asset account at the end of the year was over stated by Rs.4,534,391 in the financial statements.	We have informed that the deferred tax adjustment of the year under review will be corrected in the current year (2021) as per the audit query. Accordingly, all corrections have been adjusted to the closing balance of the current year.	The reply was not acceptable. This accounting error should be corrected.
(b) The total expenses on depreciation of buildings and vehicles amounting to Rs.22,176,031 including the total expenses of the previous year amounting to Rs.2,000,022 had been charged to the expenses of the year under review, as such, the profit of the year was over stated by Rs.20,176,009 in the financial statements.	Audit observations are correct.	The expenses related to the year should be correctly identified and accounted for.
(c) According to the calculations made by the audit, although the depreciation for the buildings of the Bureau for the current year was Rs. 76,533,717, it was accounted as RS. 77,870,319. As such, the profit of the year was under stated by Rs. 1,336,602 in	The depreciations of buildings in Hali Ela, Dambulla, Tangalle, Ratnapura and Matugama had been correctly calculated annually for 2 years from the date of acquisition.	Depreciation for the year should be accurately accounted for.

the financial statements.

But after a few years the value of the assets had been increased without increasing the lifetime (13 1/3 years) of the building. Depreciation had been calculated including those values.

- (d) The balance due to foreign employment agencies shown in the financial statements was Rs.250,487,782 and a difference of Rs.4,096,522 was observed in comparing the balance of the 40 creditors submitted to the audit and the balance shown in the financial statements thereon. The Bureau cannot guarantee the accuracy of the accounts in agencies. The accuracy of the creditor balances as per bureau accounts can be verified by checking the relevant documents. The creditors balances should be verified by the balance confirmations.
- (e) As it was not informed within 90 days by the Inland Revenue Department on acceptance or rejection of the application for revision of the self-assessment on income tax submitted in relation to the assessment years 2018/2019 and 2019/2020 in accordance with section 136(6) of the Inland Revenue Act No. 24 of 2017, the decision should be considered as not to allow the application in terms of subsection 26(1) of that Act. But the Bureau had made tax adjustments in the calculation of tax for the year 2021/2022 in the financial statements that the revision had been accepted. As such, the tax expense of the year had been under stated by Rs.188,825,244. The revised income tax returns related to the assessment years 2018/2019 and 2019/2020 had been submitted to the Inland Revenue Department and we have not been notified in writing regarding the acceptance or rejection, but a verbal confirmation has been made. The provisions in the Inland Revenue Act should be followed.

1.6 Non-compliance to Laws, Rules, Regulations and Management Decisions

The following observations are made.

Reference to laws, rules, regulations	Non compliance	Comment of the Management	Recommendation
(a) Sri Lanka Bureau of Foreign Employment Act No. 21 of 1985	(i) Section 17 (2) and Section 45 (2). (ii) Section 17 (3) and Section 48 (1).	The Bureau has the right to transfer money to the Welfare Fund under section 45 (2) d of the Bureau Act No. 21 of 1985 and, accordingly, the amount of Rs. 544,146,050 had been collected in that fund according to the approvals received in different ways in different occasions. Foreign mission staff should be deployed and related general overhead expenses should be spent to carry out welfare activities of Sri Lankans employed outside Sri Lanka. The related expenses had been treated as welfare fund expenses according to Cabinet Order 1998/783/32/017 dated 03 June 1998 and Accounting Circular No 01 OF 1999 issued by the Ministry of Foreign Affairs. The relevant circular was issued with the concurrence of the Ministry of Finance.	According to the Act, only the income that can be collected in the Labour Welfare Fund should be credited to that fund. The facilities for the locally assigned staff and for the staff employed in the welfare departments in foreign missions should be provided from the Bureau Fund.

(b) Public Administration Circular No. 30/2008 dated 31 December 2008	The decision of the Board of Directors taken in the year 2002 to pay 12 times of the gross salary as distress loan contrary to paragraph 02 of the circular, a total sum of Rs.84,021,973 had been paid as distress loan for 265 officers exceeding the circular limits during the year under review.	According to the powers received in terms of sub section 16(2) (e), and (f) of the Bureau Act approved by Parliament, the distress loan had been given to the staff from 01.05.1995 on the approval of the Board of Directors. This Public Administration Circular had been issued to the Secretaries of Ministries, Chief Secretaries of Provincial Councils and Heads of Departments and instructions had not been issued to State Corporations and Statutory Boards.	The provisions in the circular should be followed as the circular was issued to the Chief Accounting Officers.
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2. Financial review

2.1 Financial results

The operating result of the group and the Bureau of the year under review had been a profit of Rs. 880,154,212 and Rs. 895,481,128 respectively as compared with the corresponding loss of Rs. 743,764,028 and Rs. 736,961,354 respectively for the preceding year, thus observing an improvement of Rs. 1,623,918,240 and Rs. 1,632,442,482 respectively in the financial result in the year under review of the group and the Bureau. Increase in income of the group and Bureau had mainly affected to the improvement.

3. Operational review

3.1 Identified Loses

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
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(a) Disciplinary orders had been issued in 2019 to collect the aforementioned amount in installments from two officers of the bureau who	A disciplinary order was issued on 24 May 2019 to recover the related loss from the responsible officers based on the disciplinary inquiry	Those responsible officers for the loss to the bureau should be identified and the loss should be recovered.

had been found guilty in the preliminary and formal disciplinary inquiry related to a financial irregularity of Rs.3,200,000 occurred in a transaction with a private company related to the printing of 100,000 newspapers in the year 2014. The Bureau had not implemented the disciplinary orders and false account entry was made as the amount due from the foreign missions.

As per an appeal submitted by one of the officers during the year under review the Chairman of the Bureau had acquitted those officers on a decision of the Board of Directors and the loss had been waived off from the receivable income.

conducted by the bureau in relation to this incident. But the Secretary of the Ministry had appointed an investigation committee on 12 June 2019 in this regard and the Bureau had been informed to provide the necessary documents for the that committee.

According to the decision taken from the said committee, the aforementioned disciplinary order was canceled and a revised disciplinary order was re-issued on 20.04.2021 with the approval of the Board of Directors, acquitting of all charges. Accordingly, the other officer involved in the incident also was submitted an appeal to the Bureau based on that decision, and revised disciplinary order was issued to him and acquitted him of all charges.

- (b) It was stated in the financial statements that the financial irregularities of Rs. 1.15 million in the year 2014 and Rs. 1.83 million in the year 2019 had been taken place in the workers welfare sections of the Sri Lanka Foreign Employment Bureau in Abu Dhabi and Israel embassies respectively. Although about 08 years had lapsed, it was unable to recover a value of Rs. 914,167 related to the financial irregularity in the Israeli embassy and value of Rs.1.15 million related to the financial irregularity in the Abu Dhabi embassy.

Legal proceedings are in progress related to the financial irregularity in the Abu Dhabi Embassy. An amount of Rs. 1,108,614 had already been recovered from the officer related to the financial irregularities in the Israeli Embassy in 2019. Action is being taken to recover the balance.

Necessary action should be taken to fully recover the loss due to financial irregularities.

3.2 Management Inefficiencies

 The following observations are made.

Audit Observation	Comments of the Management	Recommendation
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<p>(a) According to Section 15 (a), (k), and (l) of the Sri Lanka Foreign Employment Bureau Act, the research division was established to promote and develop employment opportunities outside Sri Lanka for Sri Lankans, to undertake research and studies into employment opportunities outside Sri Lanka for Sri Lankans, and to establish and maintain an Information Data Bank to monitor the flow of Sri Lankans for employment outside Sri Lanka and their return after such employment. It was revealed in sample tests that, although 13 officers were employed and 09 researches had been started in the years 2020 and 2021, the activities of 04 researches had been completed at the end of the year under review. But the researches were not done to fulfill the above objectives and the information data bank was not maintained.</p>	<p>04 research reports regarding the matter mentioned there are sending herewith for necessary actions.</p>	<p>Research should be carried out and data bank should be maintained to fulfill the objectives of the Act.</p>
<p>(b) Although the land at Homagama (Mahenawatta) acquired on lease basis had been transferred to the Bureau from 23 March 2015 at an assessed value of Rs. 52 million, the relevant lease deed had not been prepared even by 31 December 2021, the date of the audit. When revaluation in 2018 for the preparation of the rent deed, the value had increased up to Rs. 64 million.</p>	<p>The Urban Development Authority was informed on 01 May 2020 to prepare the lease deed of the Homagama Mahenawatta land. Although the deed fees related to that have been paid on 06 May 2019, action had not been taken by the Urban Development</p>	<p>Preparation of lease deed should be expedited.</p>

Authority to prepare the deed.

- (c) The validity period of the Memorandum of Understanding signed by that government regarding the sending of Sri Lankan workers to South Korea under the Employment Permit System had ended on 29 September 2019. As per the agreement, ability to cancel or suspend the agreement if the extension is delayed without reasonable cause even after 06 months from the end of the agreement period.
- Under this agreement workers for the country should be done only by the Bureau and a total number of 20,144 workers had been sent for employment in last 05 years. But the update of the agreement started in 2020 was not completed even by July 2022.
- (d) Although the recommended skilled standard curriculum conducted by the Bureau for the training course of care givers under the National Vocational Qualification (NVQ3) for the purpose of sending Sri Lankan workers to Israel includes 12 lesson units to be completed within 03 months, the bureau had obtained approval to complete the training course in 02 months. The duration of the course was reduced to 45 days and then to 30 days and conducted online without approval, and requirement of a minimum of 260 hours of practical training for international competency level was not covered. The Israeli embassy had informed that the qualifications should be updated when applying for a visa,
- The revised Memorandum of Understanding has already been submitted to the Korean party by the Ministry.
- The arrangements had been made by the Bureau to train them as care givers as per the relevant Memorandum of Understanding and a minimum amount of training fees will be charged from the trainees for the purpose of paying the salary of the instructors and other expenses, on the approval of the Board of Directors of the Bureau. Emphasize that the 07 days refresh training was given again one year after the training certificate was given, not because of an issue in the condition of the training given
- The agreement related to this employment program, which is currently in operation between two states and provides more benefits to Sri Lankan workers, should be updated.
- According to the Bureau Act, training and familiarization of workers recruited for foreign employment should be done at free of charge.

one year after completion of the training. Accordingly, arrangements have been made to teach the curriculum again within 07 days and charge Rs. 8,100 from one worker by the Bureau. Also, according to the employment requirement, the bureau had also arranged to conduct a short-term English course for those who have English language skills and charge a fee for them. Although applications had been called on the basis of opportunities for foreign employments and conducted this vocational training course and earned a sum of Rs. 84.91 million as training fees by the Bureau, out of 5,918 persons who completed the training, only 862 had gone overseas for the relevant job.

earlier. Currently, as per the Memorandum of Understanding the Bureau provides 07 days of pre-departure training at free of charge.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>According to an agreement reached between the Government of Sri Lanka and the Government of Israel, 500 job orders for care givers were received in the year under review and 148 were sent accordingly. Recruitment qualifications for the employment were 11 months nursing training course certificate with practical training or NVQ 03 level care givers training course certificate conduct by the Bureau. As such, students who have completed National Professional Qualification level 04 and 03 certificates with</p>	<p>As mentioned in the audit inquiry, a request has already been made to the Government of Israel to include similar qualifications (care givers Level III) provided by other institutions in the above agreement. Accordingly, those trainees will also get the opportunity under this agreement in the future.</p>	<p>Government and non-government training institutions should be made aware of this job opportunity available to Sri Lankan skilled workers.</p>

formal training in 21 government and non-government training centers with practical training approved by the Tertiary and Vocational Education Commission were not able to apply for this employment.

3.4 Transactions of Contentious Nature

 The following observations are made.

Audit Observation	Comments of the Management	Recommendation
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<p>(a) As per decision of the Board of Directors, applications were called without an approved recruitment process and 31 people from Home Base and 67 people from the Local Base were recruited on the criteria set by the Bureau for the Workers Welfare Sections in foreign missions in the year 2020 and 09 people and 16 people with low scorers were recruited in the interviews related to selection on Home Base and Local Base, while there were relatively high scorers.</p>	<p>In accordance with the powers vested in the Section No. 21 of Foreign Employment Bureau Act. No. 21 of 1985 to the Hon. Minister in charge, staff can be appointed for the mission service.</p>	<p>Recruitment should be done on a basis of recruitment procedures of qualified staff in the appointment of officers for mission service.</p>
<p>(b) The officer externally recruited as the Counsellor in the Workers Welfare Section of the Foreign Mission in Singapore in the year 2020 had not completed the minimum age for the relevant post and was no experience in the relevant field or the service. Also, the interview was conducted by a non-independent interview board.</p>	<p>This officer had been appointed under the approval of the Board of Directors and with the concurrence of the former Secretary of the Ministry. He had completed 30 years of age by the time he was departing for the service in the foreign missions. Since a large number of applicants were participated for these interviews, several</p>	<p>Formally qualified and experienced officers should be recruited for these offices.</p>

interview panels were appointed. But on the day Mr. N.M. Thibbutumunwa's son appeared for the interview, he was not act as a member of the interview panel.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Management	Recommendation
<p>-----</p> <p>16 officers had been assigned to the internal audit unit of the Bureau and 52 audit programs had been planned to implement in the year under review and out of those 28 programs had been completed. Furthermore, 45 audit reports had been issued during the year under review and out of that there had been a delay between 06 months to 05 years period in issuing the audit reports after handing over the assignment for 23 of them. Also, the necessary explanations regarding the observations included in the above mentioned 06 reports had not been received by the internal audit unit. Also, a proper mechanism to implement and follow up on internal audit recommendations were not established in the Bureau and a sufficient discussion had not been carried out by the Audit and Management Committees in this regard. Accordingly, it was observed that there was no proper mechanism was introduced to effectively utilize the physical and human resources assigned to this unit to achieve the objectives of the institution.</p>	<p>-----</p> <p>The planned audit programs could not be implemented as reporting to duties were done according a shift system due to the adverse situation in the country in the year 2021. According to the comments mentioned by you, the summary report containing the recommendations of the internal audit reports will be submitted for the attention of the Audit and Management Committee.</p>	<p>-----</p> <p>A proper plan should be implemented for the internal administrative system of the Bureau.</p>