

Sri Lanka Bureau of Foreign Employment

1. Financial Statements.

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 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 as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Comments on Financial Statements

1.2.1 Unreconciled Control Accounts

A different of Rs.4,338 was observed between balances according to the cash book of the Current Account with the Corporate Branch of Bank of Ceylon and the adjusted Bank Account.

1.2.2 Accounts Payable

The following matters were observed.

- (a) Action had not been taken for the settlement of the sum of Rs. 2,303,706,838 shown under the current liabilities as the Kuwait Compensation Funds payable. A sum of Rs.2,260,225,494 out of that had been used in long term and short term investments.

- (b) The sums totaling Rs.36,324,036 as at 31 December 2011 belonging to the emigrant labour shown bellow had been maintained in the general collection account of the Bureau without taking action either to invest in a separate Bank Account or for settlement.

Details	Amounts
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	Rs.
Money received for the settlement of complaints of emigrant labours	14,530,607
Security deposit of migrant labour proceeded to employment in Korea	17,399,465
Money received from the National Insurance Corporation as insurance indemnity	4,393,964

	36,324,036
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1.2.3 Lack of Evidence for Audit

 The following matters were observed.

- (a) Even though a foreign tour costing a sum equivalent to US\$ 4,650 and Rs. 134,890 had been undertaken in the year review for the establishment of a Medical Centre in Chennai, a feasibility report thereon had not been furnished to audit.

- (b) The evidence for the confirmation of the overdraft balances amounting to the Rs.5,763 and Rs. 1,444 existing in two Bank Current Accounts of the Foreign Employment Agency from the year 2007 had not been furnished.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Bureau for the year ended 31 December 2011 had resulted in a pre - tax surplus of Rs. 606.4 million as compared with the corresponding surplus of Rs.591.08 million for the preceding year. Accordingly, an increase of Rs.15.32 million or 2.6 per cent in the surplus was indicated. The increase of income by a sum of Rs. 152 million as compared with the preceding year had been the reason for the increase.

(As the consolidated financial statement for the year 2010 had not been prepared, the comparative financial results relating only to the operations of the Bureau are given)

2.2 Analytical Financial Review

An evaluation of the financial position of the Bureau revealed an operating loss making position relating to the Bureau and that operating loss had been covered by increase of interest on investments. The financial results for the years from 2009 to 2011 are given below.

	2011 -----	2010 -----	2009 -----
	Rs.'000	Rs.'000	Rs.'000
Operating Income	1,209,369	1,164,160	1,011,094
Total Expenditure	1,655,585	1,518,276	1,362,321
Operating Loss	(446,216)	(354,116)	(351,227)
Interest on Investments	618,938	520,461	486,085

As compared with the year 2009 the increase in the operating income in the years 2010 and 2011 had been 15 per cent and 20 per cent and the total expenditure had increased by 11 per cent and 22 per cent while the increase in the operating loss had been 0.8 per cent and 27 per cent. Further, the interest income indicated an improvement of 7 per cent and 27 per cent.

3. Operating Review

3.1 Management Inefficiencies.

The following matters were observed.

- (a) A sum of about Rs.49,500 had been recovered for welfare activities from each individual leaving for employment in Korea and the amount recovered in the year under review had been Rs.201,223,729. Even though money was recovered for welfare activities, no welfare arrangements whatsoever had been introduced and the

money had been retained in the general Bank Account without being invested under a separate Bank Account. Even though a sum of Rs. 45,076,170 had been paid to an institution in Korea in the year 2010 for welfare activities, that institution had not carried out any welfare activity whatsoever even by June 2012.

- (b) Even though a sum of Rs.15,000 is collected from each individual by the Bureau for Korea Training, the training activities had been assigned to the Sri Lanka Foreign Employment Agency (Private)Ltd. A sum of Rs.69,257,429 had been paid to the Private Company in the year under review for that purpose . Even though the Bureau has 25 training centers and about 200 Training Officers at present, the training of emigrants to Korea had been assigned to another institution without undertaking the training work by the Bureau. As such an income receivable by the Bureau through that work has been lost.
- (c) A refundable deposit of the Rs. 50,000 had been made by each emigrant to Korea in the Foreign Employment Agency in the years 2006 and 2007. Even though that money should be paid back to the returning emigrants from the year 2009,a sum of Rs. 25,000 per person only had been paid. The sum not so paid back as at 31 December 2011 amounted toRs.28,740,000. Eventhough the migrants had lodged complaints regarding the payment of the money no action had been taken up to date to make payment.
- (d) According to the consolidated balance sheet presented by the Bureau, a sum of Rs. 18,672,448 as shown below had been deposited with various institutions. But no follow up action whatsoever had been taken for the recover of the money.

Particulars	2011
-----	-----
	Rs.
Sundry Deposits	17,599,463
Other Receivables	29,375

Korean Compensations Receivable	156,000
Sri Lankan Embassy in Italy	887,610

	18,672,448
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(e) Action had not been taken up to 09 January 2013 to settle the unidentified debit balances totaling Rs.812,260 appearing in 02 Bank Accounts from the year 2009 and a sum of Rs.750 deposited but remaining without being realised from the year 2004.

3.2 Operating Inefficiencies

Even though Financial Regulation 371 allows the grant of ad hoc sub- imprests subject to a maximum of Rs.20,000 to staff officers, ad hoc sub -imprests exceeding Rs.100,000 each had been granted to 95 officers. Two ad hoc sub - imprests exceeding Rs.1 million had been granted and the savings out of those exceeding 50 per cent were revealed. Thus, it was observed that imprests had been granted without preparing accurate estimates.

3.3 Transactions of Contentious Nature

The following matters were observed.

(a) The Bureau had spent a sum of Rs. 6,119,304 on volleyball sport and out of that a sum of Rs. 1,500,000 had been spent on a Beach Sport Tournament and a sum of Rs. 1,159,304 for the participation of six sports women and two officers at the Sixteenth. Asian Women's Volleyball Tournament held in the People's Republic of China.

(b) The Bureau had spent a sum of Rs. 5,631,853 and Rs. 4,691,112 in the year under review on foreign tours and expenditure on hired motor vehicles respectively on behalf of the Ministry.

3.4 Idle and Underutilized Assets

The deep freezer at the Sahana Piyasa Centre remained without being used for the purpose over a period of 10 years since the opening of the Centre on 01 June 2001 to the year under review.

3.5 Uneconomic Transactions

In terms of Sub-section 52(1) of the Sri Lanka Bureau of Foreign Employment Act, No. 21 of 1985 a cess calculated at 5 per cent of every commission received by a licensee in respect of recruitment of any person for employment outside Sri Lanka should be charged and levied on every licensee. Further in terms of Section 7(5) of the Sri Lanka Bureau of Foreign Employment (Amendment) Act, No.56 of 2009, where the commission is not reasonable and below such commission as ought to have been received, it should be an amount prescribed by the Minister. In addition, in terms of Section 7(6) of the above Act, where a licensee defaults the payment of the cess, the licensee shall be guilty of an offence and liable to a fine not less than Rs. 5,000. Despite the powers conferred under the above Sections, the Bureau had computed and recovered the cess at the rates Rs.500 and Rs. 250 per emigrant from the licensees without taking action to compute and recover the cess on the commission earned by the licensees.

3.6 Resources of the Bureau Supplied to other Government Institutions

The resources of the Bureau had been supplied to other Government Institutions and persons contrary to Section 8.3.9 of the Public Enterprises Circular No. PED/12 of 02 June 2003. Details appear below.

- (a) Even though the resources of public enterprise should not be used by the line Ministry, 05 motor vehicles of the Bureau were being used by the Ministry and an external institution.

- (b) A sum of Rs. 4,356,773 had been granted in the year under review to various persons for foreign tours.
- (c) Three officers had been recruited on contract basis with effect from 01 June 2011 to S –IV post of General Assistant of the Bureau and deployed for service in the Ministry from that date. The remuneration paid by the Bureau up to the end of the year under review amounted to Rs.365,000.
- (d) Two computers and office equipment valued at Rs. 367,874 had been supplied to the Ministry.

3.7 Personnel Administration

The particulars of the staff in the year under service are given bellow.

Category of Employees	Approved	Actual as at 31 December 2011	Vacancies
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Staff Grades	237	162	75
Non – Staff Grades	472	435	37
Minor Employees	178	149	29
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Total	887	746	141
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Without taking action to fill the above vacancies 50 and 20 officers had been deployed in service on contract and acting basis respectively.

3.8 Motor Vehicles Utilization

The following matters were observed.

(a) Procurement of Hired Motor Vehicles

- (i) According to the list of motor vehicles of the Bureau furnished to audit, there were more than 20 motor vehicles for the pool. Nevertheless, a sum of Rs. 2,580,310 had been paid to a private transport institution for the daily transport done during the period January to 16 November 2011. Thus the Bureau had not paid attention to use the pool motor vehicles.

- (ii) Even though the procurement of hired motor vehicles from a particular private institution had not been recommended by the Technical Evaluation Committee, a sum of Rs. 1,424,076 had been paid for the procurement of hired motor vehicles from that particular institution in the year 2011.

(b) Fuel Consumption

Even though the approved monthly limits on fuel for the allocated motor vehicles had been introduced by the Public Enterprises Circular N o. PED/12 of 02 June 2003, the officers of the Bureau had consumed fuel exceeding that limit valued at Rs.1,029,593.

4. Accountability and Good Governance

4.1 Budgetary Control

In terms of Section 5.2.5 of the Public Enterprises Circular N o. PED/12 of 02 June 2003, the updated budget should be forwarded to the line Ministry, Department of Public Enterprises and the Auditor General 15 days before the commencement of the year of accounts. Nevertheless, the revised budget of the Bureau dated 23 December 2011 had been forwarded on 30 December 2011.

Therefore the comparison of the budget with the actual financial results was rendered meaningless.

5. Systems and Controls.

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

- (a) Collection of Income
- (b) Payment of Advances
- (c) Settlement of Creditors
- (d) Recovery of Debtors
- (e) Utilization of Vehicles
- (f) Control of Physical Resources.