

Sri Lanka Foreign Employment Agency (Pvt) Limited - 2016

The audit of financial Statements of the Sri Lanka Foreign Employment Agency (Pvt) Limited (“Agency”) for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka .My observations in respect of the activities of the year under review which I consider should be presented to Parliament in terms of Article 154(6) of the Democratic Socialist Republic of Sri Lanka appear in this report.

1.2 Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Auditing Standards and for such internal control as the Board of Directors 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. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency’s preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Sri Lanka Foreign Employment Agency (Pvt) Ltd 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 Accounts Receivable and Payable

The following observations are made.

- (a) A sum of totalling Rs.612,657 relating to the years 2014 and 2015 included in the balance of Rs.2,231,566 receivable from the Foreign Agents as at the end of the year under review had not been recovered.
- (b) Death indemnities amounting to Rs.4,750,687 received to the Agency from the year 2013 to the year 2015 from Insurance Companies for the deceased migrants had been continuously brought forwarded in financial statements without being paying to the relevant parties or taking another suitable action.
- (c) Action had not been taken to settle the security deposits of Rs.16,610,000 that refundable and received from the Sri Lankan employees who migrated to the Korea in the period from 2006-2007 through the Agency even by 31 December 2016.
- (d) Action had not been taken to settle the other debtors balance amounted to Rs.2,350,520 brought forwarded from several years.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Agency for the year ended 31 December 2016 had resulted in a surplus of Rs.2,008,515 as compared with the corresponding surplus for the preceding year amounting to Rs. 896,118 , thus indicating an improvement of Rs.1,112,397 in the financial result for the year under review. Even though increase of the expenses of the medical centres by Rs.3,252,615 and other administrative expenses by Rs.4,908,498 , a growth in the financial result had been observed due to the increase of the income by Rs.11,113,093.

4. Operating Review

4.1 Performance

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

The following observations are made in respect of the achievement of the above objectives.

- (a) According to the information obtained by the Foreign Services Bureau in the year under review , the contribution granted by the Agency as a Government Institution was not adequate for the proceeding abroad through the Agency in four preceding years as compared with the proceeding abroad through the Foreign Employment Agencies and it was observed that the quantity acquired by the Agency by the contribution of Foreign Employment Agencies for the foreign job market was a value less than 1 per cent.
- (b) Even though a regular growth of the number of employees who proceeded abroad by the Agency could be seen from the year 2013 to the year 2016, the number of countries which were directed to jobs had been gradually decreased by 15 to 06.
- (c) Even though 820 emigrants had been deployed for jobs by the Agency in the year 2016 , out of that 787 persons or 96 per cent had been proceeded abroad only for 03 countries. It was not observed that the Agency had not paid attention on the improvement of job demand and opportunities from other countries.
- (d) In the direction of employees for foreign employment by the Agency in the years 2014,2015 and 2016, it had been directed 78, 39 and 13 fields of employment respectively in the job market . However, about 2430 fields of employment were existed in the foreign job market ,the Agency had limited only for several fields of employment.
- (e) Even though 3,138 employment opportunities had been obtained through 22 employment orders to the Agency during the year 2016, only 820 emigrants could be proceeded abroad for various employment opportunities. Accordingly, the Agency had failed to direct employees for 2,318 employment opportunities or 74 per cent .

Accordingly, it had not been observed in audit that a proper and fair methodology for the direction of employees for the foreign job market had not been available in the Agency.

- (f) Even though an excessive trend had been existed in the Agency for un trained sectors such as domestic servants, labourers and agricultural servants as compared the employees proceeded abroad in the year 2016 with the category of foreign employment , it had not been observed in audit that the Agency had not implemented an adequate promotion procedure to seek the persons trained and with vocational qualifications from the local job market .

5. **Accountability and Good Governance**

5.1 **Internal Audit**

An Internal Audit Unit had not been established for the Agency in terms of the Financial Regulation 133 of the Democratic Socialist Republic of Sri Lanka.

6. **Systems and Controls**

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

| Areas of Systems and Controls | Observations |
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| ----- | ----- |
| (a) Debtors and Creditors Control | Action had not been taken to the recovery of debtors balances and settle the creditors balances. |
| (b) Earning Income | Action had not been taken to increase the income through granting a maximum employment contribution for the employment orders received to the Agency. |
| (c) Human Resources and Physical Resources Control | Human and physical resources had not been utilized to the maximum. |