

Sri Lanka Bureau of Foreign Employment - 2020

1.1 Qualified Opinion

The audit of the financial statements of Sri Lanka Bureau of Foreign Employment for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 the Finance Act No 38 of 1971. My comments and observations which I consider should be report 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 2020 and of its financial performance and 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 determines 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 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 Auditor's Responsibility for the Audit of the 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 in 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 skepticism 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 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 organizations, 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 Bureau had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 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 standards, and to maintain accountability for assets, access to 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 difference.

1.5.2 Non- compliance with Sri Lanka Accounting Standards

The following observations are made.

	Non- compliance -----	Comments of the Management -----	Recommendation -----
(a)	Although the Rs. 927,432,838 valued 15,664 items of assets belongs to the Bureau and Rs. 260,519,329 valued 17518 items of assets belonging to the Workers Welfare Fund had been fully depreciated, were further being used. The Bureau had not conducted an annual review of those assets in accordance with paragraph 51 of Sri Lanka Accounting Standards 16 and Sri Lanka Accounting Standards 8, Accounting Policies, changes in accounting estimates and errors.	The Bureau does not have a staff with expert technical knowledge on fair value calculation. Therefore, Necessary action will be taken to adjust the fair value in accounts in the future by an outsider with expert technical knowledge.	Correct value of assets should be recorded in the financial statements in accordance with Sri Lanka Accounting Standards.
(b)	In accordance with the Paragraph 32 of Sri Lanka Financial Reporting Standards 16 related to right of use assets acquired on lease basis, the lessee shall depreciate the right-of-	Necessary action will be taken to correct these differences in the preparation of accounts for the year 2021	Financial statements should be prepared in accordance with Sri Lanka Financial Reporting Standards.

use assets based on either less period from the date of commencement of the right-of-use asset to the end of the useful life of the asset or end of the lease term.

Due to non-calculation of depreciation based on less period, which is lease period, in relation to the 5 vehicles obtained by the bureau with the right of use, a depreciation of Rs.2,694,052 had been under stated in the accounts of the year under review.

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| (c) | A land acquired at Rs. 52,000,000 on lease basis by the Bureau in the year 2015 was recorded under property plant and equipment in the statement of financial position without identifying as a lease hold asset in terms of the Sri Lanka Financial Reporting Standards 16. Although the remaining payable amount of Rs. 26,000,000 should be stated as a lease liability in the Statement of Financial Position, which had been stated under sundry creditors. Further, a sum of Rs. 5,720,000, total depreciation of that lease hold land from the year 2015 to the year under review had not been accounted | As the land has not utilized up to now, it was not stated as right of use assets under Lease Hold Asset in the Financial Statements. This does not affectionate total assets in the Statement of Financial Position. But it is expected to submit the relevant correct accounting entries in the year 2021. | Financial statements should be prepared in accordance with Sri Lanka Financial Reporting Standards. |
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1.5.3 Accounting Deficiencies

The following observations are made.

Non- compliance	Comments of the Management	Recommendation
(a) As the net assets valued Rs. 1,521,103,398 of the Bureau have not been revalued after the year 2010, it was observed that the real value of the assets were either undervalued or overvalued from the values presented in the financial statements.	It is expected to do necessary accounting adjustments after the revaluation of the assets by a reputed institution.	Assets should be revalued in accordance with Sri Lanka Accounting Standards and the correct value should be stated in the financial statements.

- (b) Foreign exchange gain for the year under review was overstated by Rs. 127,984,991 due to fixed deposit interest amounting to Rs. 93,669,604 has erroneously been stated as foreign exchange gain, Foreign exchange gain overstated by Rs. 23,730,274 due to error calculation and sum of Rs. 10,585,113 which should adjust to the prior year foreign exchange gain had been adjusted to current year profit. Accordingly, the loss for the year under review was understated by above said value.
- Since the Fixed Deposit Interest of Rs.93,669,604 had erroneously been stated as foreign exchange gain, accordingly, one income has understated and the other has overstated
- Necessary action should be taken to prevent reoccurrence of such accounting deficiencies
- (c) As per the calculations done by the audit, Differed tax overprovision for the year under review was Rs. 143,406,716 and after adjusting the current year tax expenditure of Rs. 25,829,025, sum of Rs.117,577,691 should be adjusted as tax overprovision in the Comprehensive Income Statement, However, A sum of Rs.106,206,904 had been stated as tax expenditure and although the Rs. 127,248,426 should be shown as a differed tax asset, Rs. 172,343,405 had been stated as Differed Tax Liability in the statement of financial position.
- The amended deferred tax calculation will be submitted to the audit and it is expected to do calculation and accounting correctly in the next year.
- Accounting entries should be stated showing the impact from tax expenditure to the financial statements
- (d) Fixed deposit interest of the year had been under stated by Rs. 92,587,269 in the financial statements due to fixed deposit interest income Rs. 93,669,604 relevant to the year under review had not been accounted and fixed deposit interest had been over stated by Rs. 1,082,335 due to calculation errors.
- Calculation error of the interest income will be corrected in the next year
- Necessary action should be taken to prevent reoccurrence of such accounting errors.

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| (e) | <p>Depreciation of buildings and other office equipment was overstated by a sum of Rs. 4,485,317 in the financial statements due to calculation errors. Although the actual accumulated depreciation of buildings and computers as at 31 December of the year under review was Rs. 1,097,623,115, it has stated as Rs. 1,121,258,901 in the financial statements. Accordingly, the net value of property, plant and equipment had been understated by Rs. 23,635,786.</p> | <p>These changes had been occurred due to the opening balances in the fixed assets schedule for the years 2019 and 2020 had not been adjusted correctly. Actions will be taken to correct this accounting errors in the preparation of financial statements for the year 2021</p> | <p>Calculation of depreciation and accounting, relating to the fixed assets should do correctly</p> |
| (f) | <p>Deficiencies which had occurred in the preparation of the cash flow statement are as follows.</p> <p>(i) While adjusting the changes in working capital, overstatement of increase in payments and other receipts by Rs. 15, 312,417, non-accounting of Surplus Trust Fund of Rs.21,912,150 stated under the Current Assets which had written off to the Government Revenue, overstatement of Kuwait Compensation Fund by Rs.51,802,119 and not considering the incensement of the contribution of migrant workers by Rs. 526,375 had not been considered and accordingly Changes in Working Capital on Cash Flow Statement was overstated by Rs. 29,447,539</p> <p>(ii) Interest Income received by cash had been overstated by Rs.611,799,366 under investment activities in the Cash Flow Statement</p> <p>(iii) Money received from release of Treasury bonds had been understated by Rs.13,463,421 in the cash flow statement.</p> <p>(iv) As per the Ledger although the net value of Finance Assets investment was Rs. 276,912,664 said amount</p> | <p>Necessary actions have been taken to prepare the cash flow statements correctly in the next year</p> | <p>The cash flow statement should be prepared in accordance with Sri Lanka Accounting Standards to make management decisions easier.</p> |

stated as minus figure of Rs.310,718,160 in the Cash Flow Statement

- (g) Actions had been taken to get confirmation the relevant outstanding balances of 64 creditor's sum of Rs. 101,481,502 from the total balance of Rs. 281,344,569 which are mentioned in the Financial Statements payable to Foreign Employment Agencies, of which confirmations only 14 creditor balances had been received to the Audit. As per those confirmations, a deference of Rs. 18,030,689 was observed between value stated in the financial statement and value of confirmation of balances
- The Bureau cannot confirm the accuracy of the accounts maintained by the employment agencies. However, Accounts are made based on the Bank receipts. Balance confirmation is only one aspect of the audit and verification of validity can do by checking other schedules.
- As it is observed the significant differences between the values mentioned in the balance confirmations and the financial statements, action should be taken to rectify the balances that needs to be changed and settle the balances which are unsettled for a long time after having informed the relevant employment agencies or take to the revenue.

1.6 Accounts Receivable and Payable

1.6.1 Payables

The following observation is made.

Audit Observation	Management Comment	Recommendation
<p>As at 31 December 2020, Sum of Rs. 668,986,984 refundable which was retained from Migrant Workers with various reasons, Rs. 51,239,587 received as insurance compensation of migrant workers, sum of Rs. 281,344,569 which should settle for employment agencies had been retained in the bureau for a long time without being paid on various reasons.</p>	<p>Payments are made to the parties who have requested along with the correct schedules to make the relevant payments and considerable numbers of applications have so far not been submitted to the Finance Division for payment due to lack of source documents or any other deficiencies.</p>	<p>Necessary actions should be taken to make the payments quickly, including insurance premiums that have not yet been paid</p>

1.7 Non-compliance with laws rules, regulations and management decisions

References to Laws, rules, Regulations	Non-compliance	Management Comment	Recommendation	
(a)	Sections 7 (1) (b) and 42 of the National Audit Act No. 19 of 2018	Although the information, documents, explanations, reports or evidence requested for audit should be provided not less than twenty one working days from the date of request, the bureau has delayed to submit the file related to the Recruitment and Attachment of Officers for the Service of the Labor Welfare sections in the Overseas Missions for the Year 2020 by 175 days up to 09 November 2021 even it has requested four times since 18 May 2020	The reasons for not submitting the file to the audit were asked in writing the management did not provide an explanation.	Necessary action should be taken to avoid reoccur such situation and necessary disciplinary action should be taken after examining the reasons for non-submission of files to the audit

2. Financial Review

2.1 Financial Results

According to the financial statements submitted, the Group and Bureau's financial results for the year under review respectively mounted to a deficit of Rs. 743,891,274 and Rs. 736,961,354, in contracting surplus in the preceding year respectively amounted to a Rs.756,402,731 and Rs.759,418,513. Accordingly, it was observed a decline of financial results of the Group and Bureau amounted to a Rs.1,500,294,005 and Rs. 1,496,379,867 respectively. This decline was mainly due to the decline in the company's revenue.

3. Operational Review

3.1 Identified losses

The following observations is made.

Audit Observation	Management Comment	Recommendation
(a) Although the Bureau had to pay a fine of Rs. 131,746 for non-payment of gratuity to a person who resigned from the Bureau with effect from 31 December 2018, as per the Section 4 (a) of the Gratuity Payments Amendment Act No. 62 of 1992, the	This surcharge had to pay based on a decision given to a complaint filed in the department of Labour regarding a delay in payment of gratuity to Mr. R.A.G.S.Jayasinghe.	Necessary action should be taken to recover that money from the officials responsible for paying this surcharge

necessary action had not been taken against the officers who are responsible for it.

3.2 Management Inefficiencies

The following observations are made.

Audit Observation	Management Comment	Recommendation
<p>(a) Although the Bureau should have reserved, canceled and get refunded the air tickets for workers who are leaving for Korean jobs, according to the sample audit test conducted on 51 migrants who could not migrate as planned, it was observed that air ticket fees of 25 workers had not been refunded and unusual differences were observed with the refunded values of 11 persons. Information were not been recorded about the money refunded which had paid before for the five workers who had to buy tickets twice and they had to pay again between Rs. 132,000 to Rs.162,300 for buy tickets to migrate to Korea. Also sum of Rs. 299,700 of four migrant workers whose visas were denied was not refunded.</p>	<p>Steps have been taken so far to formalize this programme</p>	<p>Actions should be taken to re-examined the progress of the process of refunding air tickets canceled for various reasons during the past period and the necessary actions should be taken to get refunded the money that need to be further refunded by the relevant ticketing agencies.</p>
<p>(b) In the year 2019, The Bureau had interviewed 963 candidates for 25 Management Assistant posts and 659 candidates for 25 office assistant posts that is above 30 times of the vacancies by 3 interview boards for 13 days, from the applications obtained through an advertisement published on its website. Sum of Rs. 585,750 had been paid by increasing the allowance up to Rs.4000 and Rs.1000 instead of the pre-decided amount of Rs. 2,000 and Rs.650 for the interview board and for supporting staff respectively without having a formal approval.</p>	<p>All candidates who have qualified according to the recruitment scheme were called for interviews after considering their qualifications and the relevant payments were made with the approval of the Chairman of the Bureau</p>	<p>As per the provisions of the Establishments Code, action should be taken to select limited number of candidates from most suitable candidates for the vacant posts on formal base and called for the interviews and formal approval should be obtained to increase allowances for the interview boards.</p>

- (c) Amount of Rs. 2,882,375 of Bureau money had been paid to obtain legal service in two cases filed by a Bureau officers who were not satisfied with the appointments made as per the recommendations of a committee appointed to examine the recruitment, promotions and confirmations of the Bureau in the year 2016. It was revealed in the sample audit test, 04 officers out of 09 officers who were given promotions on the recommendations of the above committee had not been qualified for the promoted posts. The chairman of the above said committee had been accepted that inability to include about the grievances of the officers who had filed the above cases to his recommendations was his mistake.
- An officer has been appointed to conduct a preliminary inquiry to ascertain the correct information regarding the irregularities that have taken place while giving the promotion to the Bureau officers
- Necessary disciplinary action should be taken regarding the officers who worked as negligently, since it is observed that this uneconomical cost for legal fees had been incurred as a result of the negligence of the committee appointed for this purpose.

3.3 Transactions of contentious nature

The following observations are made.

Audit Observation -----	Management Comment -----	Recommendation -----
<p>(a) An officer who were appointed as a Director of the Bureau from January 2020 had been appointed as the Acting Director of the Bureau contradicting to the Presidential Circular No. PS / SP / circular / 02/2020 and dated 13th January 2020 with effect from that date and also re-appointed as the Deputy Chairman of the Bureau in contradicting to the Sections 11 (1) and 14 (3) of the Bureau Act from 2 March 2020 and from November 2020 re-appointed as the Director (Administration) on full time by the Minister in charge of the subject and was been working until 17 December 2021 of the audited date.</p> <p>The Secretary to the President had informed to take actions to cancel those appointments immediately as those are not legal. And also, The Attorney General's Department had informed that this appointment could not be considered as an appointment under section 14 (3) of the Act and that the appointment of an existing member of the</p>	<p>The Bureau should provide all necessary facilities to the officers who are appointed as per the powers vested to the Minister. This Officer had been appointed in accordance with the powers vested to the Minister in charge of the subject as per the Sections 11 (1) and 14 (3) of the Act, to assist the Chairman in carrying out the administration of the Bureau efficiently. The approval of the Board of Directors had been given for that. This officer has gone abroad on the request of the marketing division to sign agreements with the Government of Israel. However, as this appointment has been done by the Minister, cancellation also should be</p>	<p>Action should be taken to recruit qualified officers as per the scheme of Recruitment according to a formal procedure only for approved and vacant posts for the Bureau</p>

Board would be reason for complicit of interest. In addition, amount of Rs. 450,197 spent for official foreign tour and salaries and allowances of Rs. 1,208,545 as well as transport facilities were provided for this officer from Bureau Fund.

- (b) An officer who employed as a General Assistant had been **interdicted** due to a financial irregularity of purchase of air tickets for Korean employees on 10 January 2019. The relevant disciplinary inquiry had not been completed within the stipulated time as per Section 13.2 of part 11 of the Establishments Code and without any investigation and disciplinary action the relevant officer **reinstated** in service from 16 July 2020. However, management had taken action to close the air ticket purchasing unit after this incident
- An internal audit has been completed in this regard. Actions had been taken to issue charge sheets to the accused officers based on that investigation report and action had been taken to call for explanations from other officers
- The disciplinary inquiries into this incident should be completed quickly and the necessary disciplinary action should be taken. Also immediate action should be taken to streamline the disciplinary action process of the Bureau
- (c) According to the facts which have been disclosed while checking the on current situations with regarding the sample audit test and other investigations were carried out in connection with 20 cases of misconduct which have been recorded as involved by the officers of the Bureau, no disciplinary action could be taken against the accused officers due to delay in disciplinary proceedings in 7 cases, Those responsible for the six incidents could not be identified. Although the officers who received the charge sheets in connection with other six cases have been acquitted in the formal inquiries, the real culprits had not been identified. An officer who was found guilty during the formal disciplinary inquiry in one case was acquitted and released, Also the total amount of money reported to have been misused in relation to the above 12 cases was Rs. 61,130,337 and those responsible had not been identified
- An updated summary report including the action taken on all the incidents mentioned in the Auditor General's Department Report on Financial Irregularities in the Sri Lanka Bureau of Foreign Employment during the period 2012 and 2014 has been submitted for audit.
- Necessary actions should be taken to maintain proper financial and administrative discipline in the institution by streamlining the disciplinary process of the Bureau

3.4 Inactive or underutilized property plant and equipment

Audit Observation	Management Comment	Recommendation
The land which had been taken on lease for 50 years at a value of Rs. 52 million and another Rs. 1,146,095 had been spent was idle for six years without being used for any useful purpose and also it did not have a written agreement.	The Urban Development Authority has been informed in writing to prepare the lease agreement and forward it for further action. Since the government has informed to write off the non-essential expenditure and less priority expenditure, necessary action is being taken to obtain an approval for construct a pre-set building in this land	Proper programme should be implemented to utilize this property efficiently

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation	Management Comment	Recommendation
Even though the financial statements should be submitted to the Auditor General within 60 days of the end of the financial year, as per Section 6.5.1 of Public Enterprise Circular No. PED / 12 of 02 June 2003 and Treasury Circular No. 01/2004 of 24 February 2004, the Company had delayed the submission of financial statements for the year under review by 116 days until 15 July 2020	The financial statements could not be submitted on due date to the Auditor General as planned due to the pandemic situation occurred in the year 2020.	Action should be done to submit the financial statements before the due date as per the circular provisions.