

Sri Lanka Foreign Employment Agency Company - 2019

1.1 Qualified Opinion

The audit of the financial statements of Sri Lanka Foreign Employment Agency Company for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income, 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. 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 Company as at 31 December 2019 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 Company'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 Company or to cease operations, or has no realistic alternative to do so.

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

As per Section 16(1) of the National Audit Act No.19 of 2018, the Company 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 Company.

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 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 Company'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 Company'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 Company 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 Company, and

whether such systems, procedures, books, records, and other documents are in effective operation;

- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company;
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the Company 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

Non- compliance	Management Comment	Recommendation
(a) Even though the impact on the change in an accounting estimate in terms of paragraph 37 of Sri Lanka Accounting Standards 08 should be identified prospectively, under provision of Audit Fee amounted to Rs. 314,527 and over provision of Director's Fee amounted to Rs 46,800 had been adjusted against the previous year's profit instead to adjusting to the profit of the year under review.	The valuation was done in the year 2020 and will be submitted in next year along with the relevant new valuations.	Financial statements should be prepared in accordance with Sri Lanka Accounting Standards.
(b) Due to non-review of residual value and useful life at least at the end of each financial year as per the paragraph 51 of Sri Lanka Accounting Standards 16,the carrying total value of two types of assets under further in use amounted to Rs.18,141,754was shown as zero in the financial statements.	Will be corrected and submitted in next year.	Financial statements should be prepared in accordance with Sri Lanka Accounting Standards.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

The following observation is made

Audit Observation	Management Comment	Recommendation
As per the financial statement of the Company, Management had not paid attention to recover the total receivable amounted to Rs. 8,042,054 due for the period from 2018 to 2020.	Remaining receivable balance as on 31 October 2020 from the Sri Lanka Bureau of Foreign Employment including commission was Rs. 907,725 only and other balances will be referred to the Board of Directors meeting in 2020 after confirmation of the relevant balances and action will be taken accordingly.	Immediate action should be taken to recover this amount which has been mentioned as balance due for a long time.

1.6.2 Payables

The following observation is made.

Audit Observation	Management Comment	Recommendation
A total sum of Rs.53,918,359 balance shown in the trade and other payable expenses in the Financial Position Statement. had not been settled for a long time.	This will be referred to the Board of Directors meeting after confirmation of other creditors and accrued expenditure balances in the year 2020 and action will be taken accordingly. The reason for the delay in death compensation is that the Foreign Employment Bureau has not yet been able to submit the list of legal compensation recipients. Payment will be made as soon as the name list of the recommended beneficiaries to be paid is received. Payment will be made as soon as the name list of the recommended beneficiaries to be paid is received. No any worker has yet applied for a visa refund and the payment can be made as soon as the request is made.	Prompt action should be taken to settle the balance due.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs. 3,015,782 and the corresponding surplus in the preceding year amounted to a Rs.6,648,782. Accordingly, a deterioration amounting to Rs. 9,664,564 of the financial result was observed. Decrease in revenue from service supply had been the main reasons for this deterioration.

2.2 Trend Analysis of major Income and Expenditure Items

Forty six point eighty three per cent of the total income of the Company had been the interest earned by Fixed Deposits Investments and the income earned by commercial activities had been decreased by a sum of Rs.12.39 million as compared with the preceding year. Out of the total operational income amounting to Rs.22,696,922, a sum of Rs.15,635,790 or 68.8 per cent had been spent for employee cost.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation

In line with the agreement reached between the Foreign Employment Agency and the International Relations Organization in 2018, the program of Expatriation of technical trainees to Japan was started and the agreement stated that the company would receive a monthly fee of 5,000 Yen as administrative expenses for each trainee sent abroad. However, action had not been taken to obtain the money from the 12 trainees who had been sent overseas by 30 July 2020, as per the agreement even by 08 September 2020. Contrary to the terms of the above agreement, the company had recovered Rs. 2,692,956, Rs. 224,413 each from 12 trainees.

Management Comment

The Board of Directors approval had been obtained to charge a sum of Rs. 250,000 as recruitment expenses from each expatriate to the company. Also, the approval had been taken that Rs. 278,885 can be charged for one person from the First Approval Division of the Foreign Employment Bureau. On 28 September 2020, the relevant institute had paid to our company a sum of Yen 205,000, Yen 5,000 for each person gone overseas.

Recommendation

According to the agreement of the program, administrative fees should not be charged from the workers due to that the relevant foreign institutions have agreed to pay for the administrative expenses of the technical trainees going overseas. Accordingly, action should be taken to rectify this error and to reimburse the money recovered from the trainees who went abroad, in violation of the agreement.

3.2 Operational Inefficiencies

Audit Observation

(a) The company received 4106 job opportunities under 22 job orders from 10 countries in 2018 and 2019. Out of these 18 job orders received directly to the company, valid for 02 years, for 2568 job opportunities but only 43 workers or 1.67 percent of the orders had referred even the date of the of 31 August 2020. However, out of

Management Comment

The status of each job order approved by the Foreign Employment Company during 2018 and 2019 and issues related thereon had been reported.

Recommendation

The company should establish an expeditious and efficient system of selecting suitable workers for job orders received by the company and directing them to job opportunities. Also, the company should examine the matters relation to the reasons for not sending

1528 job opportunities related to the 4 job orders submitted to the company by outside parties, 366 workers or 23 per cent were referred for jobs.

workers for job orders received so far.

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| <p>(b) Operating income for the year under review had decreased by Rs.12,392,320 or 51 percent compared to the previous year. Although the total investment of the company was Rs. 99,047,029, it was observed that its financial condition was not satisfactory as there was outstanding expenses of Rs.53,918,359 and had deficit of Rs. 2,909,762 of the year under review.</p> | <p>Necessary Plans have been prepared to expand the business next year and make the company profitable.</p> | <p>A well planned program should be in place to achieve the company's objectives and goals.</p> |
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3.3 Human Resources Management

Audit Observation

Management Comment

Recommendation

 Officers of the Sri Lanka Foreign Employment Bureau had appointed on an acting basis without appointing permanent staff to 03 key management positions, including the post of General Manager of the company.

 The reason for not appointing a permanent staff is that the financial situation of the company has not enough strengthened to provide salaries and other allowances for the recruitment to the relevant posts and as the company is a subsidiary under the Foreign Employment Bureau and the Bureau has appointed qualified and experienced officers by its top management. However, actions being taken to recruit a permanent officer for the post of General Manager at present.

 Management should focus attention to the facts that the company has become a loss-making company without fulfilling the objective expected by the government by establishing the company and arrangements should be made to recruit qualified staff in accordance with the recruitment procedure.

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 from 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 until 19 August 2020

Financial statements of next year are scheduled to be submitted by the due date.

Arrangements should be made to submit financial statements on the due date.

4.2 Annual Action Plan

Audit Observation

Management Comment

Recommendation

Activities included in the 2019 Action Plan to enhance the company's performance such as Job hunts by sub-agents in foreign countries, Promotion of employment opportunities by labour welfare officers in foreign countries and Development of Internal Employment Bank etc. had not been carried out by the Company.

Attention had been focused on getting job opportunities. Although the Foreign Workers' Welfare Divisions were informed both in writing and orally, received only vacancies for housemaids only. Attempts were made to update the Internal Employment Bank but were unable to meet the demands made in various years due to the remaining financial crisis.

Management should take action to implement the programs included in the annual action plan.