

Welfare Benefits Board – 2017

The audit of financial statements of the Welfare Benefits Board for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the expenditure statement 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 read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 18 (3) of the Welfare Benefits Act, No. 24 of 2002. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2)(c) of the Finance Act, appear in this report .

1.2 Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management 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 consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). 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 the 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 Board’s preparation and fair presentation of the 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 Board’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. Sub-sections (3) and (4) of the Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

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

1.4 Establishment of the Board

The Welfare Benefits Act, No.24 of 2002 had been enacted with effect from 15 February 2016 by the Gazette Extraordinary No.1952/22 of 02 February 2016. Accordingly, in terms of Section 3 of the Act, the Welfare Benefits Board had been established in July 2016 for the purposes of this Act, charged with the administration of this Act and the exercise, performance and discharge of the powers, duties and functions assigned to or conferred on the Board. Moreover, in terms of 4(a) of the Act, the Board consists of the Commissioner of Welfare Benefits, appointed as the Chairman of the **Board of Control** and the four members appointed by the Cabinet of Ministers.

1.5 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Welfare Benefits Board as at 31 December 2017 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 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard 1

In terms of the Standard, a statement of financial performance should be prepared by including all income and expenditure recognized during the period. However, the Board had prepared an expenditure statement by including only expenditure.

(b) Sri Lanka Accounting Standard 16

In terms of paragraph 55 of the Standard, depreciation of an asset begins when it is available for use. However, assets costing Rs.4,584,793 granted by the Ministry had not been depreciated.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Even though the fixed assets valued at Rs.4,584,793 obtained under the Object of the Ministry of Finance and Mass Media in the year 2017 and according to the financial statements presented relating to the year 2017 had been shown as assets in the statement of financial position, the said value had not been shown separately as a capital reserve.
- (b) A sum totalling Rs.3,253,743 received and receivable for recurrent expenditure during the year under review had been included erroneously in the statement of financial position under financing and added to assets considering as a capital expenditure instead of accounting as income.

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

A statement of responsibility indicating the responsibility of preparation and presentation of financial statements in terms of Public Enterprises Circular No. PED/45 of 02 October 2017, had not been included in the financial statements.

3. Operating Review

3.1 Performance

The Welfare Benefits Board had been established in terms of Welfare Benefits Act, No. 24 of 2002 to set out a transparent selection process by which the recipients of such benefits can be identified; to provide for the termination of such benefits; and to provide for matters connected therewith or incidental thereto. However, according to the Action Plan prepared relating to the year 2017 for the performance of the above functions, the Board had failed to perform the following functions mentioned therein.

- (a) According to the Welfare Benefits Act, a survey should be conducted on the examination of the method of selecting recipients for improving criteria of selecting recipients and a report submitted thereon. Nevertheless, the said final report on survey had not been prepared even by the end of the year under review.

However, the Chairman had informed the Audit that obtaining the final report on survey during the year 2017 was delayed due the postponement of the survey as a result of the setting of Local Government Elections which took place in the country and the delay in obtaining survey samples from the Department of Census and Statistics.

- (b) According to the Welfare Benefits Act, the Welfare Benefits Board had entered into a Memorandum of Understanding on 28 September 2016 with the Information and Communication Technology Agency (ICTA) in collaboration with the Ministry of Social Empowerment and Welfare for developing a fully integrated electronic data storage system for all welfare programmes which should be managed by the Welfare Benefits Board. However, the activities relating to the development of the relevant storage system had not been completed even by the end of the year under review.

The Chairman had informed the Audit that the Information and Communication Technology Agency (ICTA) had been assigned with the development of the Integrated Welfare **benefits** Management System (IWMS) and the said assignment had been handed over to two other external institutions by that institute, even though this project should be commenced in October 2017 and completed in 8 months by May 2018 and handed over to the Board, the relevant period had not been included in the agreement and that the Information and Communication Technology Agency (ICTA) had failed to complete the Integrated Welfare **benefits** Management System (IWMS) fully during the year 2017 and to hand over welfare benefits to the Board.

3.2 Underutilization of Funds

Estimated provisions totalling Rs.22,700,000 comprising of Rs.20,100,000 as recurrent expenditure and Rs.2,600,000 as capital expenditure of the Board had been made for the year under review under the Object of the Ministry of Finance and Mass Media. Out of this estimated provision, only a sum totalling Rs.4,061,645 comprising of Rs.3,241,645 for recurrent expenditure and Rs.820,000 for capital expenditure after deducting a sum totalling Rs.13,000,000 in 03 instances of the recurrent provision had been utilized in terms of Financial Regulation 66. As such, the entire financial performance of the estimated provisions of the Board during the year under review had been only Rs.4,061,645 or 18 per cent.

The failure in the rise of requirement of full recruitment of the staff on the delay of developing the Integrated Welfare Management System, which is the key function of the Welfare Board and the Board had been operated in the Ministry of Finance in the year 2017 as well. As such, failure in spending capital expenditure had resulted in underutilization of funds and as such, the Chairman of the Board had informed the Audit that a part of underutilized provisions of the Board had been transferred to the Ministry of Finance through Financial Regulation 66.