

## **Welfare Benefits Board – 2016**

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The audit of the Financial Statements of the Welfare Benefits Board for the 06 months ended 31 December 2016, comprising the statement of financial position as at 31 December 2016 and statement of Expenditure for the 06 months ended as at that date cash flow statement 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 No.13(1) of the Finance Act, No.38 of 1971 and the section No.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 Financial Act appear in this report.

### **1.2 Management's Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of the 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 Auditors' Responsibility**

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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 judgment, 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 Corporation'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 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 Establish of the Board**

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Welfare Benefits Act No.24 of 2002 had empowered since 15 February 2016 by the extra ordinary gazette No.1952/22 dated 02 February 2016. Therefore Welfare Benefits Board had been established in the month of July 2016, to fulfill the implementation of the task for the activities of the Act, administration of the Act and allocated or assigned powers by the Act for the Board. Further the commissioner of the Welfare Benefits Board will be appoint as the Chairman of the Director Board and Director Board has consist with other four members appointed by the Cabinet.

#### **1.5 Basis for Qualified Opinion**

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

### **2. Financial Statements**

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#### **2.1 Qualified Opinion**

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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 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**

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##### **2.2.1 Sri Lanka Accounting Standards**

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Following observations are made.

(a) Sri Lank Accounting Standard 01

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Although financial performance statement should be prepared including the all income and expenditure identified in the period as per the standard, the expenditure statement had been prepared by the Board including only expenditure.

(b) Sri Lank Accounting Standard 16

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Depreciation of an assets should begins when it is available for use after bring into position of preparation, the assets costing to Rs.3,773,670 which were given by the Ministry had not been depreciated as per the paragraph 55 of the standard.

### 2.2.2 Accounting Deficiencies

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Imprest amounting to Rs.899,051 received from the Ministry of Finance and Mass Media for the recurrent expenditure during the year under review had been accounted as capital grants the recurrent expenditure made out of that had been added to the assets as capital expenditure. Therefore total assets and total liabilities had been overstated by that amount.

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

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The following Non-compliances were observed.

<b>Reference to Laws, Rules and Regulations and Management Decisions etc.</b>	<b>Non-compliance</b>
(a) Treasury Circular No. IAI/2002/02 dated 28 November 2002	A fixed assets register for computers, accessories and software had not been maintained.
(b) Public Finance Circular No. PED/45 dated 02 October 2007.	A statement that the responsibility of preparing and furnishing of financial statements had not been furnished with the financial statements.

### 3. Operating Review

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#### 3.1 Performance

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##### 3.1.1 Activity and Review

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Welfare Benefits Board had been established for arrangement of provision in connection with to create a transparent nature selection procedure to identify the beneficiaries as per the Welfare Benefits Act No.24 of 2002, provision made for arrangement for close that benefits and relating to that or in connection with incidental matters. However according to the Action Plan which was prepared for the year 2016 to fulfil the above objects the Board had failed to fulfil the following activities.

- (a) Preparation of operational hand book to fulfil the financial and management activities of the Welfare Benefits Board

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The Chairman of the Board had informed to audit in connection with financial and management activities of the Welfare and Benefits Board to use as a guide Government Establishment code and financial regulations hand book at the meeting of the Welfare Benefits Board held on 07 December 2016 in the reason of it may be get considerable time to prepare the "Operational Hand Book" it identical for the Welfare Benefits Board.

- (b) Preparation of a strategic paper identify its weakness could able to create a selection process to identify the suitable persons who receive the welfare benefits with suitable criteria for the preparation of a Welfare Benefits Scheme to carried out a survey about efficiency of the existing welfare system.

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The Chairman of the Board had informed to audit the officers of the Welfare Benefits Board and Social Protection Net Project work done initially to survey about efficiency of the existing welfare systems as small sampling basis after that it had converted to conduct as wide sampling basis by the World Bank its own expenses that work had been hand over by the world bank to the Institute of Price Water Cooper.

### **3.2 Underutilization of Funds**

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It had been stated that the welfare Benefits Act No.24 of 2002 should be implemented from 15 February 2016 by the Government extra ordinary gazette No.1952/22 dated 02 February 2016. Therefore to implement that act Welfare Benefits Board had established in the month of July 2016 and expenses for the recurrent and capital of the Board for the year 2016 sums of Rs.6,850,560 and Rs.400,000 respectively totalling to Rs.7,250,560 in the supplementary estimates had been created but only a sum of Rs. 899,051 had been utilized for recurrent expenditure. The Board had informed this situation was occurred. That the Board has establish in the Ministry on temporary basis.

## **4. Accountability and Good Governance**

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### **4.1 Presentation of Financial Statements**

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In terms of paragraph 6.5.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003 the financial statements should be presented to Auditor General withing 60 days after the closure of the year of accounts but financial statements of the Board had presented on 09 November 2018 after delay of 1 year and 08 months.