

Welfare Benefits Board - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Welfare Benefits Board for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in net assets 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 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 matters described in Section 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in Section 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 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 Public Sector Accounting Standards, and for such internal control as management determine 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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Audit Scope

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 on 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design 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. 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 audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board'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. However, future events or conditions may cause the Fund 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 organization, 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 Board, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to its powers, functions and duties;
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
(a) The amount of Rs. 78,115,000, which was banked on the decision to make payment of Aswesuma Benefits but transferred back due to technical reasons, had not been accounted for as a liability; instead, it had been reduced in the expenses of the relevant time period.	During the payment of Aswesuma Benefits, benefit allowances are banked through the SLIPS system. In this case, a method will be followed to pay the outstanding amounts to beneficiaries after obtaining imprests by converting the funds returned due to account errors into surcharges. Therefore, these outstanding payments have not been disclosed as a liability in the financial statements. Furthermore, these payments are made on a cash basis, and as a significant task conducted through this Board, a note on those expenses was included in the financial statements of the Welfare Benefit Board as an awareness-raising measure. I kindly inform you that it has been noted to include further detailed information regarding this matter in the financial statements in the future.	Expenses related to the accounting period should be disclosed in the financial statements.
(b) Only Rs. 16,607,288 had been accounted for without identifying all assets taken over from the Social Security Network Project during year under review. No depreciation was allocated for these assets during the year under review.	Following the completion of the Social Safety Network Project, the assets were transferred to this Board on 30 June 2023. However, information regarding the purchases necessary for the proper depreciation, identifying the purchase duration and values, had not been submitted to the Welfare Board. It is kindly noted that all assets will be revalued and proper depreciation will be carried out in the year 2024.	Effort should be made to properly identify and account for the assets.

1.6 Non-compliance with laws, Rules, regulations, and management decisions.

Reference to laws, Rules, regulations etc.	Audit Observation	Comment of the Management	Recommendation
(a) Guideline 5.2 of the Public Enterprise Circular No. 01/2021, dated 16 November 2021	In the preparation of the Action Plan, basic elements to be included therein such as the timeline, the parties responsible for each task, and the performance indicators related to the final outputs of the tasks had not been included.	The action plan for 2024 has been prepared by rectifying the shortcomings highlighted in the 2023 action plan by the audit.	Actions should be taken in accordance with the instructions in the Public Enterprise Circulars.
(b) Section 04 of the Budget Circular No. 01/2023, dated 27 January 2023	Although provisions equal to at least 6% should have been saved after reducing salaries and wages from the provisions made under Object No. 1503 and from the provisions made under Object No. 1509, this had not been so done, and the percentage of the total savings was 0.4%.	Since the payments to the beneficiaries of the Aswesuma programme are made through the SLIPS system, a significant amount had to be incurred under Object No. 1509 to obtain Cloud space for SLIPS Charges and Server Solutions. The lack of adequate provisions for this process contributed to the above situation. Therefore, steps have been taken to cover these expenses from the Aswesuma administrative expenses from the year 2024.	Actions should be taken in accordance with the instructions in the Budget Circulars.

2. Financial Review

2.1 Financial Results

The operational result for the year under review showed a deficit of Rs. 20,751,771, as against the surplus for the previous year was Rs. 256,799. Accordingly, a decrease of Rs. 21,008,570 was observed in the financial results. This decrease was primarily attributed to an increase in operating costs.

3. Operating Review
3.1 Operating Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) Although Rs. 167,588,344 had been expended for the appeal process, including Rs. 33,983,216 for the District Secretariats and Rs. 133,605,128 for the Divisional Secretariats in 25 districts, the process remained incomplete even as of 31 December 2023, with a performance level being 30%.	The delay in concluding the appeals and objections process was influenced by issues regarding the staff that should be appointed to those boards and challenges in developing the information system. It is kindly indicated that, due to the progress made in system development activities, it is possible to achieve performance improvements this year without any delays.	The appeals process should be completed without delay.
(b) The progress report necessary to assess the development of the information system and the Aswesuma programme had not been prepared in a timely manner.	As of now, the progress report for the year 2023 has been prepared, and translation activities into English and Tamil are currently underway.	Steps should be taken to ensure the timely submission of the progress report.
(c) Although four actions had been established to acquire a quality Integrated Welfare Management System to implement the Aswesuma Programme, the development activities of the system are still ongoing; therefore, as of 31 December 2023, a quality developed system had not been established, resulting in a loss of benefits for the eligible beneficiaries under the Aswesuma programme.	All existing deficiencies and weaknesses of the IWMS system have been identified, and all possible actions have been taken to address these deficiencies. I would like to state that all necessary facilities and support are being provided to this Board through the Social Protection Project (SPP) under World Bank assistance.	A system necessary to obtain quality information should be established promptly.

3.2 Matters of Disputable Nature

Audit Observation	Comment of the Management	Recommendation
(a) Beneficiaries for the Aswesuma programme had been selected based on the 2019 indices of the Department of Census and Statistics. However, it was observed that some indices differed from the original, and the basis for applying those indices was not revealed in the audit.	Detailed information regarding the basis for the selection of beneficiaries has been clearly explained to the Ministry of Finance, Economic Stabilization, and National Policies.	Appropriate criteria must be established and followed for the selection of Aswesuma beneficiaries.
(b) Although the monthly expenditure per person for the year 2019 was set at Rs. 6,999, the quantitative measurements regarding income and expenditure had not been specified according to the published Gazette notification.	Not commented.	The measurements of selected criteria should be published through a Gazette notification.
(c) The year 2019 had been used as the base year for selecting welfare beneficiaries. However, despite the inflation rate, which has a direct impact on beneficiary selection, being as low as 3.53% in 2019, it had significantly increased in 2020, 2021, 2022, and 2023 to 6.15%, 7.01%, 49.72%, and 67.4%, respectively. As a result, it is observed that the chronological applicability and current context for determining the threshold value are not consistent.	These points have been identified, and accordingly, steps will be taken to determine the threshold value in the future based on the current relevant inflation rate, considering household income and expenses.	A year of expenditure should be selected in timely manner for the establishment of the criteria.
(d) There was no organized oversight conducted by Monitoring Board to ensure the completion of the beneficiary selection and grant disbursement within the prescribed timeframe.	The absence of sufficient staff led to delays in the approval of information, resulting in a postponement of staff recruitment. Although temporary officials from the public service were assigned to carry out tasks, an adequate number of officers were not appointed. The withdrawal of all field officers in the Divisional Secretariats from relevant duties	The selection of beneficiaries and making payments should be completed within the specified timeframe.

due to trade union actions has caused delays in the implementation of these activities. With the implementation of the Aswesuma Programme, public protests have disrupted the operations of Divisional Secretariats across the country, resulting in delays. The lack of support from field officers, such as Grama Niladharees, has led to repeated temporary suspensions of duties by Divisional Secretaries. Furthermore, the absence of an officer for verifying information at the rural level, (due to their withdrawal from duties related to trade union actions), has made it challenging for selection committees and appeals committees to expedite these processes.

- (e) A total of Rs. 78,115,000 in Aswesuma benefits directed to beneficiaries had been returned due to various reasons by 31 December 2023, and the necessary corrections were not made and those benefits were not distributed as at 31 December 2023. As a result, the primary objective of establishing the welfare benefit programme to provide assistance to the groups eligible for welfare benefits and social security until the economic crisis subsides had not been successfully achieved.
- Actions have been taken to disburse the allocated provisions under the welfare programme for eligible families. However, various factors, including some beneficiaries not opening accounts and the presence of dual identification among recipients, have resulted in the payments being on hold. Steps will be taken to make these overdue payments in 2024.
- Benefits should be provided in a timely manner.

3.3 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
Out of a total of 36 approved posts of the Board, there were vacancies for 28, accounting for 78% of the total, including 12 senior-level positions, which is 75% of the approved number of senior positions, and 15 secondary-level positions, representing 94% of the approved number of secondary positions. No actions had been taken by the Board either to fill the vacant positions or to suppress unnecessary positions following a staff review.	At present, the Social Welfare Benefits Board has taken measures to fill the vacant posts and to suppress unnecessary positions.	Actions should be taken to carry out recruitments or make necessary revisions to ensure the maintenance of a sufficient staff.