

Annual Report - 2017



Welfare Benefits Board

Ministry of Economic Policies and Plan

Implementation

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Acronyms

- WBB – Welfare Benefits Board
- WB Act – Welfare Benefits Act No 24 of 2002 of the Democratic Republic of Sri Lanka
- WB – World Bank
- DMS – Department of Management Services
- SSNP – Social Safety Nets Project
- PMU – Project Management Unit of the Ministry of Finance
- ITC – Information Communication Technology
- IWMS – Integrated Welfare Management System
- SRIS – Social Registry Information System
- WBS – Welfare Benefit Scheme
- ICTA – Information Communication Technology Agency
- SRU – Social Registry Unit

Introduction

This report presents performance of the Welfare Benefits Board in two parts. The Part One will cover the period from the Board inception in July 2016 to 31st December 2016. This period is primarily meant for setting up of its office and preparation of its activities to be carried out in the following years. Part Two is meant for the financial year 2017. Since there were few activities during the period of 2016 it was intended to incorporate that section to the Annual Report for 2017.

Welfare Benefits Board (WBB) was established in July 2016 in terms of Section 3 of Welfare Benefits Act No. 24 of 2002, which came into operation again on 15 February 2016 under the Extraordinary Gazette Notification No. 1952/22 of 02nd February 2016 of the Democratic Socialist Republic of Sri Lanka. The Board comprises Chairman and four members who are appointed in July 2016 for a three-year term by the Minister in charge of the subject of finance in consultation with the Constitutional Council as per Section 2 of WB Act.

The main objectives of the Act will be as follows.

- To provide the legal framework for the payment of all welfare benefits.
- To set out a transparent process for identification the recipients of benefits.
- Provisions for termination of such benefits.

The Act also empowers WBB to perform the following main functions for the realization of the aforesaid objects;

- To exercise, perform and discharge powers, duties and functions conferred on or assigned to it, by the Act.
- To delegate powers to any of District Secretary, Divisional Secretary or Grama Niladhari or public officer any power, duty or function vested in the Board.
- Establishment of Welfare Benefit Schemes.
- Develop the criteria for eligibility.
- Specify the financial allocation in terms of a Scheme.
- Specify the date of commencement of the Scheme.
- Specify the financial or other benefits to be granted.
- State the period for which persons are entitled to receive benefits.

Part One: Performance from July to 31st December 2016.

01. Establishment of the Welfare Benefits Board

WBB Office

The immediate action taken by the Board was the establishment its office at the new wing of the Ministry of Finance with a small cadre to commence work. The cadre requirement was identified and approval of the Department of Management Services (DMS) was obtained without delay. The staff comprises two Deputy Commissioners, an Accountant, a Development Officer, a Management Assistant, a Driver and two Office Assistants (KKSs). Chairman of the Board is Ex-officio commissioner who is also the chief executive officer. It was decided to have a skeleton staff at the outset due to two reasons. One is to recruit additional staff when the workload of WBB increases. The other reason is that there is a World Bank funded Social Safety Nets Project (SSNP) to support to build and strengthen the capacity of WBB. The Ministry of Finance provided all the support to commence work immediately with provision of office space and required furniture, allocating financial resources and also lending few staff members.

Action was taken twice to recruit two deputy commissioners and two newspaper advertisements were published in the weekend newspapers calling for applications from qualified persons. Unfortunately, not a single application with required qualifications was received presumably due to poor salary scale for the position. This situation compelled the Commissioner to carry out the function of the Board with support from the SSNP staff and the acting Senior Assistant Secretary of the Ministry of Finance. Their support was immensely helpful in identifying requirements for the process of developing the Social Registry Information System (SRIS) that the task was entrusted with the Information Communication Technology Agency (ICTA). Identification and reviewing the Business Reengineering Process (BPR) was done with the involvement these officers and the senior officers of Ministry of Social Empowerment and Welfare and ICTA. The World Bank technical team, which visited the country from time to time also helped in this process with their input bringing international experience in integrated welfare management systems.

Board Meetings - 2016

The Board comprised the following.

- Mr. S. Ranugge - Chairman
- Mr. A.R. Desapriya - Member
- Mr. Sarath Edirisinghe - Member
- Mr. Tissa Nanayakkara - Member
- Mr. Sunil Hettiarachchi - Member

There were four Board meetings during this period. All five Board members were present at the first meeting and but Mr. Hettiarachchi excused all other meetings of the year.

02. Mission and its Environment

Mission

The mission of the Welfare Benefits Board was identified and developed in relation to meet the objectives of Act, the Social Safety Nets Project and emerging needs for reform of the Sri Lanka welfare sector. Thus, the Mission statement will be as follows.

"Develop and implement a coherent welfare benefits management system for all targeted benefits schemes ensuring transparency and equity in selecting beneficiaries".

Although WBB came in to being before the commencement of SSNP, its establishment is one of the requirements as per Project Appraisal Document (PAD) and a result, WBB had to align its plan to the objectives of SSNP. It is also observed that the Ministry of Finance had negotiated SSNP for some time and the need for setting up the WBB had been one of the requirements under SSNP and hence the Ministry was proactive to expedite work taking action to make the Welfare Benefits Act before the commencement of SSNP.

03. Social Safety Nets Project (SSNP)

The Social Safety Nets Project is a five-year project with a World Bank loan of 75 million US dollars commencing from 2017. A project Management Unit (PMU) was established in the Ministry of Finance in January 2017 with a view to supporting the social sector reforms as per the loan agreement. One of the main activities of SSNP is to support the welfare reform programs in line with the Welfare Benefits Act and use of Information Communication Technology (ICTA) for the effective delivery of social protection services to needy people. The project is to help the WBB to develop an efficient, effective and transparent welfare benefit delivery system in order to address the existing weaknesses of the service delivery system. It is reported that the existing welfare benefits systems, especially the Samurdhi Program, have several weaknesses such as non-eligible people have been receiving benefits (inclusion error) and eligible people are excluded from receiving benefits (exclusion error). Moreover, the method applied for selection of beneficiaries is bias, subjective and opaque and the beneficiaries have been in the program since its inception as there is no exit mechanism. The project is intended to address these issues with financial and technical support to the Welfare Benefits Board and other implementing agencies. The introduction of an Integrated Welfare Management System for welfare programs is one of the salient features of the welfare reform program. The project has been supporting WBB activities as per the Project Appraisal Document (PAD) of SSNP in developing an Integrated Social Registry Information System (SRIS), training of the officers of Management Information System Units (MIS) at the divisional Secretariats. In addition, each MIS unit of DS offices was equipped with laptop computers in 2017 and another computer is to be given later to strengthen it to carry out the functions under IWMS. The project has two committees; A Project Steering Committee (PSC) for policy guidance under the chairmanship of the secretary to the Treasury and a Project Technical Committee to assist the activities with technical support. WBB chairman and the staff serve on both committees.

04. Multi-stakeholders

For the successful implementation of WBB activities as envisaged in the WB Act and the PAD of SSNP the Board has to work in a multi-stakeholder environment. The multi-stakeholders include the Ministry of Finance, Ministry of Home Affairs, Ministry of Social Empowerment and Welfare, Ministry of Telecommunication and Digital Infrastructure, Department of Census and Statistics,

PMU of SSNP, Information Communication Technology Agency (ICTA) and Department of Samurdhi Development. These stakeholders play different roles in support of WBB functions. For example, District Secretaries and Divisional Secretaries come under the purview of the Ministry of Home Affairs and they are the implementation agencies for welfare programs at the district and divisional level. The Ministry of Home Affairs has helped WBB in identifying officials (two PMA officers) for each divisional secretariat to establish a MIS unit. The Department of Census and Statistics has engaged in providing technical assistance for selection of beneficiaries. ICTA is developing the electronic database (SRIS) with budgetary allocation from the Ministry of Finance. Success of the implementation of WBB programs is highly dependent on the commitment and active participation of all those stakeholders.

One day workshop was held on 09th Sept. 2016 at Sri Lanka Institute of development Administration with the participation of multi-stakeholders in order to review the existing criteria for selection of welfare beneficiaries and getting input for improvement them further. It was agreed to have another workshop on Proxy Means Testing (PMT) with technical support from the World Bank team.

05. Social Registry Information System (SRIS)

It is observed that all welfare programs are implemented at present manually or with partly use of IT by different government agencies. The Budget Estimates - 2017 stated that there are 30 such welfare programs which include programs for poverty alleviation, various kind of subsidies and assistance to people. The Samurdhi program is the largest welfare program of the country with a budgetary allocation of 43.95 billion rupees for the financial of 2017. Nearly 1.4 million families are in the beneficiary register. In addition to inclusion and exclusion errors mentioned above, difficulty in monitoring beneficiary payments, long waiting lists for benefits and lack of transparency in selection of beneficiaries prompted the Welfare benefits Board to introduce an Integrated Welfare Management System (IWMS) with a view to bringing all the welfare program to a single social registry.

The Social Registry Information System is one the main activities of SSNP that ICTA has undertaken to develop for the Welfare Benefits Board. ICTA has designed the system and action had been taken to procure a developer. ICTA has got the treasury allocation for development of the system and ICTA has awarded the contract to KPMG and Informatics International Services Ltd. For

42.4 million rupees. The project is to be completed in eight months commencing from October 2017 and handed over the final product to WBB but it was not a party to the award agreement.

06. Action Plan for - 2016 and Performance

Being a newly established entity, it is proposed to have a tentative action plan for the rest of the months of 2016. It is too early to predict the activities to be carried out as the Board needs certain clarifications in respect of the activities to be planned in relation to WBB Act and the World Bank Project on which details are given in the Annex. However, following actions are to be carried out to get the Board established it for the fourth-coming months.

| Item | Description | Time Frame | Progress |
|------|---|------------------------------------|--|
| 1 | Recruitment of core staff for WBB | July/August | Completed |
| 2 | Equip the office with furniture, telephones, internet, computers etc. | July and first two weeks of August | Completed |
| 3 | Draft operational manual/ guidelines for establishment and financial management | August December | Completed |
| 4 | Initial discussions with stakeholders to ascertain the salient aspect of WBS | August | Completed |
| 5 | Developing a strategy paper for wider consultation and Board approval | sept. 15 | Postponed to link to survey on efficiency of testing methods for WBS |
| 6 | Stakeholder discussions | September and Oct. | Series of discussions were held |
| 7 | Prepare a detailed Action Plan for W BB for the next five years | October, November | Incorporated to SSNP plan |
| 8 | Validation of the Plan and Board approval | December | Completed |

Table 1: Action Plan – 2016

Part Two: Performance January to 31st December 2017

This part presents the details on the activities planned and carried out during the year of 2017 with support from other stakeholders. An action planned was prepared and approved by the Board and implementation was successful to greater extend but there were few challenges.

Given below is the Action Plan for 2017.

07. Action Plan for 2017 and Performance

| No. | Main Activity | Timing/Target | Progress / Remark |
|-----|--|--|---|
| 1 | Operation Manual and Regulations under Welfare benefits Act. | Dec. 2016 - July 2017 Operation Manual for WBB work Regulations under the WB Act. | <ul style="list-style-type: none"> - TOR was developed in Dec. 2016. - Negotiated with WB. WB agreed to hire a consultant at its own cost. Hired a consultant. - Draft report was presented to WBB. |
| 2 | Social Registry Information System (SRIS) | sept. 2017 - March 2018 Fully Integrated electronic database for all welfare programs to be managed by WBB as per Welfare Benefits Act. ICA agreed to develop the system and hand it over to WBB. | <p>Requirements for SRIS were discussed with WB and others concerned and reviewed BPR. ICTA has procured the services of KPMG and Informatics venders) for development of software. SRIS is to be completed in three Iterations.</p> <p>Iteration One was completed at the end of 2017. The total cost was 42 million rupees directly paid to ICTA by the Ministry of Finance. The progress of the system development fortnightly monitored by WBB with SSNP.</p> |
| 3 | WB Loan Installments | 2017 - two loan installments as per WB PAD document. | <p>US \$ 2.5 M received on making W BB fully functional (DLI)</p> <p>US \$ 5.0 M to be received soon. Now verification of DL2 is being carried out by DPMM and money is expected to receive in the first quarter of 2018.</p> |

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| | | | |
|---|--|--|--|
| 4 | Survey on Testing Beneficiary Selection Methods | July - December 2017 Final report is to be hand over to WBB by the end of December 2017 to facilitate the development of welfare benefit schemes. | The survey is meant to help develop selection criteria as per WB Act. Initially, it was intended to do the survey by the Department of Census and Statistics but DG found it difficult to undertake work in 2017. Finally, WBB negotiated with the WB Team and it was agreed to hire a survey firm by WB and bear all expenses for the survey. It was expected to make the final survey report by the end of 2017 in order to develop selection criteria during the first quarter of 20 18. Now, there is a delay of getting the final report of survey due to; Delay in getting the survey samples by DCS and the survey was postponed till the end local government election. The survey report will be available to W BB by the end of march 2018. |
| 5 | Fully equipped Social Registry Unit (SRU) at WBB | June - Oct. 2017 SRU is fully functional | The unit was equipped with four IT professionals and necessary equipment. Met the target as planned. |
| 6 | MIS Units at Divisional Secretariats | June - August 20 1 7 A unit with two assigned officers (Mas) in each of 331 divisional secretariats. | Achieved the target with support from Ministry of Home Affairs and SSNP officials. One laptop for each MIS Unit was provided through ICTA. A one-day awareness programs were conducted for them covering all the divisional secretariats. |

Table 2: Action Plan - 2017

08. Social Registry Unit (SRU)

The above unit was established and four IT professionals were recruited on contract basis in October 2017. The SRU is administration cell of the SRIS which is linked to all the divisional secretariats. It is expected to manage the system with regard to beneficiary registration, selection, payment of benefits and monitoring and evaluation. Initially, the Unit is equipped with One system administrator, one software engineer and two IT executives. They helped in the development of the

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Social Registry in the progress review and also training of the officials of the MIS units of the divisional secretariats.

09. Workshops

Four workshops were held during the year 2017.

| No. | Purpose/Topic | Date/Duration | Place | Cost met by |
|------------|---|--|------------------------|------------------------|
| 1 | Proxy Means Testing methodology | 25 th and January 2017 | Galle Face Hotel | World Bank |
| 2 | Developing a common work plan for SSNP | 17 th February 2017 | Welfare benefits Board | Welfare Benefits Board |
| 3 | Social Safety Nets Implementation support | 22 nd and 23 rd March 2017 | Hotel Taj Samudra | SSNP |
| 4 | Presentation of the findings of the Baseline Survey by ICTA | 2017 | Welfare Benefits Board | Welfare benefit Board |

Table 3. Workshops

10. Progress Review of SRIS

ICTA has procured a firm for developing SRIS for WBB at a cost of RS 42,400,000/-. ICTA has appointed following Technical Committee for reviewing the progress of SRIS and resolve technical issues. The purpose of the Technical Committee is to monitor progress of SRIS as planned and finishes development within targeted date. The Technical Committee was chaired by the Chairman of WBB had members from SSNP, SRU, MOF and ICTA. Developers were there at the review meeting which usually met twice month at WBB office.

It was planned to complete the development of SRIS in three Iterations. Iteration One included completion of applicant registration and user management, which was to be delivered to Welfare Benefits Board by the end of the year. It was the requirement under PAD for disbursement five million US dollars. It was completed and submitted for verification by the Department of Project Monitoring and Management as per requirement of PAD.

11. Challenges

1 1.1 Recruitment of Staff with IT competency

Since WBB has planned to carry out its functions in a fully automated environment under the integrated welfare management system the need of managerial level staff is strongly felt and recruitment of them was a big challenge. An officer at senior level to assist the commissioner and coordinate and monitor the development of software for SRIS was required and thanks to the Ministry of Finance and Director General of the Department of Pension, the Board has been able to get the services of Mr K R Pathmapriya, Director in charge of pension payment (online). He was appointed as acting senior assistant secretary of the Ministry of Finance to assist the Board.

Another challenge that the Board faced was to staff the Social Registry Unit to operate SRIS. It was found that personnel with IT competency at graduate level could not be recruited with the government salary scale, which is less than one half of the market salary scale. Having convinced this difficulty to the department of Management Services approval for four IT graduates was obtained for two on contract basis at a monthly all-inclusive payment of RS 80,000/- for each. This problem may come up again when their term expires and when the need arises to recruit more IT personnel.

1 1.2 Incorporating Welfare Programs to SRIS

The main purpose of the reform program under IWMS is to bring all welfare programs gradually to into one system under WBB. At present, these programs are run by different agencies of the government and IWMS has started with the four programs of MoSEW. It was observed that MoSEW was keen to retain the Samurdhi program as standalone and there were instances where MoSEW has taken action, which are contradictory and also are damaging the common objective of WBB and SSNP. This is an issue to be addressed at the highest policy making level of the government.

1 1.3 Delay in meeting targets.

The multi-stakeholder nature of IWMS of which the tasks SRIS and Survey on Testing of Selection Methods) were undertaken by ICTA and the World Bank respectively could not meet the deadline for the delivery of final products to WBB hampering the progress of WBB planned activities. ICTA was expected to deliver Iteration One of SRIS by the end of the year. Although it was done hastily it was later found (by WBB) that that component was not up to the required standard. As a result, there was a delay in receiving the loan installment of five million from the World Bank. In terms of the performance of development of SRIS it would have very much better if the development of SRIS were directly procured by WBB with support from SSNP.

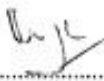
The final report of the survey on the testing of beneficiary selection method was to be delivered to WBB by the end of 2017. But the fieldwork could not be carried out in the planned time as the Department of Census and Statistics had to prepare the sample frame manually. Moreover, the fieldwork of the survey was postponed due to the local government election, which fell on during this period.

12. Financial Performance

Statement of Financial Performance

WELFARE BENEFIT BOARD
MINISTRY OF FINANCE & MASS MEDIA
Statement of Financial Position for the year ended 31st December 2017

| | Note | 2017 Rs. | 2016 Rs. |
|----------------------------|------|----------------------------|----------------------------|
| COMPONENT 01 | | | |
| Assets | 01 | 4,584,793.00 | 3,773,670.00 |
| Incremental Operating Cost | | <u>4,152,794.44</u> | <u>899,051.15</u> |
| | | <u>8,737,587.44</u> | <u>4,672,721.15</u> |
| FINANCED BY | | | |
| Government of Sri Lanka | | 8,734,366.43 | 4,672,721.15 |
| Accrued Expenses | 02 | <u>3,221.01</u> | |
| | | <u>8,737,587.44</u> | <u>4,672,721.15</u> |



Chairman
Welfare Benefit Board

S. RANUGGE
 Chairman / Commissioner
 Welfare Benefit Board
 Ministry of Finance
 1st Floor, New Building,
 Colombo 01.



Accountant

ACCOUNTANT
WELFARE BENEFIT BOARD

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2017

| | 2017 | |
|---|---------------------|------------|
| | Rs. | Cts |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Cash Receipt from GOSL | 4,061,645.28 | |
| Incremental Operating Cost | (3,253,743.29) | |
| <u>Adjustment for:</u> | | |
| Operating profit before working capital change | 807,901.99 | |
| (Increase)/Decrease in trade & other payable | 3,221.01 | |
| Net cash generated from operating activities | 811,123.00 | |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Property, Plant and Equipment | (811,123.00) | |
| Net cash (used in) investing activities | (811,123.00) | |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Lease Paid | - | |
| Net cash used in financing activities | - | |
| Net increase in Cash and Cash Equivalents during the Year | - | |
| Cash and Cash Equivalents at the Beginning of the Year | - | |
| Cash and Cash Equivalents at the End of the Year | - | |

Analysis of Cash and Cash Equivalents at the end of the Year

The Accounting Policies and Notes annexed form an integral part of these
Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

01. GENERAL

1.1 Welfare Benefits Board (WBB) was established in July 2016 in terms of Section 3 of Welfare Benefits Act No.24 of 2002, which into operation again on 15th February 2016 under the Extraordinary Gazette Notification No.1952/22 of the Democratic Socialist Republic of Sri Lanka.

1.2 The Board comprises Chairman and four members who are appointed in July 2016 for a three-year term by the minister in charge of the subject of finance in consultation with the Constitutional Council as per Section 2 of WBB Act.

1.3 Welfare Benefits Board is located at 1st floor New Building in the Ministry of Finance & Mass Media, the Secretariat, Colombo - 01.

1.4. Objectives of the Welfare Benefits Board

- The main objective to provide framework for the payment of all welfare benefits.
- To set out a transparent process for identification the recipients of benefits.
- Provisions for termination of such benefits.

The WBB Act also empowers WBB to perform the following main functions for the realization of the aforesaid objects,

- To exercise, perform and discharge powers, duties and functions conferred on or assigned to it by the Act.
- To delegate powers to any of District Secretary, Divisional secretary or Grama Niladhari or public Officer any power duty or function vested in the Board.
- Establishment of welfare Benefit schemes.
- Develop the criteria for eligibility
- Specify the financial allocation in terms of a Scheme
- Specify the date of commencement of the Scheme
- Specify the financial or other benefits to be granted
- State the period for which persons are entailed to receive benefits

1.5. Financial Statement

The WBB presents herewith the Financial Statements for the period ended 31st December 2017.

02. Basis of Preparation Financial Statement

The Financial Statements of Welfare Benefit Board comprise of the Comprehensive Statement of Financial position, Statement of Cash Flows, Statement of Expenditure, List of non – current Assets of the WBB, Notes to the Financial Statement. These Financial Statement are prepared in accordance with the Sri Lanka Accounting Standards and the financial regulation of the government.

2.1 Financial & Presentation Currency

The financial statements are presented in Sri Lanka Rupees.

2.2 Going Concern

WBB planned policies set out below have applies the going concern assumption which is an appropriate method to the Welfare Benefits.

2.3 The accounting policies set out below have been applied for preparing financial statements and WBB expects to apply it consistently to all three years' periods presented in these financial statements, unless stated otherwise.

- **Statement of Financial Position**

All office equipment is initially recorded at cost. The cost of equipment is the cost of acquisition with VAT incurred at the purchasing.

- **Statement of Expenditure**

- (a) Expenditure Recognition**

Expenses are recognized in the statement of expenditure as Administrative & General Expenses, Welfare Benefits expenses communication expenditure WBB All expenditure incurred in the running of the WBB have been charged to the statement of expenditure.

- (b) Taxation**

The PAYE tax is based on the Table 01 if Inland Revenue Act.

13. Auditor General's Report



ජාතික විගණන කාර්යාලය

தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. }
My No. }

TRE/B/WBB/01/17/68

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

24 May 2019

The Chairman

Welfare Benefits Board

Report of the Auditor General on the Financial Statements of the Welfare Benefits Board for the year ended 31 December 2017 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971

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.

අංක 308/72, පොදුජන මාවත, මහලක්ෂ්මි, කොළඹ



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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.

W.P.C. Wickramaratne
Auditor General

14. Explanation on the matters as per the Audit Report



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Welfare Benefits Board



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The Ministry of Finance & Mass Media,
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Assistant Auditor General,
National Audit Office

Revision of the Audit Answers to Sub-Nos. (A) and Sub-Nos. (B) in Sub- No 3.1 in relation to the Auditor General's Report on the Financial Statements of the Welfare Benefit Board for the year 2017, under Section 14 (2) (c) of the Finance Act No. 38 of 1971.

This refers to the reply letter sent by us on 29.03.2019 on the above matter

Accordingly, It is kindly informed you that the following amendments should be made regarding the financial statements sent by us for the year 2017.

3. Operating Review

3.1 Performance

- (a) Conduct of a survey on the selection of beneficiaries to improve the selection criteria of the beneficiaries as per the Welfare Benefits Act and preparation of a report thereon.

Replies: -

Conduct of this survey was undertaken by the World Bank at its own expense and later it was handed over to PwC (Pricewater house Coopers) by the World Bank. In order to prepare the background needed to formulate the selection criteria in the first quarter of 2018, the final survey report was expected to be prepared by December 2017.

However, (1) due to the local government election situation prevailed in the country (at the end of 2017) and the postponement of the survey until the end of the local government election and (2) due to the delay in providing the survey samples by the Department of Census and Statistics, the final survey report was delayed in 2017.

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Annual Report of the Welfare Benefits Board - 2017



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 Welfare Benefits Board



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- (b) Failure to complete the development of "Integrated Welfare Benefits Management System (IWMS) in 2017" for welfare programmes to be managed by the Welfare Benefit Board in accordance with the Welfare Benefits Act.

Replies: -

The development of Integrated Welfare Benefits Management System (IWMS) to be managed by the Welfare Benefit Board was undertaken by the ICTA Institute and then the task was handed over to KPMG and Informatics International Services Ltd by that Institute itself.

Although this project was scheduled to start in October 2017 and be completed in eight months by May 2018 and handed over to the Welfare Benefits Board, this period has not been included in the agreement that was awarded.

From the outset, the development of the management system was carried out under the supervision of officials from the Social Security Network Project (SSNP) and the Welfare Benefits Board (WBB), and their technical know-how as well was added in the process. Since October 2017 in that year alone, the officials from the ICTA, KPMG / Informatics, SSNP and WBB have met about 08 times to review, monitor and improve the work.

However, ICTA was unable to complete the Integrated Welfare Benefits Management System (IWMS) and hand it over to the Welfare Benefit Board in 2017.

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15. Conclusion and Final Remarks

The Welfare benefits Board was able to perform well the activities within its own purview like the establishment of office with necessary staff and equipment meeting the target and getting the loan installment in time. It has also been able to set up the Social Registry Unit with IT personnel. There was a considerable delay in developing SRIS by ICTA and also the survey findings as planned in order for WBB to commence work early in the following year on the welfare benefit schemes based on the most appropriate method for selection of welfare beneficiaries. It is observed that success of the welfare reform as envisaged in the SSNP will depend on the degree of cooperation and commitment of the other stakeholders with their assigned tasks. Assistance extended by way of providing the WBB with beautiful office space, lending all the resources at the outset and guidance by the senior management of the Ministry of Finance was commendable which tremendously help to commence work without delay.