

Loan Board - 2017

The audit of financial statements of the Loan Board for the year ended 31 December 2017 comprising the balance sheet as at 31 December 2017 and the statement of income 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 15 of the Loan Board Ordinance (Cap.311) as amended by the Loan Board (Amendment) Act, No. 33 of 1973. My comments and observations which I consider should be published with the Annual Report of the Board 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 the Sri Lanka Public Sector 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 misstatement 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.

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

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Loan Board as at 31 December 2017 and its financial performance for the year then ended in accordance with the Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Receivable Accounts

Even though lawsuits had been filed in the years 1980 and 1983 for recovering housing and property loans amounting to Rs.195,000 from three Borrowers on avoiding the payment of loans, those lawsuits had not been wound up, up to 31 December of the year under review. Further, it had been stated in the Reply that the Title Deeds, Plans, Securities, Loan Registers, Confirmation of Balances of the property held in property for loans, had been held in the Court for judicial action and Confirmations in this connection and at least the copies of those registers had not been furnished to audit. Moreover, interests amounting to Rs.684,002 receivable for loans had not been recovered even as at 31 December 2017.

2.3 Non- compliance with Laws, Rules and Regulations

The Statement of Liabilities had not been included in the Financial Statements in terms of the Public Finance Circular No.PED/45 of 02 October 2007.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Board for the year under review had been a surplus of Rs.18,650 as compared with the corresponding surplus of Rs.18,650 for the preceding year as well. It was revealed that this is an interest income adjusted annually to the house and property loan balance of Rs.195,000 brought forward from the years 1980 and 1983 and receivable by the Board.

4. Operating Review

4.1 Management Activities

The monitoring activities of the Loan Board had been handed over to the Department of Public Accounts up to 01 August 2001 by deciding to abolish the Loan Board in the year 1976 and it had been entrusted to the Department of Public Finance for liquidating from 02 August 2001. However, even though a period of over 15 years had been lapsed up to the year under review, action had not been taken to liquidate.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the Financial Statements should be furnished to the audit within 60 days after the close of the Year of Accounts in terms of Section 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the Financial Statements for the year under review had been furnished to the audit on 31 August 2018.