

## **Loan Board - 2019**

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### **1.1 Opinion**

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The audit of the financial statements of the Loan Board for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance 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 Section 15 of the Loan Board Ordinance (Cap. 311) as amended by the Loan Board (Amendment) Act No. 33 of 1973 and Article 154 (3) 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. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2019, and of its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **1.2 Basis for Opinion**

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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 qualified opinion.

### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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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 Company 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 Company.

## 1.4 Scope of Audit

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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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit 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.
- 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. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board 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; and
- 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 Financial Statements**  
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**1.5.1 Internal Control over the preparation of financial statements**  
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Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

**1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.**  
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<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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(a) Paragraph 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003	Although the financial statements should be submitted to the audit within 60 days after the closure of the financial year, the financial statements for the year under review had been submitted to the audit on 20 October 2020.	Comments had not been made.	Action should be taken in compliance with the Circulars.

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| (b) | Public Enterprises Circular No. PED/45 of 02 October 2007 | The statement of liability had not been included in the financial statements. | - Do - | - Do - |
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**2. Financial Review**  
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**2.1 Financial Result**  
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According to the financial statements submitted, the financial result of the year under review amounted to a surplus of Rs.18,650 and the corresponding surplus in the preceding year amounted to Rs. 18,650. This surplus represented the annual adjusted interest income related to the balance of the housing and property loan amounting to Rs. 195,000 carried forward from the years 1980 and 1983.

**3. Other Significant Observations**  
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Audit Observation	Comments of the Management	Recommendation
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(a) It had been decided to abolish the Loan Board in the year 1976 and its supervisory activities were assigned to the Department of State Accounts up to 01 August 2001 and the Board had been entrusted to the Department of Public Finance from 02 August 2001 for liquidation. However, action had not been taken to liquidate the Board even though more than 18 years had passed by the end of the year under review.	Comments had not been made.	As per the letter dated 25 September 2020, action should be taken in accordance with the approval of the Deputy Secretary of the General Treasury
(b) Although legal cases had been filed in the years 1980 and 1983 for the recovery of loans as three debtors had defaulted the payment of housing and property loan amounting to Rs. 195,000, the cases were not settled even up to 31 December in the year under review. It had been stated in the reply that the title deeds of the property mortgaged for loans, the plans, bonds, loan documents and balance confirmations had been kept in the Court for judicial action and the relevant proofs or the copies of those documents had not been submitted to the audit. Furthermore, the interest amounting to Rs. 721,302 receivable for loans had not been recovered even by 31 December 2019.	- Do -	Interest of loans should be recovered by obtaining title deeds of the mortgaged property, plans, bonds, loan documents and the balance confirmations.

