

Loan Board - 2015

The audit of financial statements of the Loan Board for the year ended 31 December 2015 comprising the balance sheet as at 31 December 2015 and the profit and loss account 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 2015 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 Accounts Receivable and Payable

The following observations are made.

- (a) Three borrowers of housing and property loans amounting to Rs.195,000 had defaulted the payments and even though cases had been filed in the years 1980 and 1983 for the recovery of those loans, those cases had not been concluded even as at 31 December of the year under review. Further, the title deeds, plans and security guarantees of the properties mortgaged for the loans and the Loan Registers and confirmation of balances had not been made available to audit.

- (b) The interest amounting to Rs.646,702 receivable on the housing and property loans accumulated without being recovered over a period exceeding 31 years had not been recovered even by 31 December 2015 and the Board had not taken any action whatsoever to recover the interest. Further, the loan agreements, ledgers, detailed schedules and the confirmation of balances had not been made available to audit.

3. Financial Review

3.1 Financial Result

According to the financial statements presented, the financial result 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 was an interest income adjusted annually to the housing 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 following observations are made.

- (a) A decision had been taken to abolish the Loan Board in the year 1976 and its supervision had been entrusted to the Department of State Accounts up to 01 August 2001 while the liquidation had been entrusted to the Department of Public Finance with effect from 02 August 2001. Nevertheless, action had not been taken to wind up, despite an elapse of a period exceeding 14 years up to the year under review.

- (b) Dividends or interest had not been determined in connection with the deposits of litigants at District Courts remaining with the Divisional Secretariat, Colombo.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the financial statements should be presented to audit within 60 days after the close of the year of accounts in terms of Paragraph 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the financial statements of the year under review had been presented to audit only on 23 May 2016.