

Board audit committee report

→ The composition of the Board audit committee

The Board Audit Committee ("the Committee"), appointed by the Board of Directors of People's Leasing & Finance PLC comprises three Non-Executive Directors.

As of the financial year ended, 31 March 2019, the Board Audit Committee comprised the following Directors:

Mr Jehan P Amaratunge – Chairman
Mr Michael Pradeep Amirthanayagam
Mr Mohamed Anise Mohamed Rizwan

The Chairman of the Committee, Mr Jehan P Amaratunga is a Non-Executive Director, who is a Member of The Institute of Chartered Accountants of Sri Lanka and is a Fellow of Chartered Institute of Management Accountants (UK). He has over 30 years of extensive experience in finance and management. He was also a Member of the Governing Council of The Institute of Chartered Accountants of Sri Lanka.

The profiles of the members are given on pages 27 and 28.

Mr Udesh Gunawardena, the Head of the Internal Audit acts as the Secretary to Board Audit Committee.

→ Charter of the committee

The Terms of Reference of the Committee are clearly defined in the Charter of the Audit Committee. This process ensures that new development and concerns are adequately addressed. The Committee is responsible to the Board of Directors and reports on its activities regularly. The functions of the Committee are geared to assist the Board of Directors in its general oversight on financial reporting, internal and external audit, and compliance with legal and regulatory requirements and risk management.

→ The objective and role

The Committee is expected to ensure;

- The integrity of the financial reporting of the Company and the compliance with financial reporting requirements, information requirements of the Company's Act and other related financial reporting regulations.
- The effectiveness of the internal control system and the Company's risk management function
- The Company's ability to continue as a going concern in the foreseeable future
- Independence and performance of the Company's External Auditors
- Performance of the Company's internal audit function
- The Company's compliance with legal and regulatory requirements including the performance of the Company's compliance function

→ Authority

The Committee has the explicit authority to investigate into any matter, including call any employee to be questioned at a meeting of the Committee, full access to information; and authority to obtain external professional advice, at the Company's expense.

→ Board audit committee meeting

The Committee held ten meetings during the financial year under review. The attendance of the committee members at the meetings was as follows:

Name of the member	Number of committee meetings held	Number of committee meetings attended
Mr Jehan P Amaratunga	10	10
Mr Michael Pradeep Amirthanayagam	10	10
Mr Mohamed Anise Mohamed Rizwan	10	10

On the invitation of the Committee, any officer of the Company, External Auditors and any outsider may attend all or part of any meeting. The proceedings of the Audit Committee meetings are recorded with adequate details and reported to the Board of Directors.

→ Summary of activities — Financial reporting

The Committee reviews the financial statements of the Company before submission to the Board, in order to monitor the integrity of the Financial Statements of the Company prepared for disclosure, and the significant financial reporting judgements contained therein. In reviewing the Financial Statements prior to their release, the Committee focuses particularly on: (i) major judgemental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; (v) the compliance with relevant accounting standards and other legal requirements.

The Committee assesses the Company's compliance with financial reporting requirements, information requirements of the Companies Act, Finance Business Act and other relevant financial reporting related regulations and requirements.

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→ Internal controls, risk management function, and going concern

The Committee keeps under review the Company's internal controls and risk management systems ensuring the procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards. The Committee also assesses the Company's ability to continue as a going concern in the foreseeable future. The Committee reviewed and approved the Directors' Statement on internal controls system over financial reporting to be included in the Annual Report.

→ External Audit

The Committee monitors independence and objectivity of the audit processes of external audit in accordance with applicable standards of best practice. The Committee with the approval of the Board of Directors developed and implemented a policy for engagement of External Auditors to provide non-audit services to safeguard the Auditors' independence and objectivity.

The Audit Committee met the External Auditors during the year and discussed the audit proposal and the scope and also provided the opportunity to the External Auditors to discuss the issues, problems, and reservations arising from audits including those matters that may need to be discussed in the absence of Key Management Personnel (KMP).

The Committee also reviewed the External Auditor's Management Letter and Management's responses thereto.

→ Internal audit

The Committee reviews the adequacy of the scope, functions and resources of the Internal Audit Department, and satisfied itself that the Department has the necessary authority to carry out its work. The Committee also monitors and reviews the effectiveness of the Company's

internal audit function in the context of the Company's overall risk management system. The Committee ensured that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.

The Committee also reviews and monitors management's responsiveness to the significant audit findings and recommendations of the Internal Auditor.

→ Oversight on regulatory compliances

The Committee with the assistance of internal audit closely scrutinises the compliance with mandatory statutory requirements and the systems and procedures in place to ensure compliance with such requirements.

→ Ethics and good governance

The Committee promotes the good governance among the internal audit staff by reviewing the internal audit policy charter and among all staff by introducing the whistle-blower policy.

Highest standards of corporate governance and adherence to the Company's Code of Ethics are ensured. All appropriate procedures are in place to conduct independent investigations into incidents reported through whistle-blowing or identified through other means.

→ Whistle-blowing and fraud

The Company's whistle-blower policy intends serving a wide-spread informal channel for the corporate fraud risk management. An employee, who observes or notices any improper or illegal activity or unethical practices in the Company or receives credible information of the same, may forthwith report the same to the Board Audit Committee.

The policy has been published in all three languages in the Company intranet. The policy guarantees the maintenance of strict confidentiality of the whistle-blowers.

→ Appointment of the external auditors

The Auditor General by his letter under reference BAF/D/PLF/2018/01 dated 18 January 2019 has informed the Company that, according to Section 55 of the National Audit Act No. 19 of 2018, People's Leasing & Finance PLC falls under the definition of "Auditee entity" of the Auditor General and shall carry out the audit by the Auditor General or any person authorised by the Auditor General.

Auditor General has also informed by the same letter that the necessity does not arise in future to appoint an Auditor at the Annual General Meeting.



Jehan Amaratunga
Chairman
Board Audit Committee

16 May 2019