

# AUDIT COMMITTEE REPORT

Dear Shareholders,

As Chairman of Aitken Spence PLC's Audit Committee, I am pleased to present the report of the Audit Committee for the year ended 31st March 2020 which has been prepared by the Committee. The purpose of this report is to describe how the Committee has carried out its responsibilities during the year. In overview, the role of the Audit Committee is to monitor and review: the integrity of the Group's financial statements, internal control and risk management, business conduct and ethics and the appointment of external auditors.

In discharging its duties, the Audit Committee seeks to balance independent oversight of the matters within its remit with providing support and guidance to the management. I remain confident that the Committee, supported by the members of senior management and the external auditors, has carried out its duties in the year under review, effectively and to a high standard.

## Committee Structure

The composition of the Committee, which remained unchanged during the financial year is constituted of three Independent Non-Executive Directors and two Non-Executive Directors. The Committee is chaired by Mr. R.N. Asirwatham, a fellow of the Institute of Chartered Accountants of Sri Lanka is an Independent Non-Executive Director.

## COMMITTEE COMPOSITION

### Committee Chairman

Mr. R.N. Asirwatham

### Members

Mr. J.M.S. Brito (*Appointed w.e.f. 23.05.2019*)

Mr. G.C. Wickremasinghe

Mr. C.H. Gomez

Mr. N.J. de S. Deva Aditya / Mr. A.L. Gooneratne (*Alternate to Mr. N. J. de S Deva Aditya*)

Independent Non-Executive

Non-Executive

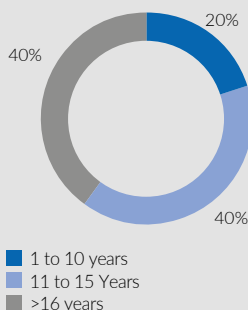
## MEETING INVITEES

- » Dr. M.P. Dissanayake  
– Deputy Chairman & Managing Director – Aitken Spence PLC
- » Ms. D.S.T. Jayawardena  
– Executive Director – Aitken Spence PLC
- » Ms. N. Sivapragasam  
– CFO – Aitken Spence PLC

## COMMITTEE SECRETARIES

- » Mr. H.K.A. Rathnaweera  
– Chief Internal Auditor
- » Mr. D.D.M.A. Saparamadu  
– General Manager – Internal Audit

## COMMITTEE TENURE



## Meetings

The Audit Committee held 11 formal meetings during the year under review with the attendance of Dr. P. Dissanayake, the Deputy Chairman and Managing Director, Ms. D.S.T. Jayawardena, Executive Director,

## Attendance

	Q1	Q2	Q3	Q4	Total
Mr. R.N. Asirwatham	4	2	3	2	11
Mr. G.C. Wickremasinghe	4	-	2	1	7
Mr. C.H. Gomez	1	-	-	-	1
Mr. N.J. de S Deva Aditya/ Mr. A.L. Gooneratne (Alternate Director for Mr. N.J. de S Deva Aditya)	4	2	2	1	9
Mr. J.M.S. Brito	1	2	3	1	7
<b>Total No. of Meetings</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>11</b>

and Ms. N. Sivapragasam, Chief Financial Officer, by invitation. Further, senior officers of the Group as well as the partner of KPMG responsible for the Group's audit attended the meetings by invitation as and when required.

## Responsibilities

The Committee, governed by its written terms of reference, is responsible for overlooking the accuracy of reporting Financial Statements, compliance with the reporting requirements of Sri Lanka Accounting Standards, compliance with the legal and regulatory requirements, determining the independence of the External Auditors and the Internal Audit function.

## Activities during 2019/2020

### Risk Management and Internal Control

- » Reviewed the adequacy and effectiveness of the Group's internal controls and risk management activities and highlighted the areas which requires attention and suggested recommendations to the Board.
- » Ensured that the risks are appropriately monitored and controlled by considering the Group's principal risks and uncertainties and by reviewing the mitigating actions taken by the management.
- » Reviewed the processes to ensure the internal controls and risk management framework are adequate to meet the requirements of the SLAS.

- » Ensured that the Group adheres to and complies with all relevant laws, rules and regulations of the country, international laws and codes of ethics; and standards of conduct required by regulatory authorities, professional bodies and trade associations.

### Financial Reporting and Financial Control

- » Reviewed the Group's quarterly and annual Financial Statements with regard to the following aspects:
  - adequacy of disclosures.
  - uniformity and appropriateness of the accounting policies adopted.
  - major judgemental areas and ensured that they were in compliance with the Companies Act No. 7 of 2007.
  - applicable Sri Lanka Accounting Standards and other applicable Accounting Standards of jurisdictions in which each Subsidiary operate in.
  - Listing Rules of the Colombo Stock Exchange.
  - Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.
  - Requirements of other regulatory bodies as applicable for the Group.
- » Discussed with management on future accounting developments which are likely to affect the financial statements.
- » Reviewed the budgets and strategic plans of the Group in order to ensure that all forward-looking statements made within the Annual Report reflect the actual position of the Group.
- » Reviewed the changes in the tax environment and its impact to the Group.

### External Audit

- » Reviewed the audit plan presented by the external auditors and provided

advice and support regarding the execution of the plan.

- » Carried out a review of the effectiveness and progress of the External Auditor and the audit process.
- » Discussed the audited financial statements with External Auditors and ensured that they were in conformity with the Sri Lanka Accounting Standards and other regulatory requirements.
- » Reviewed and discussed the management letter of the External Auditors for the Group and instructed the management to take appropriate and follow up action on matters highlighted therein.
- » Assessed the performance and effectiveness of the External Auditors, their independent professional capabilities and made recommendations to the Board pertaining to the re-appointment of the External Auditors.
- » Ensured that the External Auditors are independent by reviewing Group's share registers, related party transactions and obtaining a written confirmation from the External Auditors.

### Internal Audit

- » Reviewed and approved the Annual Audit Plan after considering its depth and coverage in the Group.
- » Reviewed and evaluated the independence, effectiveness and competency of the Group's Internal Audit function, their resource requirements, and made recommendations for any required changes.
- » The Audit Committee continued to ensure the coordination between the Group's internal audit division and External Auditors.
- » Reviewed and discussed the periodic reports submitted by the internal audit department with management responses, on financial and operational audits, IT Security, and risk assessments carried out in line with the approved annual internal audit plan.

### Reporting

- » The Chairman of the Audit Committee reports to the Board at each meeting on the activities of the Committee. Minutes of the Audit Committee meetings are also tabled at the Board Meetings.
- » The Annual Report incorporates the Audit Committee Report.
- » The Chairman of the Audit Committee attends the Annual General Meeting.

### Re-appointment of M/s KPMG, Chartered Accountants

The Committee perused transactions with the external auditors and ensured that there was no significant material transaction between the external auditors and the companies in the Group. The Committee further perused the share register and ensured that there were no shares held by the external auditors,

The Committee having considered that there were no significant material transactions between the External Auditors and the Group companies, that there were no shares held by the External Auditors, the confirmation received from the external auditors and the periodic rotation of the Audit Partner, noted that KPMG, Chartered Accountants, are eligible for re-appointment as the External Auditors of the Company.

Having noted the above, the Committee recommends to the Board that M/S KPMG, Chartered Accountants be re-appointed as the external auditors of the Company for the current financial year, subject to the approval of the Shareholders at the forthcoming Annual General Meeting.



**R.N. Asirwatham**  
 Chairman  
 Audit Committee

29th May 2020