

Audit Committee Report

During the year under review, the Board Audit Committee functioned under the Charter and Terms of reference developed and adopted by the Board of Directors.

The primary focus of the Board Audit Committee activities during 2004 was to:

1. facilitate Management Business Development and customer services improvement.
2. adopt Sri Lanka and International Accounting standards in the preparation of financial statements and present them in a format conforming to the best practices in the banking sector.
3. upgrade the internal audit function and
4. liaise with the Chief Internal Auditor and Heads of other functions / DGM to identify key accounting and control issues and resolve them with the primary objective of establishing an adequate control environment and presenting financial statements that provide a true and fair view of the financial results of the Bank.

The Internal Audit function was directed at identifying the risks faced by the Bank and preventing / minimizing the effects of such risks and communicating and encouraging best practices and positive quality assurance through out the Branch network.

Apart from the six Board Audit Committee meetings held, the Chairman had frequent meetings with the Chief Internal Auditor to review the progress of audit functions.

The training of Audit officers on Information Systems Audits, Risk based Audits and Audit Follow-ups was very successful during the year. Successful Completion of Diploma in "Information Systems Security, Control & Audit" conducted by the Institute of Chartered

Accountants of Sri Lanka in collaboration with the Institute of Chartered Accountants of India by five audit officers was a remarkable achievement during the year.

The Internal Audit was highly involved in designing, development and implementation of new Computer Systems specially the Core Banking System of the Bank to ensure the adequacy of controls. Similarly Internal Audit was involved in ensuring adequate controls in specialized areas such as SWIFT System, Treasury Operations, Trade Finance etc.

The improvement in the efficiency and effectiveness of the Internal Audit Division during the previous two years continued in 2004 and the division completed 434 Audit Assignments (306 and 334 assignments in 2002 & 2003 respectively). Receiving satisfactory / Average performance standards by 90% of Branches Audited during the year (as against 80% ratio in 2003) was also a remarkable achievement. More focus on getting deficiencies rectified during the course of the audit and regular follow-ups of audit findings were the main reason for this achievement.

The Board Audit Committee comprised of Mrs. Indrani Jayasinghe, Mrs. L.K. Ranasinghe and Mr. Dayantha W. Fernando being members of the Board of Directors during 1st quarter in 2004 and Mr. Keerthi Sigera and the undersigned Priyantha Kariyapperuma being members of the Board of Directors for the rest of the year.



Priyantha Kariyapperuma

*Chairman,
Board Audit Committee*

29th December 2004