

Report of the Auditor General



විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அபிப்பதி திணைக்களம் AUDITOR-GENERAL'S DEPARTMENT



මගේ අංකය }
எனது இல. }
My No. }

EF(G)/PB/S-17/2004

ඔබේ අංකය }
உமது இல. }
Your No. }

දිනය }
திகதி }
Date }

16 March 2005

The audit of the accompanying Balance Sheet of the People's Bank (hereinafter referred to as the 'Bank') and the Consolidated Balance Sheet of the Bank, its Subsidiaries and Associates (hereinafter referred to as the 'Group') as at 31 December 2004 and the related statements of income, changes in equity and cash flows for the year then ended together with the accounting policies and Notes 1 to 40 to the accounts was carried out under my direction in pursuance of provision in Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 34 of the People's Bank Act No.29 of 1961. In carrying out this audit, I was assisted by a firm of Chartered Accountants in public practice. The accounts of the Subsidiaries and Associates are audited by firms of Chartered Accountants in public practice appointed by the members of the respective Subsidiaries and Associates.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing and presenting these financial statements in accordance with the Sri Lanka Accounting Standards. My responsibility is to express an opinion on these financial statements, based on the audit.

Basis of Opinion

The audit was conducted in accordance with Sri Lanka Auditing Standards and the relevant international Standards on Auditing, which require that the audit shall be planned and performed to obtain reasonable assurance about whether the Financial Statements are free of material misstatements. An audit includes examining, on a test basis,

evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, evaluating the overall presentation of financial statements and determining whether the said financial statements are prepared and presented in accordance with Sri Lanka Accounting Standards. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of the audit. I believe that the audit provides a reasonable basis for my opinion.

Opinion

In my opinion, so far as appears from my examination, the Bank maintained proper books of accounts for the year ended 31 December 2004, and to the best of my information and according to the explanations given to me, the said Balance Sheet and the related Statements of Income, Changes in Equity and Cash Flows and the Accounting Policies and notes thereto, which are in agreement with the said books have been prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Banking Act No 30 of 1988 and give a true and fair view of the Bank's state of affairs as at 31 December, 2004 and of its profit and cash flow for the year then ended.

In my opinion, the Consolidated Balance Sheet and the related Statements of Income, Changes in Equity and Cash Flows and the Accounting Policies and notes thereto have been properly prepared and presented in accordance with the Banking Act No. 30 of 1988 and the Sri Lanka

තීරණය වූ පිටුව, පිටුව 07, 8 ලංකාව	சுதந்திர சதுக்கம், கொழும்பு 07, இலங்கை	INDEPENDENCE SQUARE, COLOMBO 07, SRI LANKA
දුරකථනය } දුරකථන අංකය } 691151 Telephone }	දුරකථන අංකය } பக்கம் இல. } 697451 Fax No. }	ඉලෙක්ට්‍රොනික් තැපෑල } අ-වෙබ් අඩවිය } oaggov@sltnet.lk E-mail }

Accounting Standards, give a true and fair view of the state of affairs of the Bank as at 31 December, 2004 and of its profit and cash flow for the year then ended and its subsidiaries and associates dealt with thereby, so far as concern the Bank.

Emphasis of Matters

The Government of Sri Lanka has issued a Letter of Support dated 28 February, 2005 to guarantee the underlying business of the Bank. This letter confirms the Ministry of Finance & Planning's commitment to provide financial support to the extent not exceeding the amount required to make good the deficiency in net assets as at 31 December, 2004 and to meet the capital fund requirements stipulated by the Central Bank of Sri Lanka, based on the Bank's risk weighted assets as at 31 December, 2004.

In this context, I also draw attention to the concentration of Government and Government related institutions lending as disclosed in Note 34.10 and the Bank's exposure to Government guaranteed loans as disclosed in Note 16.6 to the financial statements. Such exposures exceeds Rs.1,617 million as at 31 December, 2004. Therefore, the Government support extends beyond the understanding given in the above Letter of Support.

Directors' Interest in Contracts with the Bank

We further report that according to information available to us, no Director of the Bank is directly or indirectly interested in a contract with the Bank other than those disclosed in Note 34 to the accounts.

Exemption

The Bank has been exempted from provisions of Part II of the Finance Act No 38 of 1971 by an Order of the Minister of Finance published in the Government Gazette No 715 of 14 May, 1992 by virtue of powers vested in him by Section 5(1) of the said Finance Act.

Report to Parliament

My report to Parliament in pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course.



S.C. Mayadunne

*Auditor General
Auditor General's Department,*

Colombo 07
16 March 2005