

Independent auditor's report



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



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BAF/D/PLF/2020/01

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 Date }

13 July 2020

The Chairman
 People's Leasing & Finance PLC

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the People's Leasing & Finance PLC and its subsidiaries for the year ended 31 March 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1 Financial Statements

1.1 Opinion

The audit of the Financial Statements of the People's Leasing & Finance PLC (the "Company") and the Consolidated Financial Statements of the People's Leasing & Finance PLC and its subsidiaries (the "Group") for the year ended 31 March 2020 comprising the Statement of

Financial Position as at 31 March 2020, and Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act, No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying Financial Statements of the Company and the Group give a true and fair view of the Financial Position of the Company and the Group as at 31 March 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Key audit matters

Key Audit Matters are those matters that, in my professional judgement, were of most significance in my audit of the Financial Statements of the current period. These matters were addressed in the context of my audit of the Financial Statements of the Company and the Consolidated Financial Statements of the Group as a whole, and in forming my audit opinion thereon, and I do not provide a separate opinion on these matters.

අංක 306/72, පොල්දූව පාර, මීටරට්ටුමුල්ල, ශ්‍රී ලංකාව

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 தேசிய கணக்காய்வு அலுவலகம்
 NATIONAL AUDIT OFFICE

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Key audit matter	How our audit addressed the key audit matter
<p>Impairment allowance for loans and receivables</p> <p>My audit considered impairment allowance for loans and receivables as a key audit matter. The materiality of the reported amounts for loans and receivables together with impairment allowance thereof, the subjectivity associated with management's impairment estimation, involvement of complex manual calculations and increase in management overlays due to probable impacts of COVID-19 outbreak on the economy, underpinned my basis for considering it as a Key Audit Matter.</p> <p>As at 31 March 2020, 83% of its total assets of the Group consisted of loans and receivables amounting to Rs. 154,135 million (Note 25), net of impairment allowance of Rs. 9,170 million (Note 25).</p> <p>The Note 25.7 of the Financial Statements describes the basis of impairment allowance and assumptions used by the Management in its calculation.</p>	<p>To assess the reasonableness of the impairment allowance, my audit procedures (among others) included the following:</p> <ul style="list-style-type: none"> • I evaluated design effectiveness of controls over estimation of impairment of loans and receivables, which included assessing the level of oversight, review and approval of significant judgements, estimates and assumptions in relation to the impairment by the Board Audit Committee and management. • Test-checked the underlying calculations and data. • In addition to the above, following key procedures were also performed: <p>For a sample of loans and receivables individually assessed for impairment:</p> <ul style="list-style-type: none"> • I assessed the main criteria used by the Management for determining whether an impairment event had occurred; • Where impairment indicators existed, I assessed the reasonableness of management's estimated future recoveries including the expected future cash flows considering Government relief measures, discount rates and the valuation of collateral held, on a sample basis. <p>For loans and receivables collectively assessed for impairment:</p> <ul style="list-style-type: none"> • I checked the completeness and accuracy of the underlying information and calculations thereon by agreeing details to the relevant source documents, information in IT systems and re-performing the calculations. • I considered the reasonableness of macroeconomic and other factors used by management in their judgemental overlays, by comparing them with publicly available data and information sources. • I also assessed the management application of temporary practical expedients issued by CA Sri Lanka in relation to ECL computation. • I assessed the adequacy of the related Financial Statement disclosures as set out in Notes 11, 25 and 59.2.
<p>Management's assessment of possible effects of the COVID-19 outbreak on the nature and extent of risks arising from financial instruments and related disclosures</p> <p>Management has assessed the possible impacts of the COVID-19 outbreak on, nature and extent of risks arising from financial instruments and related Financial Statement disclosures are made considering the best available information up to the date of assessment, as more fully described in Section 59.1 of the Financial Statements.</p> <p>I considered such management's assessment and related disclosures as a key audit matter, considering nature of business and use of significant management judgements and estimates considering future events and circumstances.</p>	<p>My procedures included among other included the following:</p> <ul style="list-style-type: none"> • I gained an understanding of management's assessment of the possible impacts of the COVID-19 outbreak on the nature and extent of risks arising from financial instruments and developing related disclosures of the Group. • I also assessed the adequacy of qualitative disclosures made, in note(s) 59.1, 59.2 and 59.3 to the Financial Statements focusing on credit risk and liquidity risk in the light of the objective of SLFRS 7. • In relation to significant judgements and estimates underpinning such disclosures, I assessed the reasonableness of those key assumptions considering related market information and internal decisions made by the Group.

1.4 Other matter

The Financial Statements of the Company for the year ended 31 March 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 13 June 2019.

1.5 Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 Annual Report, other than the Financial Statements and my Auditor's Report thereon. Management is responsible for the other information. The Group's 2020

Annual Report is expected to be made available to us after the date of this Auditor's Report.

My opinion on the Financial Statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the Financial Statements, my

responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.



1.6 Responsibilities of management and those charged with governance for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Group is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic Financial Statements to be prepared of the Group.

1.7 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect

a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt

on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my Auditor's Report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my Auditor's Report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2 Report on other legal and regulatory requirements

National Audit Act, No. 19 of 2018 and Companies Act, No. 07 of 2007 includes specific provisions for following requirements:

- I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of Section 163 (2) (d) of the Companies Act, No. 07 of 2007 and Section 12 (a) of National Audit Act, No. 19 of 2018.
- The Financial Statements of the Company comply with the requirement of Section 151 of the Companies Act, No. 07 of 2007.

- The Financial Statements presented is consistent with the preceding year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- The Financial Statements presented includes all the recommendations made by me in the previous year as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention:

- to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of Section 12 (d) of the National Audit Act, No. 19 of 2018;
- to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of Section 12 (f) of the National Audit Act, No. 19 of 2018;
- to state that the Company has not performed according to its powers, functions and duties as per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018;
- to state that the resources of the Company had not been procured and utilised economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018.

W P C Wickramaratne
 Auditor General