



Deutsche Bank AG  
Colombo Branch  
86, Galle Road,  
Colombo 03,  
Sri Lanka.

P.O. Box 314  
Colombo.

Tel +94-11-2447062

The Director,  
Bank Supervision Department,  
Central Bank of Sri Lanka,  
Janadhipathi Mawatha,  
Colombo 1

17<sup>th</sup> May 2021

Dear Madam,

### **Management's Report on Internal Control over Financial Reporting**

The management of Deutsche Bank AG, Colombo Branch ("Branch") is responsible for establishing and maintaining adequate Internal Control over Financial Reporting. The Branch's internal control system is designed to provide reasonable assurance to management regarding the preparation and fair presentation of published Financial Statements in accordance with Generally Accepted Accounting Principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to Financial Statement preparation and presentation.

The Management has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Branch and this process includes enhancing the system of internal controls as and when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the management and accords with the guidance for directors of Banks on the Directors' Statement of Internal Control issued by the Institute of Chartered Accountants of Sri Lanka.

To the best of our knowledge, we did not identify any material deficiencies or weaknesses, in the design or operation of Internal Control over Financial Reporting which are reasonably likely to adversely affect the Branch's ability to record, process, summarize and report financial data. Based on our understanding, there has been no fraud that involves management or other employees who have a significant role in the Branch's internal controls over Financial Reporting which requires disclosure.

The Branch management assessed the effectiveness of the Branch's Internal Control over Financial Reporting as of December 31, 2020 based on the guidelines issued by the Institute of Chartered Accountants of Sri Lanka in relation to statement of internal control. Based on this assessment, management believes that, as of December 31, 2020, the Branch's Internal Control over Financial Reporting is effective.

### **Internal Control Governance**

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls and governance of the Branch include the following:

The Committees are established by the Management in ensuring the effectiveness of the Branch's daily operations and that the Branch's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.



In accordance with the requirement of CBSL, Group Audit (GA) conducts an annual audit of DB AG Colombo branch using a risk-based audit approach as outlined in GA policy and GA manual. The methodology enables GA to increase transparency of audit coverage, refine the Risk Assessment (RA) approach, better align risk and resources, and exercise greater judgment in audit coverage. The RA process is fundamental to GA's understanding of the Bank's strategy, plans and objectives and is used to develop an audit plan focused on the most relevant areas in any plan year. The RA is the primary instrument for documenting the assessment of Inherent Risk (IR) and the Control Environment Indicator (CEI) for all applicable risk categories, including fraud risk. The RA results in an overall score for each Auditable Area (AA) in the Audit Universe (AU), which drives the cycle of audit coverage, to a maximum of 5 years. GA also adds coverage based on regulatory requirements and override the risk-based cycle either for all or parts of the AA. Group Audit APAC is primarily responsible for audit coverage in Sri Lanka and, where necessary, is assisted by global teams.

Operational committees have also been established with appropriate empowerment to ensure effective management and supervision of the Branch's core areas of business operations. The committees established locally are the Branch Management Board and Asset and Liability Committee. The Branch also comes under the purview of the following Global Committees:

- Audit Committee
- Risk Committee
- Integrity Committee
- Compensation Control Committee
- Technology, Data and Innovation Committee

In assessing the internal control system, the Branch relies on documented procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Branch. These are under the overall purview of the above committees and Group Audit for suitability of design and effectiveness on an ongoing basis.

In relation to the effect of COVID 19 pandemic, the Bank has taken all recommended measures to ensure the safety and wellbeing of its employees, customers and all other stakeholders during these challenging times and continues to adhere to the guidelines issued by the Government and Health Authorities. During the curfew-imposed period, all operations are carried out strictly in accordance with the guidelines issued by the Government and Health Authorities. Business continuity arrangements were initiated in order to facilitate essential business transactions and provide continued services to customers through our various channels during this period. Many staff members have been able to work from home with (1) secure access to operating systems. (2) The Bank continued to encourage customers to use digital platforms to perform transactions as an alternative to visit the branch. (3) Arrangements were made to closely monitor the evolving conditions within the organization as well as externally. The BMB ensures that the alternative arrangements does not compromise the internal control procedures of the Bank and also ensures that the security of data due to these alternative arrangements such as working from home or working from disaster recovery site. Remote working arrangements were facilitated as per the Bank's IT security policies. Additional controls/monitoring procedures were introduced as relevant.

## **Confirmation**

Based on the above processes, the Management confirms that:

The financial reporting system of the Branch has been designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of Financial Statements for external purposes has been done in accordance with Sri Lanka Financial Reporting Standards and regulatory requirements of the Central Bank of Sri Lanka.

There was no material change in the Internal Controls over Financial Reporting that occurred during the period covered by the report that has materially affected, or is reasonably likely to materially affect internal control over Financial Reporting, including any corrective actions with regard to significant deficiencies and material weaknesses.

## **Review of the Statement by External Auditors**

The external auditors have reviewed the above Management's Statement on Internal Controls for the year ended 31 December 2020 and reported to the Management that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Management in the review of the design and effectiveness of the internal control system of the Branch.

5/25/2021

**X** Joachim Seibt

Joachim Seibt  
Director, Regional Finance APHO  
Signed by: Joachim Seibt