

1.1 Opinion

The audit of the financial statements of the People's Travels Private Limited ("Company") for the year ended 31 March 2019 comprising the statement of financial positions as at 31 March 2019 and Statement of Comprehensive Income, Statement of changes in equity and statement of cash flow 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 comments and observations which I consider should be report to Parliament appear in this report. 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 give a true and fair view of the financial position of the Company as at 31 March 2019 and of this financial performance and its 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 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 Company'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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company 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 Company.

1.4 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 judgment 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 Company'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 Company'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 Company 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.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Company, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company;
- Whether the company has performed according to its powers, functions and duties; and
- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 **Accounts Receivable**

Audit Issue	Management Comment	Recommendation
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<p>Debtors amounting to Rs. 37,839,539 or 81% from total debtors represent the receivable from Government Organizations. Even though the company has 15 days period of credit policy, Rs. 31,812,280 had been in outstanding for more than 01 month and company was unable to collect the outstanding balance within the relevant credit period. Further, observed that actions had not been taken by the company to recover long outstanding debtor balances.</p>	<p>We are deeply concerned about minimizing the credit periods extended for our frequent customers in order to retain them with us for the business continuity. In addition to that when we extend credit over one month for very few accounts we secure a considerable higher margin of profits to make sure that there will not be any financial loss to the company. However, we will take steps to clear the pending staff debtors before the end of 31st December 2019.</p>	<p>Need to review these balances and take necessary actions to recover the balances.</p>

1.6 Non-Compliance with Laws, Rules, Regulations and Management Decision

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Procurement Procedure B.P.No. 03/2017	Two Name Boards amounting to Rs. 130,254 and Rs.54,350 were purchased on 19 December 2018 and 19 June 2018 respectively without calling for quotations in compliance with the procurement procedure of the company.	The expenses were incurred to get the Name Boards done for Kandy and Kurunegala offices. Ark Advertising was selected to do some modifications to the old name board for the Kandy office as the previous year's advertising was also done through them, the total expense incurred was Rs 130254.00 on 19/12/2018 and the Name Board of Kurunegala office done through Asil Advertising due to the same reason and the cost incurred Rs 54,350.00 on 19/06/2018.	Need to comply with relevant procurement procedures.

1.6.1 Non -Compliance with Tax Regulations

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Value Added Tax Act No 14 of 2002 and Amendment.	Company had considered commission on out bound tours as VAT exempt supply over the years. However, upon our identification, necessary arrangements were made to provide for the required liability amounted to Rs.3 Million on the current year out bound commission income.	Noted, will be taken necessary actions on this as indicated in your report.	Need to identify VAT liability as per the Act.

2. **Financial Review**

Financial Result

According to the financial statements presented, the operations of the Company had recorded a pre-tax net profit of Rs.11,976,442 as compared with the corresponding pre-tax net profit of Rs. 19,312,786 for the preceding year, thus indicating decreases of Rs. 7,336,344 or 37.9 percent in the financial results of the year under review. This is mainly because of increase in distribution and administration expenses by Rs.1,457,638 or 29 percent and Rs.6,813,948 or 20 percent respectively.

3. **Operational Review**

3.1 **Under -Utilization of Funds**

Audit Issue

The Company maintains considerable amount of cash in hand without any insurance cover as per following examples. Therefore keeping such large amount as daily cash in hand without taking an insurance coverage is riskier to the company.

Ex:-

- i. Rs. 537,000 on 17/04/2018
- ii. Rs. 682,500 on 22/08/2018
- iii. Rs. 549,800 on 30/08/2018
- iv. Rs. 534,000 on 26/02/2019
- v. Rs.822,800 on 27/03/2019.

Management Comment

Noted, Company will consider to take necessary actions with regard to the potential risks of maintaining an excess amount of cash in hand by going for an Insurance coverage or to minimize cash in hand as pointed out in your report.

Recommendation

Need to take necessary actions to minimize the risk.

4. **Accountability and Good Governance**

4.1 **Corporate Plan**

Audit Issue

Corporate Plan had not been presented to the Audit.

Management Comment

Not replied.

Recommendation

The company should prepare a Corporate Plan which provides strategy to business units to drive performance and establishes the expectations of internal and external stakeholders, or those with an interest in the success of a company.

4.2 **Annual Action Plan**

Audit Issue

Annual action plan had not been prepared by the company.

Management Comment

Not replied.

Recommendation

Company should prepare an action plan as a part of the strategic plan, in which actions are added to the completed plan. It is basically a list of tasks that need to be achieved, in order for the goals to be reached by the company.

4.3 **Budgetary Control**

Audit Issue

Annual Budget had not been prepared.

Management Comment

Not replied.

Recommendation

Company should prepare a budget as a planning tool necessary for building a framework for business and its finances.