

People's Travels Private Limited – 2021/2022

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the People's Travels Private Limited (the "Company") for the year ended 31 March 2022 comprising the statement of financial position as at 31 March 2022 and 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 comments and observations which I consider should be reported 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 give a true and fair view of the financial position of the Company as at 31 March 2022, and of its 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 determines 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 intend 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 Audit Scope

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 and Payable

1.5.1 Receivables

Audit Issue	Management Comment	Recommendation
(i) Receivables amounting to Rs.10,046,001 or 57 percent from total trade debtors represents the receivable from government organizations and receivables amounting to Rs.3,611,080 or 20 percent from the total receivables are from People's Bank. Even though the company has 15 days period of credit policy, Rs.17,646,938 (Trade Debtor) includes balances amounting to Rs.8,686,500 which are outstanding for more than 01 year period of time and the company was unable to collect the outstanding balance within the stipulated time period.	Noted, at present the highlighted Staff debtors have already been recovered and some corporate debtors are still pending due to current pandemic situation. Once the situation is back to normal, will get them cleared and hardly get replies for written reminders for payment. Hence, we do visit and meet relevant authorities and follow up of payments.	Take necessary actions to strengthen the follow up procedures to ensure recoverability of the balances without any delay.
(ii) The staff debtor balance amounting to Rs.2,868,261 represents an individual customer receivable balances under the name of the person who handle the individual customers.		
(iii) Rs.384,083 or 13 percent from total staff debtors is above 360 days as at 31 March 2022 and the company was unable to collect those receivable balances within the stipulated time period.		

1.5.2 Payables

Audit Issue	Management Comment	Recommendation
PTL Refund Payable As per the Company Policy, if the refund income is not collected within 2 years period, and if the customer has not nominated a person to collect the refund via email or if the nominated person from the customer side is not contactable, then it should be considered as profit and transfer to profit and loss. However, transactions which have taken place before 2 years period of time amounting to Rs.915,561 had been remained in the PTL refund payable account without being cleared.	Noted and will take necessary actions to take in to the profit the highlighted refunds.	Take necessary actions to adhere with company policy.

1.6 Documentary Evidences not made available for Audit

Audit Issue	Management Comment	Recommendation
A proper lease agreement for the building had not been available between the People's Bank and the People's Travel (Pvt) Limited since 2020.	Noted and will take necessary actions to implement the lease agreement with People's bank.	Take necessary actions to available such documents.

1.7 Non compliance with Tax Regulations

Audit Issue	Management Comment	Recommendation
A VAT payable balance of Rs.453,695 to Inland Revenue Department had been remained since financial year 2019/20.	Noted and will take this into consideration and will be strictly adhered.	Make necessary arrangement with Inland Revenue Department to avoid future penal provision.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs. 6,500,086 and the corresponding loss in the preceding year amounted to Rs. 23,212,868. Therefore, decrease in financial loss amounting to Rs. 16,712,782 was observed comparing to the preceding year.

2.2 Trend Analysis of major Income and Expenditure items

The following table summarizes the financial results of the company in the year under review and the preceding year.

Description	2022	2021	Variance amount Increase/ (Decrease)	Variance %	Reason for the Variance
	Rs.	Rs.	Rs.		
<u>Income</u>					
Income from Dambadiva/ Indian Tours	-	26,098	(26,098)	(100)	Covid impact, adverse economic condition and unavailability of dollars for foreign tour arrangements.
Net income-commission on Air Ticketing	12,727,533	1,151,808	11,575,725	1,005	Booking significant number of Tickets on requests from the customers for foreign tours.
Net commission On Visa	529,166	12,409	516,757	4,164	Increase of Visa Services.
<u>Expenses</u>					
Distribution Expenses	171,726	139,284	32,442	23	Publishing paper advertisements frequently than the previous year.
Administrative Expenses	22,754,370	24,949,30	(2,194,936)	(9)	Salary cut off until January 2022, resignation of few employees, suspension of recruitments and reduction of telephone expenses.
Finance cost	688,748	1,147,361	(458,613)	(40)	Reduction of the interest on lease building.

2.3 Ratio Analysis

Analysis of major income and expenditure items of the year under review as compared with the preceding year with percentage of increase or decrease are given below.

Key Ratios	2022	2021
Operating Profit Margin	(41.7%)	(1451.21%)
NP Margin	(46.6%)	(1862.30%)
Return on Equity	(10.58%)	(36.76%)
Return on Assets	(6.77%)	(28.17%)
Current Ratio	1.5	3.20
Debt ratio	0.36	0.23
Debt to equity ratio	0.56	0.30