

## **Helitours (Pvt) Ltd – 2018/2019**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Helitours (Pvt) Ltd for the year ended 31 March 2019 comprising the statement of financial position as at 31 March 2019 and the statement of comprehensive income, statement of changes in equity and cash flow statement 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.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2019, 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 Qualified Opinion**

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My opinion is qualified on the matters described in paragraph 1.5 of this report.

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 qualified opinion.

#### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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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 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

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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 Audit Observations on the preparation of Financial Statements**

### **1.5.1 Non-Compliance with Sri Lanka Accounting Standard**

#### **Non Compliance with the reference to particular Standard**

#### **Management Comment**

#### **Recommendation**

Contrary to the LKAS-7, cash outflow in the operating activities, payment of tax, and cash inflow in the investment activities, receiving of interests, had been overstated by Rs.447,854 and Rs.195,514 respectively, in the cash flow statement of the year under review.

The income tax and interest income were recorded in cash flow statement on accrued basis. However, the corrected Cash Flow statement prepared according to the LKAS 07. Further, actions have been taken to avoid this kind of errors in future.

The cash flow statement should be prepared in accordance with Sri Lanka Accounting Standards.

### **1.5.2 Accounting Policies**

#### **Audit Issue**

#### **Management Comment**

#### **Recommendation**

The Company had purchased a mini bus incurring a sum of Rs. 7,790,000 during the year under review. That capital expenditure had been written off to the retained profit and handed over to the Sri Lanka Air Force, without accounting the value of the bus as an asset of the Company.

This AC Coach was purchased to fulfill the transport requirement of students of Helitours Technical Training Centre (HTTC). Further, this was inventoried under SLAF inventory. Hence, it is not possible to accounting this asset under Helitours (private) Limited.

Acquisition of assets by using the Company funds, should be brought to the Company accounts.

### 1.5.3 Unauthorized Transactions

<b>Description of unauthorized transaction</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) The Company had transferred amounting to Rs 38,210,000 to the Command Welfare Fund without obtaining the Treasury approval for the fund transferring.	Helitours (Private) limited is incorporated under company Act No.07 of 2007 and it is managed by board of directors who is serving at Sri Lanka Air Force (SLAF). Further, the director board has approved the board resolution for this transaction and these funds were transferred to Command Welfare Fund for the purpose of enhancing welfare facilities of SLAF service personnel. It is pertinent to say that, the Director board has taken this decision in good faith.	The companies should follow the Treasury guidelines.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs. 4,658,895 and the corresponding profit in the preceding year amounted to Rs.10, 808,529. Therefore a deterioration amounting to Rs. 6,149,634 of the financial result was observed. The reasons for the deterioration was decrease of the income by Rs.7,504,500.