

People's Travels Private Limited - 2020/2021

1.1 Opinion

The audit of the financial statements of the People's Travels Private Limited ("Company") for the year ended 31 March 2021 comprising the statement of financial position as at 31 March 2021 and the statement of comprehensive income, statement of changes in equity, 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 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 2021, 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 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 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 scepticism 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 Receivables

Audit Issue	Management Comment	Recommendation
<p>Debtors amounting to Rs.14,135,487 or 89 percent from total Trade debtors represents the receivable from government organizations. Even though the company has 15 days period of credit policy, Rs.15,695,432 (Trade Debtor) had been in outstanding for more than 01 Year and the company was unable to collect the outstanding balance as at date of Management Letter. Moreover, the Staff Debtor Balance represents an amount of Rs.721,655 (99 percent from Total Staff debtors) as at 31.03.2022 which is above 360 days and the company was unable to collect those receivable balance within correct timeline.</p>	<p>Noted. At present most of the highlighted debtors have already been recovered. Due to current pandemic situation, some receivables are still pending. Once the situation is back to normal, will get them cleared and We hardly get replies for written reminders for payment. Hence, we do visit and meet relevant authorities and follow up of payments.</p>	<p>It is recommended the company to strengthen the follow up procedures to ensure the recoverability of the balance.</p>

1.6 Non-compliance with Tax Regulations

Audit Issue	Management Comment	Recommendation
<p>Company has VAT Payable Balance of Rs.453,695 to Inland Revenue Department since Last Year.</p>	<p>Noted and will take this into consideration and will be strictly adhered.</p>	<p>Have to follow up this balance to clear.</p>

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs. 23,212,868 and the corresponding loss in the preceding year amounted to Rs.7, 261,060. Therefore, increase in financial loss amounting to Rs. 15,951,808 was observed comparing to the preceding year. The reason for the deterioration is decreasing revenue by Rs.118, 841,883 or 98 percent due to adverse impact of COVID - 19 on international trade and travel.

2.2 Trend Analysis of major Income and Expenditure items

The following table summaries the financial results of the Company in the year under review and the preceding year

Description	2021	2020	Variance amount Increase/ (Decrease) Rs.	Variance %	Reason for the variance
<u>Income</u>					
Income from Dambadiva /Indian Tours	26,098	17,959,184	(17,933,086)	(99.85)	
Income from other leisure Tours	-	83,197,910	(83,197,910)	(100)	
Net income commission on Air Ticketing	1,151,808	15,760,739	(14,608,931)	(92.69)	Adverse impact of COVID - 19 on international trade and travel. The full local and foreign tour income has been bereaved to company during this period.
Net commission On Visa	12,409	732,259	(719,850)	(98.31)	
<u>Expenses</u>					
Cost of sales Dambadiva/india Tours	-	14,539,780	14,539,780	(100.00)	
Cost of sales leisure Tours	-	73,974,295	(73,974,295)	(100.00)	Adverse impact of COVID - 19 on international trade and travel. The full local and foreign tour income has been bereaved to company during this period.
Distribution Expenses	139,284	8,499,774	(8,360,490)	(98.36)	
Administrative Expenses	24,949,306	36,508,503	(11,559,197)	(31.66)	
Finance cost	1,147,361	1,767,244	(619,883)	(35.08)	

2.3 Ratio Analysis

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

Key Ratios	2021	2020
Operating Profit Margin	(1451.21)%	(6.15)%
NP Margin	(1862.30)%	(6.05)%
Return on Equity	(36.76)%	(8.40)%
Return on Assets	(28.17)%	(6.42)%
Current Ratio	3.20	3.61
Debt ratio	0.23	0.19
Debt to equity ratio	0.30	0.31