

## **1. Financial Statements**

### **1.1 Opinion**

The audit of the financial statements of the People's Travels (Pvt) Ltd ("the Company") for the year ended 31 March 2025 comprising the statement of financial position as at 31 March 2025 and the 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 material accounting policy information, 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 gives a true and fair view of the financial position of the Company as at 31 March 2025, 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 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 internal control of the Company.
- 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.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a profit before tax of Rs. 11,316,186 and the corresponding profit in the preceding year amounted to Rs. 32,084,352. Therefore, a deterioration amounting to Rs. 20,768,166 of the financial result was observed. The reason for the deterioration was the increase of administrative expenses by Rs. 18,996,355 compared to the preceding year.

### 2.2 Trend Analysis of major Income and Expenditure items

2.2.1 The following table summarizes the financial results of the Company in the year under review and the preceding four years period.

| <b>Year</b>                                                     | <b>2024/25</b> | <b>2023/2024</b> | <b>2022/2023</b> | <b>2021/2022</b> | <b>2020/2021</b> |
|-----------------------------------------------------------------|----------------|------------------|------------------|------------------|------------------|
| Revenue (Rs.)                                                   | 277,433,713    | 189,394,158      | 75,857,351       | 13,948,732       | 1,246,459        |
| % of Increase /<br>(Decrease) compared to<br>the preceding year | 46.48          | 149.67           | 443.83           | 1,019.07         | (98.96)          |
| Cost of Sales (Rs.)                                             | 206,855,421    | 122,322,989      | 31,912,460       | -                | -                |
| % of Increase /<br>(Decrease) compared to<br>the preceding year | 69.11          | 283.31           | 100.00           | 0                | (100.00)         |
| Profit Before Tax (Rs.)                                         | 11,316,186     | 32,084,353       | 19,096,384       | (6,500,086)      | (19,236,130)     |
| % of Increase /<br>(Decrease) compared to<br>the preceding year | (64.73)        | 68.01            | 393.79           | 66.21            | (110.18)         |

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

| <b>Description</b>      | <b>Variance<br/>Amount<br/>Increase/<br/>(Decrease)<br/>(Rs.)</b> | <b>Variance %</b> | <b>Reason for the variance</b>                                                                                                                                  |
|-------------------------|-------------------------------------------------------------------|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Revenue                 | 277,433,713                                                       | 46.48             | Increased demand for international travel and growth in outbound leisure travel revenue during the year.                                                        |
| Cost of Sales           | 206,855,421                                                       | 69.11             | Increase in expenses for financial year 2024-2025 due to the costs associated with operated tours, including airfares, hotel rates, and other related expenses. |
| Administrative Expenses | 18,996,355                                                        | 47.63             | Revision of staff salary structures, recruitment of additional staff, increase of office rent, electricity, and other fixed administrative costs.               |

## 2.3 Ratio Analysis

According to the information made available, certain important ratios of the company for the year under review and the preceding year are given below.

| <b>Description</b>      | <b>2024/25</b> | <b>2023/24</b> |
|-------------------------|----------------|----------------|
| Operating Profit Margin | 1.1%           | 11.47%         |
| Net Profit Margin       | 5.23%          | 11.25%         |
| Return on Equity        | 13.68%         | 22.50%         |
| Return on Assets        | 8.38%          | 12.93%         |
| Current Ratio           | 2.26           | 2.15           |
| Debt Ratio              | 0.39           | 0.43           |
| Debt to Equity Ratio    | 0.63           | 0.74           |

### 3. Operational Review

#### 3.1 Human Resources Management

|     | <b>Audit Issue</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Management Comment</b>                                                                                                                                                              | <b>Recommendation</b>                                                                                                               |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| I   | Board approved cadre details were not available to the audit.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Noted. The updated cadre details are being prepared and will be submitted for Board approval. Once approved, the finalized details will be documented and made available.              | Finalize and maintain a Board-approved cadre list with job descriptions for all positions.                                          |
| II  | <p>Approval of the Board had been granted to recruit an experienced HR &amp; Administration Manager as per the decision to the BP No.05/2024. However, due to the lack of required qualifications of the selected applicant, he was appointed as an Assistant Manager (Outbound Tours). The position remains vacant as of the audited date, resulting significant HR management weaknesses, including:</p> <ul style="list-style-type: none"><li>• Absence of entity-specific HR policies (recruitment, promotion, remuneration).</li><li>• Incomplete Personal files, outdated and missing critical documents (job descriptions, birth certificates, confirmation letters, evaluation reports, etc.).</li><li>• Lack of documented performance evaluations and increment letters.</li></ul> | Noted. Necessary action will be taken immediately to proceed with recruitment, streamline the HR process, and recruit a qualified and experienced HR Manager through re-advertisement. | Take necessary actions to strengthen the HR functions of the company.                                                               |
| III | <p><b>Staff Performance Measurement</b></p> <p>KPIs for individual staff members have not been defined and annual performance evaluations prior to increments have not been conducted. At the board meeting held on 09 June 2025, it was noted that staff costs are comparatively high, underscoring the urgency to implement KPI-based performance management.</p>                                                                                                                                                                                                                                                                                                                                                                                                                          | Noted. This matter will be further discussed with the Board of Directors, and the KPIs will be implemented at the earliest.                                                            | Introduce KPIs for each employee, link them with performance evaluations and make increments/bonuses dependent on KPI achievements. |

**IV Birthday Gift Vouchers to PTL Staff**

Gift vouchers amounting to Rs. 10,000 per person had been issued to People's Travels Ltd (PTL) staff on their birthdays. These expenses were recorded under Staff Welfare and settled through petty cash. The appropriateness of charging such personal expenses to the company's expense is questionable, as it may not fall within the definition of legitimate welfare expenditure incurred in the ordinary course of business.

Noted. We will discontinue this practice and adopt an approved Employee Welfare program.

Discontinue ad-hoc welfare payments unless formally approved.

**V Bonus Payments without Policy**

The company does not maintain a formal bonus policy and bonus payments are made on April and December based on the past practices and business performance. Accordingly, Rs. 6,348,600 had been paid as bonus payment for the period from 01 April 2024 to 31 March 2025. Further, Board had approved a bonus payment amounting to Rs. 2,118,900 on April 2025 equivalent to one month's salary without a policy or rationale in place.

Noted. A formal bonus policy has been submitted to the Board for approval. Going forward, all bonus payments will be made in accordance with the approved policy to ensure consistency, transparency, and proper documentation.

Document and implement a formal bonus policy to ensure fairness and budgetary control.

**VI Sales Incentive Payment**

At the board meeting held on 17 October 2023, approval had been granted for the new incentive scheme whereby:

- Sales officers are entitled to 3 percent incentive up to the target determined by management and out of that 3 percent, 10 percent is to be allocated to back-office staff.
- Upon achieving an additional target (to be decided by management), sales officers are

Take necessary actions to ensure the accuracy of sales incentive payment as per the updated board-approved scheme and develop required targets in line with the board approved scheme. Further, any amendments to the board approved scheme need to be made with prior approval of the board.

entitled to a further 5 percent incentive and out of that, 30 percent is to be allocated to back-office staff.

Following observations are made in this regard.

- a) Inconsistency between board approval and computation of the first target.

Though target is to be decided by the management as per the board approved scheme on 2023, company had calculated the first target as four times of the basic salary of the respective sales officer considering the previous board approval obtained during the year 2022.

Noted.

- b) Non-determination of additional target by management

Though as per the board decision, an additional contribution/target level was required to be set by the management in order to qualify for the second-tier incentive (5 percent), no such additional target was available. However, additional incentives have been calculated based on sales exceeding the first target, which is inconsistent with the approved framework.

Noted. Sales staff receives a 3 percent commission upon meeting their target. If they exceed the target, they are entitled to a 5 percent commission on the amount achieved beyond the target.

- c) Incorrect allocation of incentives between sales officers and back-office staff

According to the approved scheme, back-office staff is entitled to 10 percent of the first incentive earned by sales officers and 30 percent of the second incentive earned by sales officers. Contrary to this, it was

Noted. We held an open discussion with both the Sales and Back Office teams. Considering the exceptional support provided by the Back Office, it was mutually agreed that the Sales Team would

noted that back-office staff were allocated 30 percent of the total incentive earned by sales officers. This has resulted in underpayment for the sales officers and corresponding overpayment to back-office staff.

contribute 30 percent to the Back Office. Based on this mutual understanding, management has decided to offer 30 percent to the Back Office.

d) Inclusion of sales transactions belonging to other officers

Sales attributable to officers other than the relevant sales officer were included in the sales reports of unrelated officers. Consequently, incentive calculations based on such sales are erroneous. For instance, the sales report of the EPF No. 16 for May 2025 includes sales made by the EPF No. 107, leading to distortion in incentive computation.

Noted. The incentive is attributed to the individual who handled the transaction. The above-mentioned transaction actually belongs to the EPF No. 16 and is correctly recorded in the system. However, it was mistakenly entered incorrectly in the Excel sheet.

| Invoice No   | Transaction date | Net Margin (Rs.) |
|--------------|------------------|------------------|
| INV/2500172  | 05.05.2025       | 187,694          |
| INV/2500210  | 09.05.2025       | 289,070          |
| INV/2500247  | 19.05.2025       | 192,000          |
| INV/2500142  | 19.05.2025       | 192,000          |
| <b>Total</b> |                  | <b>860,764</b>   |

VII Salary increments had been paid to two officers soon after completing six months probationary period disregarding the completion of one year period. As a result, Rs. 92,000 had been over paid.

Noted. At the time of confirming employees after completing probation, management considers their contribution, dedication, and value, and offers the annual increment they are entitled to each year. Going forward, such increments will be offered with the approval of the Chairman/Board of Directors.

Salary increments should only be processed after completion of the prescribed one- year period, unless an exemption is formally approved by the Board of Directors.



|      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                  |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| VIII | <p>a) During the audit, it was observed that in five cases of promotions, the basic salaries awarded had been exceeded the Board-approved minimum basic salary of the promoted grade, thereby deviating from the approved salary scale. Accordingly, overpayment of salary amounting to Rs. 153,100 was observed based on the approved salary scales.</p>                                                                                                                                | <p>Noted. Salary increments following promotions were added to the employee's previous salary in accordance with the approved scales. This policy has been in practice since the inception of the company, with the objective of retaining valued employees and ensuring competitiveness with the salary levels offered by private travel companies. As this matter has now been raised, we will seek the recommendation of the Chairman and the Board of Directors.</p> | <p>Promotions and related salary adjustments should be aligned with the latest board approved scales and any variation should be formally approved by the board prior to the implementation.</p> |
|      | <p>b) According to the explanation provided by the company, the difference between the minimum basic salary of the previous position and that of the promoted position was added to the officer's existing salary when fixing the new salary. However, such a method of computation has not been approved by the Board and is not documented in any formal remuneration policy of the company.</p>                                                                                       | <p>Noted.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                  |
|      | <p>c) As per the Section 5:3:3 of the Chapter VII of the Establishment Code of the Government, when an officer is promoted, if the last salary drawn by an officer is less than one incremental step or more incremental steps than the initial salary of the new salary scale, the officer should be placed on the initial salary step of the new salary scale. This practice is also generally followed in determining the initial salary on promotion in comparable institutions.</p> | <p>Noted, we will prepare a policy for salary increments &amp; promotions and seek decision of the Chairman/Board of Directors.</p>                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                  |

## 4.Accountability and Good Governance

### 4.1 Board meetings

| Audit Issue                                                                                                                                                                                         | Management Comment                                                                                                | Recommendation                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| Board meetings had not been held after 09 June 2025 with the resignation of a Director (CFO of People's Bank) on the same date, resulting in a lapse in the governance process and decision-making. | Noted. We will take this into consideration, and a Board meeting will be scheduled at the earliest possible time. | Take necessary actions to ensure Board meetings are held regularly. |

### 4.2 Corporate Plan

| Audit Issue                                                                                                                                                                                                                                                                                                                                     | Management Comment                                                                                                                                                                                 | Recommendation                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Although the strategic plan had been approved on 09 August 2024 as per the decision to the BP No.09/2024, concerns were raised at the Board meeting held on 09 June 2025 regarding its adequacy and relevance. The Chairman highlighted the absence of a proper vision and the Board had directed the General Manager (GM) to revisit the plan. | Noted, and necessary action has been taken. We have already discussed the matter with the Chairman, and the plan will be reviewed and resubmitted as a revised Strategic Plan at the next meeting. | Take necessary actions to revise the strategic plan with proper vision and mission by outlining the strategies and actions needed to achieve those goals. |

### 4.3 Annual Action Plan

| Audit Issue                                                                                                                                                                            | Management Comment                                                                                                                  | Recommendation                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| Action plans for 2024/25 and 2025/26 have not been available. Further, Key Performance Indicators (KPIs) at both business-segment and organizational levels have not been established. | Noted. We are in the process of creating KPIs, which will be presented at the next Board Meeting for evaluation and implementation. | Take necessary actions to prepare annual action plans linked with the strategic plan and define KPIs for each business unit and monitor progress. |

#### 4.4 Budgetary Control

##### **Audit Issue**

The budget for the financial year 2025/26 had been submitted to the Board meeting held on 09 June 2025 by the BP No.03/2025 after 2 months of from beginning of the financial year. However, the Board had decided to reconsider the budget along with the reviewed strategic plan.

##### **Management Comment**

Noted, the revised budget will be resubmitted at the next meeting.

##### **Recommendation**

Take necessary actions to submit annual budgets before the start of each financial year.