

Helitours (Private) Limited – 2021/2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the **Helitours (Private) Limited** (“Company”) for the year ended 31 March 2022 comprising the statement of financial position as at 31 March 2022 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 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 Qualified Opinion

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

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 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 Internal Control over the preparation of financial statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Audit Issue	Management Comment	Recommendation
(a) The course income of the Helitours Technical Training Center (HTTC) amounting to Rs.7,395,000 had been accounted as Rs.6,486,250. As a result income shown in the financial statements had been understated by Rs.908,750.	Due to the Covid-19 pandemic situation, HTTC had to cease conducting lectures during the month of July 2021 and course period was extended by 01 month. Further, three (03) students have been joined to the course from August 2021 and modules related to the first three months have been covered during the financial year of 2022/23. The HTTC course fee and HTTC pre-paid course fee for the financial year of 2021/22 had been identified considering the above facts.	Action should be taken to identify the accrued income for the relevant financial year as per the Accounting standard and accounting policy.
(b) An income received in advance for the year under review was Rs.3,438,750. However as per the computations done by Audit it was Rs.2,537,500. Accordingly income received in advance shown in the financial statements of the company for the year under review had been overstated by Rs.901,250.	Due to the Covid -19 pandemic situation, HTTC had to cease conducting lectures during the month of July 2021 and course period was extended by 01 month. Further, (03) students have been joined to the course from August 2021 and modules related to the first three months have been covered during the financial year of 2022/23. The HTCC course fee and HTCC prepaid course fee for the year of 2021/22 had been identified considering the above facts.	Action should be taken to identify the accrued income for the relevant financial year as per the Accounting standard and accounting policy.

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
Even though the Air Tickets cancelation charges should be credited to the Refund Income Account, but amounting to Rs..225,000 had been credited to the sales income. As a result, net profit had been overstated by similar amount.	International Air Ticket refund income of Rs. 225,000 had been erroneously entered into the International Air Ticket income account. However, net profit or tax amount paid to the Inland Revenue had not been affected due to this error. Further, corrective actions had been taken already to avoid this kind of error in future.	Accrued income should be accounted as correctly for relevant period.

1.6 Accounts Receivable and Payable

1.6.1 Advances

Audit Issue	Management Comment	Recommendation
Refundable deposit amount to Rs.100,000 had been received in the year 2014. However, the Company had not taken any action to release the deposit or to recognize as income owing to through the liability period had been exceeded.	Actions will be taken to write off the refundable deposit of Rs.100,000 in to the income.	Action should be taken to identify to refundable deposit as a income or liability at the time of exceeded liability period.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Letter No.PED/S/HT/1/12 of 15 December 2020 Department of Public Enterprises	According to that letter, directed to transfer the shares of the Company to the Treasury and to appoint a Treasury Member to the Board of the Company. However, this direction had not been followed by the Company	The fully ownership of the company had been transferred to the Secretary to the Treasury and it was requested to appoint a director from Treasury through MOD by the letter reference SLAF/C.99/6/DAO. However treasury had not appointed a director to the company to date.	Necessary action should be taken to appoint the director from Treasury.

(b)Section 38 of Article of Association	No annual general meeting (AGM) had been called as per the article.	According to the Article 26 of the Article of the Association, the annual General Meeting was held by way of passing a resolution in lieu of the meeting as per the terms of sections 133 and sub section (1) section 144 of the Companies Act No.07 of 2007.	Necessary action should be taken as per the Article of the Association of the Company
(c)Section 50 of Article of Association	No directors meetings had been held during the past four years.	Due to the newly inducted Eroc system and the Covid 19 pandemic situation director board meetings were held by way of passing resolutions. The company has schedule to held director board meeting in the 1 st week of October 2022.	Action should be taken to arranged the Board Meeting with the Directors of the Company according to the Article of the Association.
(d) Section 85 of Article of Association	Annual reports had not been prepared as per the articles, since the year of establishment of the Company.	The company had been submitted its annual report along with financial statement in each year. However, the company has taken actions to prepare its annual report according to the observations made by the Auditor General	Arrangements should be made to prepare Annual Report for as per the Article of Association of the Company.
(e)Section 12(g) of the National Audit Act, No:19 of 2018	To state that the Company had not performed according its powers functions and duties as per the requirement of audit Act.	No comment from Management.	Necessary action should be taken to perform its powers functions and duties as per the requirement of Audit Act.
(f) Section 12(h) of National Audit Act. No:19 of 2018	To state that the resources of the company had not been procured and utilized economically,	No comment from Management.	Necessary action should be taken to procured and utilized the resource

efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of Audit Act.

economically effectively and efficiently in compliance with applicable laws as per the audit Act.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs 6,811,836 and the corresponding profit in the preceding year amounted to Rs.1,165,564 Therefore an improvement amounting to Rs. 5,646,272 of the financial result was observed. The reasons for the improvement are the Profit of HTCC increased by Rs 4,868,137 and international profit of air ticket sales increased by Rs.1,973,925.

3. Operational Review

3.1 Idle or underutilized Property, Plant and Equipment

Audit Issue	Management Comment	Recommendation
There are three lecture halls in Helitours Technical Training Centre (HTTC) with other facilities required conduct training course. However, the company had been failed to utilize the full capacity of the halls.	Even though company had taken maximum effort to recruit three batches at a time, it was limited to one batch due to the current economic issues and high rate of rejecting applications due to the low education qualifications of the candidates.	Actions Should be taken to utilize the resources efficiently.