



Zahid Ali Faisal & Co

Chartered Accountants

Ref. No. 101023

Dated: 15/12/2021

Chief Auditor
Co-operative Societies Punjab
Cooperative Bank House. Bank Square
Shahrah-e-Quaid-e-Azam
Lahore.

RE: **JUDICIAL EMPLOYEES COOPERATIVE HOUSING SOCIETY, LAHORE**

AUDIT OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2020

Dear Sir,

We are pleased to inform you, that as per the requirement of your letter No. **RCS/Audit/ Allo-2020/ 546** dated **11th March 2021**, we have completed the audit of annexed balance sheet of **Judicial Employees Cooperative Housing Society, Lahore** ('the society'), as at 30 June 2020 and the income and expenditure account for the year ended [here-in-after referred to as the "financial statements"]. The responsibility for the preparation of financial statements is of the management of the society. Our responsibility is to express an opinion on these financial statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial are free of any material misstatement.

As an important secondary audit objective to provide constructive assistance to the management in the form of systems recommendations and advice on matters of financial management, by means of this report, we draw attention of the management, towards certain weaknesses in accounting procedures and practices, alongside suggesting remedial action for modification / improvement and necessary compliance.

It is to certify that the matters, which are being reported in this report, came to our attention during the course of normal audit procedures, which is based on test check and therefore should be relied upon to that extent only, as stated.

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1. BACKGROUND AND LEGAL STATUS

- i. Society was registered on November 24, 1979 as "JUDICIAL EMPLOYEES COOPERATIVE HOUSING SOCIETY LIMITED, LAHORE" vide certificate no. 948 under Cooperative Societies Act 1925. The registered address of the Society is located at Umar Plaza, 1-Mozang Road, Lahore.

Society has adopted Model Bye Laws on 20th May 2015 prospectively, on the directions of Cooperative Department, Lahore and with the approval of the General Body.

The main objects of the society are to develop Housing colonies on modern lines to the best advantage of Judicial officers and its employees in particular and other members of the society. To establish and carry out social recreative and educational work in different districts of the Punjab or area in the jurisdiction of Lahore High Court Lahore. It shall have power to do all things it deems necessary or expedient for the accomplishment of all objects specified in the bye laws, including the powers to purchase, hold, sell (with full proprietary rights), exchange, mortgage, rent, surrender, accept surrenders of lands and to erect, pull down, repair, alter or otherwise deal with any building or land in the Society or its phases.

2. LAYOUT PLAN

Layout plan for all the phases have been provided; it was observed that Layout plan of Judicial Colony Gujranwala was first approved by corporation. When Gujranwala Development Authority came into force, its application was submitted in GDA for approval. GDA raised objection for which the Society got the decision through court in the society's favour. GDA has filed appeal against the order of the court which is sub-judice. Rest of the layout plans of all phases are duly approved by the competent authority.

A certificate is provided by the society showing category / phase wise detail of Residential Plots only (Detail commercial plots is not provided).

Details of Residential Plots only, as provided by the society through certificate are as under;

| Scheme | 2-K | 1-K | 15-M | 14-M | 10-M | 7-M | 5-M | 3.5-M |
|-----------------|------------|--------------|-----------|------------|------------|------------|------------|-----------|
| Phase-I | 19 | 187 | 25 | - | 152 | 30 | 40 | - |
| Phase-I (Ext) | 57 | - | - | - | - | - | - | - |
| Phase-II | - | 18 | - | 180 | 85 | 68 | 16 | 38 |
| Phase-III | 17 | 221 | 2 | - | 44 | 2 | 13 | - |
| Phase-III (Ext) | 3 | 105 | 2 | - | 62 | 1 | 8 | - |
| Gujranwala | 20 | 200 | - | 4 | 85 | 5 | 143 | - |
| Faisalabad | - | 260 | 1 | - | 16 | 18 | - | - |
| Rawalpindi | - | 221 | 1 | - | 54 | - | 25 | - |
| Total | 116 | 1,212 | 31 | 184 | 498 | 124 | 245 | 38 |

Society has provided a certificate regarding allotment status of plots which shows that all residential plots are allotted to members.

Signature

3. STATUS OF DEVELOPMENT WORKS

The Society was liable to develop the whole scheme within five years from the date of approval of LOP. A certificate provided which showed that development work completion in all phases is 100%. We also corroborated it with forensic audit report which was conducted under the order of Hon'ble Supreme Court of Pakistan.

4. LIST OF MEMBERS

List of members has been provided but it is not prepared as per Terms of reference (TORs). As per management of the society, ERP software is being implemented. Complete information as per TORs will be available once ERP software is implemented. Therefore, we are unable to give any opinion on Members' deposits.

5. LITIGATION POSITION

The society provided a list of 14 numbers of pending cases. As per legal advisor of the Society, none of the case will have any financial impact in future and all cases will be decided in favor of the Society.

i. RESERVE FUND

As per clause 39(2) of the Cooperative Societies Act, 1925, the Society shall transfer at least 1/10th of the net profits of the society each year to the reserve fund. During the year no amount transferred to reserve fund as the society bear a loss of Rs. 16,911,266/- (Previous Year loss of Rs. 2,764,995/-)

The current year loss increased mainly due to an increase in Electricity and Salaries expenses and inactivity due to Covid-19.

. OPERATING FIXED ASSETS

The Society is maintaining record of fixed assets but it is not as per the format of fixed assets register. As per management of the Society, ERP software is being implemented. Fixed assets register will be available once implementation of ERP software is completed.



8. LONG TERM INVESTMENT

The amount under this account head invested with commercial banks through TDR's. Profit rates ranges from 11% to 11.4%.

| Date | TDR's | Term | Rate Per Anum | Amount |
|------------|----------------|---------------|---------------|------------|
| 14/12/2019 | TDR-20 (M) MCB | 6-Months term | 11.109 | 20,000,000 |
| 17/06/2020 | TDR-20 (M) MCB | 6-Months term | 11.437 | 20,000,000 |
| 14/12/2019 | TDR-25 (M) MCB | 6-Months term | 11.109 | 25,000,000 |
| 17/06/2020 | TDR-25 (M) MCB | 6-Months term | 11.437 | 25,000,000 |
| 14/12/2019 | TDR-10 (M) MCB | 6-Months term | 11.109 | 10,000,000 |
| 17/06/2020 | TDR-10 (M) MCB | 6-Months term | 11.437 | 10,000,000 |
| 14/12/2019 | TDR-5 (M) MCB | 6-Months term | 11.109 | 5,000,000 |
| 17/06/2020 | TDR-5 (M) MCB | 6-Months term | 11.38 | 5,000,000 |

9. CASH BASIS ACCOUNTING

The society is recording income on cash basis. Therefore, there is no receivable appearing in the accounts with respect to income and expenses. As per management, they will shift their accounting method to accrual basis once ERP implementation is completed.

10. STAFF SALARIES

- a) The society is not making compliance of Employees' Old Age Benefits Act.

11. MANAGEMENT COMMITTEE

As per Clause 22 (1) of bye-laws, "The Managing Committee (MC) shall consist of Chairman and secretary of each phase/ subcommittee as representative member and nine (9) founder/ central members and the tenure of committee shall be three (3) years".

Following discrepancies observed while reviewing the list of MC members provided by the society:

- a) As per the list of Managing Committee provided to us, there is no representative member of any sub-committee in the list. As per management, elections of one sub-committee is pending.
- b) There are 8 members in managing committee instead of 9 members as prescribed in the bye-laws. 1 member sold his plot during the year. As per management, a new member will be co-opted soon.



12. GENERAL

a) Annual general meeting:

The society has failed to hold Annual General meeting as per the provisions of rule 19(1) of Cooperative Societies Rules, 1925 and section 12 of Cooperative Society Act, 1925;

The last "Annual General Meeting" of the society was held in September 2016. As per management of the society, amended Bye-laws were approved in that Annual General meeting. Some members filed a petition before Cooperative Department against the order of Secretary Cooperative. Then a writ was filed before High Court but the disputed members were not satisfied with the Order of High Court. They, then, filed an appeal before Supreme Court of Pakistan. Therefore, delay was caused in holding of AGM. Moreover, impacts of Covid also caused delay in holding of AGM.

13. AUDIT MEMO

Audit memo duly filled in, is attached as per Annexure "B".

14. REGISTRATION CERTIFICATE

A copy of registration certificate is attached as per Annexure "C".

15. COPY OF BYE LAWS

A copy of bye laws is attached as per Annexure "D".

16. CERTIFICATE OF NO AMENDMENT IN BYE LAWS

Certificate that there is no amendment in Bye Laws is attached as per Annexure "E".

17. LIST OF MANAGING COMMITTEE MEMBERS


List of managing committee members is attached as per Annexure "F".

18. LIST OF MANAGING COMMITTEE MEETINGS

List of managing committee meetings is attached as per Annexure "G".

19. COPY OF ELECTION NOTIFICATION

A copy of election notification is attached as per Annexure "H".



20.LIST OF STAFF

List of staff is attached as Annexure "I".

21.CASH IN HAND CERTIFICATE

Certificate of cash in hand is attached as per Annexure "J".

22.CERTIFICATE OF DEFAULTERS

Certificate of defaulters as regards to members is attached as per Annexure "K".

23.LAND PERFORMA

Detail of land in prescribed Performa is attached as per Annexure "L".

24.SOCIETY'S MAP

The map of the Society is attached as per Annexure "M".

25.LIST OF MEMBERS

List of members is attached as per Annexure "N".

We wish to place on record our appreciation of the cooperation extended to us by the management and staff of the Society, during the course of our audit.

Yours faithfully,

Zahid Ali Faizal



For: ZAHID ALI FAISAL & CO. Chartered Accountants

[Ali Ahmad FCA]

cc: 1. District Officer Cooperatives, 168-Multan Road Lahore.

2. Secretary, Wapda Officer's Cooperative Housing Society Limited, Lahore.