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Reference no. 1025

The Circle Registrar (Audit),
Cooperatives Societies ,
Punjab, Lahore.

**Subject: AUDIT REPORT OF JUDICIAL EMPLOYEES COOPERATIVE
HOUSING SOCIETY FOR THE YEAR ENDED JUNE 30, 2021**

Dear Sir,

In accordance with the instructions contained in your letter no. RCS/AUDIT/allo-21/429 Dated 29.03.22, we have completed the audit of the accounts of the above mentioned society for the year ended on June 30, 2021.

The financial statements comprises Statement of financial position, Statement of Income and Expenditure Account along with notes to the financial statements.



The audit work involves evaluation on test basis evidence supporting the amounts in the record and such tests and auditing procedures and practices as were considered necessary in the circumstances. Our work however, was restricted to the information stated and available in the records, which have been prepared and maintained by the society.

The responsibility for maintaining of an adequate system of internal control as well as for prevention and detection of fraud or errors rest with the management. We are not required to search specially for the fraud and therefore our audit cannot be relied upon to disclose all such matters , however our audit was planned so that we would have a reasonable expectation of detection of material misstatement in the accounts from irregularities or fraud.

We conducted audit in accordance with the provisions of section 22 of the Cooperative Act 1925 and Cooperative Rules 1927. Further we conducted audit in accordance with the generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

It is further clarified that the financial statements along with audit report has been discussed with the management of the society at appropriate level.

It is further clarified that the matter , which are being reported , come to our attention during the course of normal audit procedures, which is based on test check and therefore, should be relied upon to the extent only as stated .

1) INTRODUCTION AND LEGAL STATUS:

The Society was registered on November 24, 1979 as “**JUDICIAL EMPLOYEES CO-OPERATIVE HOUSING SOCIETY**” vide certificate no. 948 under Cooperative Societies Act, 1925. Its registered office is located at Umar Plaza, 1-Mozang Road, Lahore. The area of the operation of the society shall extend to whole of the Province of Punjab. The Certificate of registration is enclosed for your kind reference.

Society has adopted Model Bye Laws on 20.05.2015 on the direction of Cooperative Department, Lahore and with the approval of the General Body.

2) OBJECTS OF THE SOCIETY: ~

As per section (6) of the Bye laws of the society, the 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 creative 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 surrender of lands and to erect, pull down, repair, alter, or otherwise deal with any building or land in the society or its phases.

3) ACCOUNTING SYSTEM: ~

Book keeping system of the society is on ERP and Books of accounts comprises of Bank Book and General Ledger.

4) FINANCIAL REPORTING ENVIRONMENT:

We have observed that following accounting policies are being followed for the financial reporting.

- Financial Statements are prepared on **historical cost basis**.



- **Fixed assets** are stated at **cost less accumulated depreciation** except free hold land which is stated at **cost**. Depreciation is charged at **written down value** method. Depreciation on addition is charged for full year in the year of purchase and no depreciation is charged in the year of sale.
- **Revenue recognition** is recognized on **receipt basis**. **Expenses** are recognized on **payment basis** i.e. when actual payment is made.
- Figures in this financial statement have been rounded off to nearest rupee.

5) **BYE LAWS:**

- **Bye Laws** signed by the secretary being provided to us. It was confirmed by the management that there is neither any amendment made nor any amendment forwarded to the registrar for the approval during the current year.

6) **LAYOUT PLAN AND DEVELOPMENT**

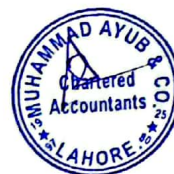
Layout plan have been provided for all Phases. It is observed that layout plan of Gujranwala has yet not been approved by Gujranwala Development Authority (GDA). GDA raised objection for which the society got the decision in society's favour. GDA has filed civil revision against the judgement and decree in Lahore High Court which is sub-judice. Management of the society expects that decision will be in favour of the society. Rest of the layout plans of all the phases are duly approved by the competent authority.

7) **STATUS OF DEVELOPMENT WORKS:**

Development work in all phases has been completed. A certificate in this regard is provided by the society which is placed as annexure.

8) **FIXED ASSETS**

Society has maintained fixed assets register. Management has informed us that society has started maintaining the fixed assets register on ERP software which will be available in next year.



9) DETAIL OF PLOT AREA WISE

Society has provided a certificate showing category / phase wise detail of only residential plots which is as under :-

SCHEME	2-K	1-K	15-M	14-M	10-M	7-M	5-M	3.5-M
PHASE-I LAHORE	19	187	25	-	152	30	40	-
PHASE-I EXT LAHORE	57	-	-	-	-	-	-	-
PHASE-II LAHORE	-	18	-	180	85	68	16	38
PHASE-III LAHORE	17	221	2	-	44	2	13	-
PHASE-III EXT LAHORE	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

Detail of commercial plots is not provided to us. A certificate has been provided which shows that all residential plots have been allotted.

10) LAND:- Detail of land in different phases is as under:-

SCHEME	KANAL	MARLAS	TOTAL COST
PHASE-I LAHORE	439	04	2,774,520
PHASE-I EXT LAHORE	107	17	286,033
PHASE-II LAHORE	353	14	16,276,964
PHASE-III & EXT LAHORE	714	-	68,898,153
GUJRANWALA	439	04	11,724,801
RAWALPINDI	306	02	23,986,704
FAISALABAD	381	-	36,547,320
	-		
TOTAL	2,741	01	160,494,495

Land was purchased in previous years. During the year land was not purchased. Form Alif, Bay and Jeem was provided to us which is placed as annexure.



11) INTERNAL AUDIT

Society has appointed an internal auditor. The report of internal auditor was provided to us. Management of the society informed us that society will also appoint internal audit committee in the next year.

12) LIST OF MEMBERS:

List of members has not been provided to us. Management informed that list is under preparation in ERP system and will be available when data will be updated on the new system.

13) LITIGATION POSITION:

List of pending cases is provided by the society which is placed as an annexure. There are 14 number of cases during the year. Last year there were also same number of cases. As per legal adviser there will be no financial impact of these cases in future as all the cases will be decided in favor of the society.

14) ANNUAL GENERAL MEETING:

Annual General Meeting of the society is not being held as per the provisions of Rule 19(1) of the Cooperative Societies Rules 1925, and section 12 of the cooperative Societies Act, 1925.

Last AGM of the society was held in September 2016. In last audit report it is stated that as per management of the society the amended bye-laws were approved in that Annual Meeting. Some members filed a petition before Cooperative department against the order of the Secretary Cooperative. Then the 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 the Supreme Court of Pakistan. Moreover, impact of Covid also caused delay in holding the AGM.

However , we examined the record of the Society and found that Special General Meeting of various phases of the society were held which were presided by Mr. justice® Ijaz Nisar, Former Chief Justice, Lahore High Court Lahore, attended by members of the respective phases. In these meetings the matters of General importance pertaining to concerned phase were discussed and approved. As per record we have examined the attendance sheet and minutes of the meeting alongwith photographs which serves the purpose of the rules.



15) MANAGEMENT COMMITTEE :

The list of managing committee is provided by the society and is placed as an annexure.

As per clause 22(1) of the 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 the committee shall be three (3) years.**”

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

- a) As per list of managing committee provided to us, there is no representative member of any sub-committee in the list.
- b) There are 8 members in the managing committee instead of 9 members as prescribed in the bye-laws. As per management a new member will be co-opted soon.

Management informed that deficiency is due to death of Mr. Moazam Hayat during the period.

16) SUB – COMMITTEE’S & ITS ELECTIONS:

Election of Sub- committees were held as under:-

PHASE	DATE	REMARKS
a) Phase - I	27.01.2020	No remarks
b) Phase – II	09.10.2018	More than 3 years
c) Phase – III	27.01.2020	No remarks
d) Rawalpindi	14.01.2019	More than 3 years
e) Gujranwala	15.10.2018	More than 3 years
f) Faisalabad	Election	Notification not provided.

Management informed us that they are going for election of all phases simultaneously as early as possible.



17) PRIOR YEAR AUDIT OBSERVATIONS :

Compliance letter regarding prior year observations was not provided to us. However, Prior year audit observation is partially complied with.

18) STAFF OF THE SOCIETY:

We have checked the strength of the staff of the Society. In our view staff strength is reasonable as per the requirement of the Society.

19) INCOME TAX :

Society is **registered** with FBR and its **National Tax Number is 3051896**. Society is filing Income Tax returns and withholding statements to FBR according to the provisions of Income Tax ordinance.

20) RESERVE FUND:

Particulars	2021 (Rupees)	2020 (Rupees)
Reserve Fund	329,507	NIL
Total	329,507	NIL

- As per section 39(2) of the Cooperative Act 1925 every society other than the resource and producer's society; the 1/10th of the net profits of the net profits of the society shall be carried to serve each year.

❖ Observations:

- *During the year an amount of Rs. 329,507 was transferred to reserve fund. (Previous year nil due to loss of Rs. 14,146,271)*

21) ACCOUNTING SYSTEM

Society is recording its transactions on receipt basis. Society should record its transactions on accrual basis. This practice is not representing the true and fair picture of the accounts of the society. Society pay electricity, salaries and other bills for the month of June in July and no accrual entries are incorporated by the Society. Monthly rent, water etc. bills are also recorded on receipt basis. As per management they will shift their accounting method to accrual basis

22) ANNUAL BUDGET :

Society has prepared annual budget of the society.



Most most prudent step has been taken & invest
Rs. 5 Crores in Fixed Deposit.

23) STAFF SALARIES:

Society not paying and deducting EOBI contribution of employee and not making compliance of Employees Old Age Benefits Act.

24) MASJID WORK

During the year masjid work had been done of Rs.3,600,000 in Rawalpindi by the society . We checked payment proof and approval.

25) CASH AND BANK BALANCES

Sr#	Bank Name	Phase	Ac number	Closing Balance	Status
1	Muslim Commercial Bank Limited	Phase-I-Dormant	488-1	100,773	Dormant Account no confirmation and bank statement provided
2	National Bank of Pakistan (Rwp	Rawalpindi-Dormant		68,669	Dormant Account no confirmation and bank statement provided
345	Habib Bank Limited	Rawalpindi—Dormant		55,983	Dormant Account no confirmation and bank statement provided

Last year society has invested amount in saving account and earn a profit of Rs.6, 780,901. During current year ~~such were held in society's account and no such profit was earned on investment.~~ We recommend that management should invest extra funds in fixed deposits accounts in order to earn more profit.

26) RENTAL INCOME

Society had made different rental agreements but these are not renewed on annual basis. Further rent is accounted for on receipt basis. We recommend that rental income should be accounted for on accrual basis.



27) WATER AND SEWERAGE

Monthly bills of water, sewerage etc. are not prepared on ERP system. Current bills and arrears therein are prepared on excel sheet and manual registrar is maintained.

It is recommended to shift the billing and collection of monthly bills on ERP as early as possible.

28) MEMBERSHIP FEE

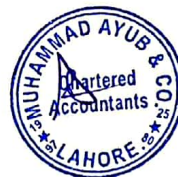
As per clause 10(1) of Model by Law of the Society, membership fee is Rs. 5000 per member. Society has increased membership fee to Rs. 10,000.

29) RECEIPTS & EXPENSES OF THE SOCIETY:-

We checked receipts and expenses of the Society on test basis and no adverse opinion found.

30) SHARE CAPITAL

- a. Every member shall have to purchase at least one full share amounting to Rs.1,000/- which shall be paid in lump sum at the time of admission.
- b. The liability of every member is restricted to ten times of the value of the share purchased.
- c. No individual member shall hold shares, The value of which exceed Rs.20,000/- or 1/5 of the total share capital of the society, whichever is less. If an individual member, by inheritance or otherwise come in possession of more than the maximum holding, by this rule, the managing committee shall have the power to sell excess number or purchase them for society.





During the year share money received from the following members:-

SR#	Phase	Description	Date	Amount
1	phase II	105-C P- 2021-03-0047	26-05-2021	1,000
2	Phase II	28-D P-II 2021-05-0028	31-05-2021	1,000
3	Phase II	32/1 BLOCK-D P-II 2021-06-0058	14-06-2021	1,000
4	Phase III	175 J.c. P-III 2021-03-0011	2-3-2021	1,000
5	Phase III	51 J.C. P-III 2021-03-0013	12-3-2021	1,000
				5,000

We were not provided list of members showing capital amount against each member, therefore, we are unable to verify whether amount of capital as per financial statements are in agreement with members register. Further certificate regarding number of members in each phase is also not provided.

We are not aware of any other matter of importance that we feel should be reported to you but would be pleased to provide you any other information and explanations that you may require.

We would also like to thank the society management and staff for the cooperation extended to us by them during the course of our audit.

Yours truly,

MUHAMMAD AYUB

For MUHAMMAD AYUB & CO.
(Chartered Accountants)



Lahore
September 9, 2022

CC: 1. Circle Registrar – 168- Multan Road, Lahore.

2. Secretary of the Society.

Mumtaz Centre, Suite # 5 & 7, Third Floor,
15-A, Shahrah-e-Fatima Jinnah, Lahore.
Tel: 36361282, 0341-6231281
Email: mac4ca@gmail.com