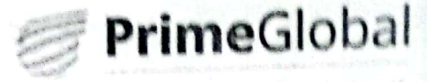


# FAZAL MAHMOOD & COMPANY

## CHARTERED ACCOUNTANTS

a member firm of PrimeGlobal International



An Association of  
Independent Accounting Firms

The Registrar,  
Cooperatives Societies ,  
Punjab, Lahore.

Ref/Audit/24-03  
March 20,2024

**Subject: AUDIT REPORT OF JUDICIAL EMPLOYEES COOPERATIVE  
HOUSING SOCIETY FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023.

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.

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 .

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**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 of district court Gujranwala before 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) ERP IMPLEMENTATION**

The society has paid amounting to Rs. 800,000 to the bright line solution but the system is not yet implemented for the generation of the water & sewerage bills for the phases of the society.

It is suggested that the time frame to be fixed for the implementation. Further software evaluation is to be done by the finance committee.

**9) 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.

**10) 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	-
<b>TOTAL</b>	<b>116</b>	<b>1,212</b>	<b>31</b>	<b>184</b>	<b>498</b>	<b>124</b>	<b>245</b>	<b>38</b>

A certificate has been provided which shows that all residential plots have been allotted.

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

SCHEME	KANAL	MARLAS	TOTAL COST
PHASE-I LAHORE	438	15	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	440	-	11,724,801
RAWALPINDI	306	02	23,986,704
FAISALABAD	381	-	36,547,320
	-		
<b>TOTAL</b>	<b>2,739</b>	<b>48</b>	<b>160,494,495</b>

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.

**12) INTERNAL AUDIT**

The M.C. of the Society has appointed M/s M. Imran Akhtar & Co, Chartered Accountant as internal auditor. The report of internal auditor was provided to us.



**13) LIST OF MEMBERS:**

List of members has been provided to us but it is not according to the format provided by the cooperative department.

**14) LITIGATION POSITION:**

List of pending cases is provided by the society which is placed as an annexure. There are 17 numbers of cases during the year. As per legal adviser there will be no financial impact of these cases in future as all the cases hopefully be decided in favor of the society.

**15) 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 an appeal before Secretary, Cooperative against the order of the Registrar which was dismissed. Thereafter, being aggrieved, they filed writ petition before Hon'ble Lahore High Court, Lahore which was dismissed and subsequently they filed appeal before August Supreme Court of Pakistan which was also met with the same fate. 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 and different members of M.C. and was 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 along with photographs which serves the purpose of the rules.

**16) PRIOR YEAR AUDIT OBSERVATIONS**

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

**17) 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.

**18) 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.

**19) RESERVE FUND**

Particulars	2023 (Rupees)	2022 (Rupees)
Reserve Fund	1,436,884	662,061
<b>Total</b>	<b>1,436,884</b>	<b>662,061</b>



- As per section 39(2) of the Cooperative Act 1925 every society other than the resource and producer's society; the 1/10<sup>th</sup> 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. 1,436,884 was transferred to reserve fund.*

*(Previous year an amount of Rs. 662,061)*

## 20) ACCOUNTING SYSTEM

Society is recording its transactions on receipt basis. Society should record its transactions on accrual basis.

## 21) ANNUAL BUDGET

Society has prepared annual budget of the society.

## 22) STAFF SALARIES

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

## 23) 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.

## 24) 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.*

## 25) RECEIPTS & EXPENSES OF THE SOCIETY



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

## 26) SHARE CAPITAL

- 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.
- The liability of every member is restricted to ten times of the value of the share purchased.
- 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.

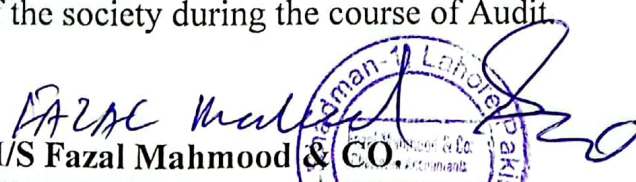
**During the year share money received from the following members:**

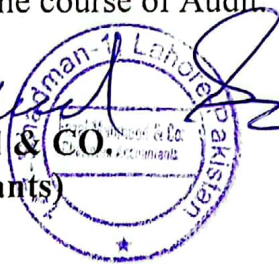
SR#	Phase	Description	Date	Amount
1	phase III	179-A J.C. P-III	19-09-2022	1,000
2	Phase III	120-A J.C P-III	19-09-2022	1,000
3	FSD	208 J.C. Faisalabad	14-12-2022	1,000
4	Phase III Ext	472 J.C. P-III Ext	30-12-2022	1,000
5	Phase III	97/D J.C. P-III	17-02-2023	1,000
				<b>5,000</b>

**27) APPENDIX OF THE REPORTS:**

<b>TABLE OF CONTENT</b>	
<b>CONTENTS</b>	<b>Annexures</b>
Audit memo pro forma under item no. 17 of instructions for audit of cooperative societies	"A"
Copy of certificate of registration of society	"B"
Copy of Bye Laws of the society	"C"
Certificate of no amendment in Bye Laws	"D"
Form Alif Bay Jeem	"E"
List of managing committee as on 30-06-2023	"F"
Statement of meeting of managing committee held during the period	"G"
Certificate of Cash in hand	"H"
Certificate of Non Incumbrance	"I"
Certificate of Defaulter	"J"
List of Legal Cases	"K"
Invoice for professional Services (Bill)	"L"
Certificate of Annual General meeting held during the year	"N"
List of Resident Plots Category Wise	O

Finally, we appreciate the cooperation extended to us by the management and staff of the society during the course of Audit.

  
M/S Fazal Mahmood & CO.  
(Chartered Accountants)



CC: 1. The Circle Registrar Cooperative Societies, Lahore.

2. The Secretary

**JUDICIAL EMPLOYEES COOPERATIVE HOUSING SOCIETIES**

