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INTERNAL AUDIT REPORT

Introduction

1. Two members team vide convening order No 1027/RWS dt 02 Jun 2015 was detailed to carry out the Internal Audit of accts for the Fin yr 2014-15.

(a) The team asked for the previous Internal audit report as well as CA audit reports from the Fin yr 2008-09 to Fin yr 2014-15.

(b) Except for the Annexure 'A' to CA audit reports, no detailed audit report has been made available to the audit team. This annexure was also found to be serving "No meanful" purpose.

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Methodology

2. The audit team has adopted methodology to carry out the inspection of following accountable documents:-

(a) Cash Books/Ledgers

(b) Receipt Books/RV Files

(c) PV Files

(d) Misc: Bank Pass Books/cheque counter folios, link CRVs/CIVs, any other supporting Fin working sheets in records, contract files (02 Jan 2009).

Preparation

3. The audit report has been prepared in annexures 'A' to 'D' as under :-

(a) Annexure 'A' - Deals with the general regulations, rules of the business and prevailing laws/practices and Bye-laws on the subject matter which have not been followed. These pl be noted for strict compliance.

(b) Annexure 'B' - Observations recommended for rectifications/remedial measures and be confirmed.

(c) Annexure 'C' - Objections which are of severe financial irregularities.

(d) Annexure 'D' - Special case study for restructuring.

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1. All FDRs and Interest accrued thereon have not been checked since the same come under the purview of annual CA check which is due shortly.
2. Encashment of cheques (for own reqmts/petty cash expdr) are being done for the amount more than Rs 20,000/- (The limit laid down in Bye-laws and GOI orders on the cash payments). It is seen from transactions in the cash ledger and "Cash Register" that at times a cheque for Rs 01 lac has been encashed. This practice should stop "Forthwith"
3. Vide PV-265 dt 30 Dec 2014, a sub bill No 07 for an amount of Rs 24,367/- (For purchase of replacement wire for the walking Plaza) has been put under the "Purchase of Maint Stores". It should have been accounted for separately (since it does not fall under minor maint purchases of Rs 5000/- or below value) and linked with PV-38 dt 02 May 2014 where the maj expdr for 'walking plaza' has been accounted for.
4. Vide PV-65 dt 31 May 2014, a payment of 16 misc bills have been clubbed under the Fin powers of the Treasurer. Sub bill No 08 for an amount of Rs 7950/- exceeds the limit of Rs 5000/-, therefore, it should have been dealt with separately on a 'noting' sheet and sanction of CFA obtained.
5. Vide PV-49 dt 08 May 2014, electrical items have been purchased for an amt of Rs 8613/- on 01 to 03 sub bills on the same day, i.e 20 April 2014. As per "Purchase of stores" the procedure does not permit splitting and it should have been purchased on a single bill and CFA prior sanction obtained (on a Noting Sheet).
6. Vide PV-65 dt 31 May 2014, electrical items have been purchased on two bills (dt 11/5 and 18/5) for an amt of Rs 8218/- Nomenclature of items not clear and the rates per unit not given on the bills.
7. Vide PV-115 dt 27 Jul 2014, 08 electrical items have been purchased on sub bill No 13 dt 20 Jul 2014 for an amt of Rs. 6070/- prior sanction of CFA not obtained.
8. Vide PV-135 dt 06/08/2014, Qty-02 of an electrical item purchased on sub bill No 09 dt 18/06/2014 for an amt of Rs 6596/- Nomenclature of item not clear, rate per unit not given on the bill and prior sanction of CFA not obtained.
9. Four sets of "Stk ledgers" are reqd to be maintained i.e for "property/fixed assets", "Usage/replacement items", "Expendable/perishable stores" and "Unserviceable Returned Stores". Treasurer confirmed that they are maintaining two stk ledgers i.e "Property/fixed assets" and "Expendable stores" and the remaining two ledgers shall be opened shortly. "UNSV Stores" stk ledger is very essential and the only legitimate checking media to weed out "Fake/Bogus maintenance and repairs expdr" Therefore, all the UNSV/discarded or replaced costly major or sub assys of lifts/electric panels/electric motors etc are taken on charge. This will also fetch up a scrap value when disposed after the end of a "Fin Yr".
10. AMC contract for the lifts for the pd 01 Sep 2014 to 31 Aug 2015 has not been made available to the Audit team. The same please be made available for vetting the terms and conditions and their financial budgetary effects. While going thru the contract for the pd 03 Sep 2013 to 31 Aug 2014, the following observations are made :-

(a) Right from the British Era and as per the Law of the land, any contract which is to be executed between two parties shall be executed between the Hd of the organization i.e CEO/CMD/MD and the owner/Authorised signatory (if any) of the service providing Co.

Thus the "old contract" executed between the lifts I/c member and service providing company is found legally invalid and not binding on both the parties.

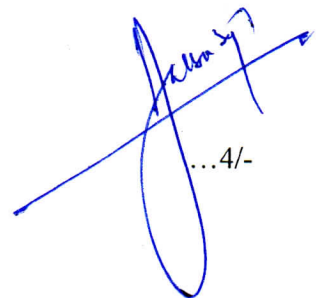
(b) As per AMC, a monthly maint amt of Rs 1,13,100 (incl Taxes) was fixed, where as the amt charged each month been fluctuating.

(c) Processing further on the "Noting sheet of lifts I/C member, The "Treasurer" should had vetted the contract and signed as "witness No 1" whereas the Gen Secy signed as " witness No 2" so that matter could be persued in the court in case of any subsequent "contract breach" by the service providing company. Therefore, in view of the above facts, pl make available the "completed contract" for the valid pd upto 31 Aug 2015 (and before the next renewal date of 01 Sep 2015). *Being a heavy expdr incurring it requires approval by a majority vote in MC*

11. In the terms of para 26, sub para (Xii), read in conjn with para 37 (vi) of society Bye laws, all EMERGENT expdr incurred on power/electricity and "Lifts" have to be accounted for separately on a Ledger. (A max of Rs 05 lac budget is permissible in a yr). Therefore, please take the necessary action for all the "Emergent expdr" incurred in the fin yr 2014-15.

12. To avoid any fraudulent entry, Security of employees or tenants pl always be paid thru cheque.

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1. Vide Receipt book srl No 7998/RV 392 dt 09/07/2014, an amt of Rs 7200/- has been recd as "Society maint charges". Please show the recovery of the bal amt of Rs 300/-

2. Vide PV-268 dt 30 Dec 2014, an amt of Rs 20,000/- has been booked for stopping the seepage in 17 Lifts cont rooms. Please confirm the completion of this Civ/Misc wk.

3. Vide PV 240 dt 04 Dec 2014, an amt of Rs 74,158/- has been paid to CA staff for "Data Entry-Tally"

and vide PV-172 dt 12 Sep 2014 an amt of Rs. 90,000/- was paid to CA Mr. Ashok Dahra & Associates for carrying out a spl audit of accts from the Fy 2008-09 to 31 May 2013. The detailed audit report alongwith "Investigation Report" is awaited. Pl expedite.

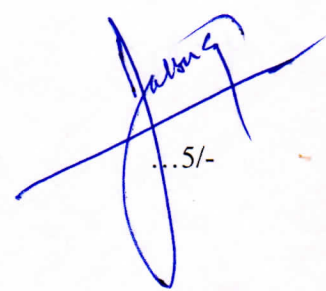
4. During checking of the Receipt books, it came to the notice of audit team that receipt books srl Nos 5901 to 5969, 7601 to 7700 to 7800, 7801 to 7900, 7901 to 8513, 8601 to 8700, 8701 to 9900 have been used but not taken on charge on the cash ledger. Since all the Receipts Books are "Accountable Financial Documents" so you are requested to account for all these used Receipt Books properly and the Gen Secy who is custodian of all the accountable documents is required to give a cert to this effect.

5. From the inception of "Users maintenance committee" in the beginning of the yr 2009, the practice of putting a "Cash certificate" (depicting cash in Hand, cash in Bank alongwith the monthly S of accts) after the closure and pasting the summary of accts for each month. This system was followed by all the treasurers till 31 May 2013. It is not understood why this practice was stopped wef Jun 2013. It should be followed vigorously with an imdt effect since it is very effective "Tool" to catch "Short cash" in time.

6. On 03 May 2014, a surplus society maint charges" credited in bank thru 6-7 cheques (with a remarks "details not known" to the tune of Rs 50,750/- has been taken on charge. The incumbent "Treasurer" is advised to take following imdt corrective actions:-

- (a) Ascertain the particulars/details from the bank (BOI).
- (b) Ensure this amt is not misused/miscalculated against the recoveries of "short cash" cases as high lighted in the internal audit report.
- (c) To issue authentic receipt book receipts to claimants in future.

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1. * Vide Receipt book srl No 7770/RV167 dated 04 Jun 2014, a cash of Rs. 5000/- has been taken but wrongly shown as "Cheque" under the "Bank/Shop rent" Hd. Thus it is a clear cut case of "Short cash" and this cash pl be deposited through a "CRV".

2. An amount of Rs 15,000/- was withdrawn thru cheque No 000112 dt 27 Jul 2014 (Srl No 120) and not taken on cash charge through a RV. Pl do it by depositing cash thru a CRV.

3. While doing linking up action for "Short cash" a ref is also made to CE (RV 7121) dated 09 Mar 2014 whereas a "Cash receipt entry" already exists on 07 Jan 2014 in the cash ledger where a cash of Rs 14500/- was recd as "Society maint charges" wrongly under the cash Hd "Misc", (Correcting action required was only in summary of Accts for the month of Jan by simply putting/adding +Rs 14500 under cash Hd and subtracting Rs 14500/- from cash Misc Hd.) Expdr entry shown as "CE" on 09 Mar 2014 is totally wrong and unwarranted. Cancel this entry or do a corrective action by deposit of Rs 14500/- through a "CRV"

4. On 12 Jan 2015, a cash of Rs 9000/- has been recd thru receipt book No 9587/RV 1377 but not taken on cash charge in the cash ledger. Pl do it now thru a "CRV".

5. Vide PV-142 dt 14 Aug 2014, a payment of Rs 11200/- has been done for a Qty-04 of Silca gel preservative. Acctg unit and wt etc have not been mentioned on the "Kacha bill". CFA sanction is also not there. It appears to be a case of "Inflated/False bill". Pl investigate the case and take as per Bye Laws action.

6. Vide PV-38 dt 02 May 2014, a purchase for the eqpt and stores for "Walking Plaza" has been carried out. This purchase is full of flaws and procedural errors whereas no comparative statement has been made and only two quotations available in records. Bd is constituted on 09 Mar 2014 and President's approval on noting sheet is of 02 May 2014, where as an advance money of Rs 15,000/- has already been paid to the dealer on 11 Feb 2014. Cash payments for an amt of more then Rs 20,000/- has been paid in two components of the purchase. The wire was purchased of inferior quality which was subsequently replaced at a cost of Rs 24,367/- with another wire on 30/12/2014 vide PV-265. This project costed Rs 86760+Rs 24367 = Rs 1,11,127/- in total. Payment has been again shown as an amt of Rs 64,620/- on 31 May 2014 vide PV-66. A complete mess of purchase has been created. This case requires a detailed investigation/inquiry to ascertain the facts. Therefore, an inquiry is recommended.

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CASE STUDY

Introduction

1. During the course of Internal Audit and Expdr scrutiny, the team found that the major 'Fund GUZZLERS' on the expdr side were these two:-

- (a) Lifts and their maintenance
- (b) Electricity Hd incl repairs/maint of electric panels, Gen sets, transformers and purchase of electrical items.

Detailed Study

2. The Team studied in details the expdr on 39 Lifts and their repairs/maint during the contract pds 01 Sep 13 to 31 Aug 2014 and 01 Sep 2014 to 31 Aug 2014. Two types of expdr have been counted in respect of repairs/maint /AMC. Firstly, the AMC (Monthly) during the two contract pds and 2ndly, the emergent repairs etc which are not covered under AMC.

AMC Pattern Expdr

3. Monthly AMC expdr has been listed at annex D. It is not under stood that monthly rates though "Fixed" in the contract No 1 but kept fluctuating through out the two years pd.

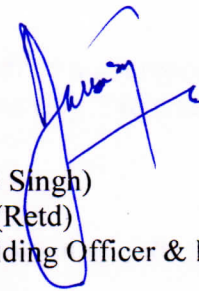
<u>Pd</u>	<u>Rate</u>
(a) Sep 13	Rs 88,270
(b) Oct 13	Rs 90,529
(c) Nov 13	Rs 93,787
(d) Dec 13	Rs 1,10,787
(e) Jan 14	Rs 1,02,713
(f) Feb 14	Rs 1,10,787
(g) Mar 14	Rs 1,13,362
(h) Apr 14	Rs 1,21,345
(i) May 14	Rs 1,24,537
(j) Jun 14	Rs 1,24,537
(k) Jul 14	Rs 1,24,537
(l) Aug 14	Rs 1,14,958
(m) Sep 14	Rs 1,14,958
(n) Oct 14	Rs 1,13,310
(o) Nov 14	Rs 1,14,650
(p) Dec 14	Rs 1,18,151
(q) Jan 15	Rs 1,14,958
(r) Feb 15	Rs 1,21,345
(s) Mar 15	Rs 1,21,345
(t) Apr 15	Rs 1,24,537
(u) May 15	Rs 1,24,537
(v) Jun 15	Rs 1,23,763
(w) Jul 15	Rs 1,23,763
(x) Aug 15	Rs 1,23,763
<u>G.Total</u>	<u>Rs 30,01,228</u>

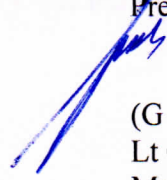
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Emergent & Misc Expdr Pattern

4. After compilation of this expdr, the fig arrived at is Rs 23,18,384. Thus a total expdr of Rs 54 lacs (Approx) incurred under this Hd. Society mgt is advised to take timely steps to arrest the inflationary and Sky rising expdr. The Audit Team also recommends a case study be also carried out on 'Electricity/power' expdr Hd.

Dated : ⁰⁴ Aug,2015


(D B Singh)
Col (Retd)
Presiding Officer & Member No 1


(G S Jeryal)
Lt Col (Retd)
Members No 2