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**PROCEEDINGS OF INTERNAL AUDIT BOARD**

**01 APRIL 2016 TO 31 MARCH 2017**

1. Reference Sandeep Vihar (AWHO) Welfare & Maintenance Society, GHS-79, Sector 20, Panchkula office Circular No 1027/SUR WS/GHS=79/17-18 dt 19 Jun 2017.
2. The officers detailed have carried out the audit of Society accounts and observations & recommendations are given in the succeeding paras.

**Acct Book**

3. From the acct book it is observed that cash is received by the OS and Supervisor and is being deposited in the bank under different heads. Cash is also being drawn on the same day from the bank on number of occasions. The acct has various heads clubbed under 'cash' and bank' and no separate heads/column for cash and bank are in vogue.
4. The acct book and the CA reports have various heads, ie, Development fund, owners bldg development fund, Tenants development charges, Society charges, Shops rent, misc fund, Tenant Security, Employees security etc. The acct book does not have the heads of Corpus Fund, FDs, Capital Fund, Depreciation fund. All assets and liabilities including property, FDs and Cor<sup>u</sup>ps fund should be accounted for in the col<sup>u</sup>mn of the acct book & tallied in the summary of assets & liabilities.
5. Thus there is a need of reviewing various heads, defining each of these and laying down norms regarding receipts and expenditures from each of these in SOP on Society accounts. Registers for maintaining records of Development Fund, Security & Misc Fund need to be maintained.
6. Three bank accounts are being maintained by the society. This may be reduced to one bank account.
7. When cash in bank is invested in FDs, the amount is removed from the acct book and FDs are shown separately in the summary at the end of the month. FD amount is thus delinked from acct book heads. In the summary, the FDs are shown under different heads, i.e, corpus, Security, Society charges etc.
  - (a) A FD head may be opened in the acct book.
  - (b) IDBI FD Ser No. 81570578 amounting to Rs 70 lakhs for the period 16/03/17 to 17/03/18 be taken in Summary of Mar 2017.
  - (c) Cheque book receipt register and FD register need to be opened.

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**Payments and Receipts**

8. Payments under various heads are mixed up and lack clarity in some of the cases as under:-

(a) **Water & Sewarage Bill**

- (i) At PV-315 it has been paid from misc Fund
- (ii) At PV-327 it has been paid from Society charges.

(b) Staff salary at PV-320 has been paid from Misc Fund.

(c) Diesel has been paid from Development Fund at PV-307.

(d) Return of security money at PVs 290, 303, 318 have been paid from Shop rent, misc heads.

9. There is a need of laying down norms for making payments under various heads. It will be pragmatic to make payments under society charges head and when this head gets depleted, addl funds be transferred to it.

10. Twelve members had not paid society charges one of them has not paid society charges since 2008. Details are given at appx 'A'. Action may be taken to get amt with due penalty.

**Financial Savings/prudence**

11. A very significant reduction of expenditure on electricity has been effected as under :-

- (a) Apr 15 to Mar 16 - Rs. 3723162/-
- (b) Apr 16 to Mar 17 - Rs. 3069150/-
- (c) Reduction - Rs. 654012

12. Significant reduction of expenditure on lifts has also been effected are as under :-

- (a) Apr 15 to Mar 16 - Rs. 1843747/-
- (b) Apr 16 to Mar 17 - Rs. 1574271/-
- (c) Reduction - Rs. 269476/-

13. Various contracts have been done timely and rent received regularly. Rent recd from various shops etc are as under :-

- (a) Apr 15 to Mar 16 - Rs. 12,91,972/-
- (b) Apr 16 to Mar 17 - Rs. 15,67,369/-
- (c) Increase - Rs. 2,75,397/-

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14. Thus there has been an addl benefit of Rs. 11,98,867/- to the Society.

**Depreciation of Assets**

15. The value of various common assets recd from AWHO in 2008-09 amounted to Rs, 11,48,37,371/- (Rupees eleven crore forty eight lakh thirty seven thousand three hundred and seventy one only). There after some more assets have been procured.

16. Every year the value depreciates due to usage, wear, tear and shelf life of the assets. The depreciated value of the assets in CA report of Apr to Mar 16 is Rs 4,45,19,419/-.

17. Thus there has been a depreciation of value of assets to the tune of Rs. 7,03,19,952/- at the end of Mar 16 and yet there has been no depreciation fund catered for, to effect replacement, major repairs and upgradation of assets, when the need so arises.

18. There is an imperative need of having a depreciation fund or build up capital fund to cater for major repairs, replacement and upgradation of common assets of the Society. In simple terms it will be a health/life insurance for common assets.

19. It may also be borne in mind that the cost of Assets amounting to Rs. 11,48,37,371/- was at 2008-09 prices. Cost of some of the assets would get higher and higher in future when the need of replacement arises.

**CA Reports/Balance Sheets**

20. Some heads in the CA reports/balance sheets keep changing from year to year. The difference as under may be clarified & explained to the members during AGM.

(a) **Corpus Fund**

(i) In Fy 2015-2016 the corpus fund has been shown as Rs. 1,11,20,000/-.

(ii) In bal sheet of Fy 2016-2017 it has been shown as under:-

(aa) Gen Reserve	-	Rs. 1,56,000/-
(ab) Corpus fund	-	Rs. 11,20,000/-
(ac) Total	-	Rs. 1,12,76,000/-

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(b) **Capital/Development fund**

(i) In Fy 2015-2016 it has been shown as Rs 5,02,22,544.47/- including an opening balance of Rs. 4,97,80,443.97/-

(ii) In balance sheet of Fy 2016-2017 the development fund has been shown as Rs. 64,00,315/- and no mention of Capital fund has been made.

(c) **Maintenance Fund**

(i) In Fy 2015-16 no maintenance fund has been shown

(ii) In balance sheet of Fy 2016-17 maintenance fund has been shown as Rs. 4,53,30,229.47/-.

(d) **Excess of Expenditure over Income**

(i) In Fy 2015-16 it amounts to Rs. 44,36,247.50/-

(ii) In balance sheet Fy 2016-17 it amounts to Rs. 18,30,223.85/-.

**Action Taken Reports (ATRs) on previous Audits**

21. ATRs on previous audits as given below may be apprised to the members during AGM.

(a) Internal Audit for the Fy 2015-16.

(b) Ashok Dahra & Associates, Chartered Accountants letter dt 28/10/2016 regarding the investigation of the funds of the society.

22. Bal sheet of FY 2016-17 refat para 20 are of pre CA audit.

1027/SVR WS/GHS-79/2017-18

09 Oct 2017

Col Hari Om Khandelwal (Retd)

Col Vimal Kumar (Retd)

Col N P Lama (Retd)

Col B S Sheoran (Retd)