

**SANDEEP VIHAR (AWHO) SOCIETY, GHS-79, SECTOR-20, PANCHKULA**

**RE-ADJOURNED GENERAL BODY MEETING HELD ON 30 OCT 2022: MINUTES OF THE PROCEEDINGS**

**Attendance**

1. Re-adjourned General Body Meeting was held on 30 Oct 2022, which was attended by 88 out of 551 eligible members. (16 % attendance against required Quorum of 15%).

**Agenda**

2. The agenda was as under:-

- (a) Annual Report
- (b) Consideration and Approval of Auditors Report for FY 2021-2022.
- (c) Points received from Col S K Chauhan and Mr S C Pathania on the Auditors Report.

**Annual Report**

3. The President reminded that the points pertaining to Annual Report had been given out and recorded in the Minutes of the GBM of 18 Sep 2022. Hence the same would not be repeated.

4. The only additional points were as under:-

(a) On 25 Sep 2022, an enormous tree from the HSVP Water Pump House got uprooted and crashed into D3 Block at 3.00 AM. The police and fire department were prompt in arriving but expressed inability to help. There was danger of the tree snapping due to its own weight and causing more damage. The Municipal Corporation Office was closed due to a long weekend. However, with the external interventions at every level and especially the efforts of Lt Col Rohit Mittal, the forest department was moved into action and the tree was removed by 3 PM without any further collateral damage. The House appreciated the efforts of Lt Col Rohit Mittal.

(b) The first major project of the year - repainting of the Electric Meter Rooms had been completed. Col Satinder Singh observed that there was some shortcoming in painting of the door / covers of meters of the Meter Room in E12 Block. He was informed that the same would be mutually checked on ground and rectification done by the contractor. (The same has since been done).

**Project for Repainting of Interiors of All Residential Blocks.**

5. The President reminded that the quotations for the project were asked for on 31 Aug 2022. The lowest quotation received was for Rs 28.70 lakhs and the highest was for 37.20 lakhs. This was rejected and the House approved a retender during the GBM of 18 Sep 2022. The lowest quotation in the retender was Rs 20.10 lakhs and the highest is Rs 26.30 lakhs. The quotation for Rs 20.10 lakhs was unanimously approved by the House.

**Passing of Minutes of GBM of 27 Mar 2022**

6. The Minutes were proposed to be approved by Brig Hitesh Kohli (D3/504) and Col Surinder Singh (D3/403).

**Consideration of Audit Report FY 2020-2021**

7. The General Secretary commenced by recapitulating the history of CA audit in the society and the essentials of the Balance Sheet for information of members who had not been present during similar deliberation last year. This would also help to clear the misapprehensions which were being created by some members by brandishing huge figures which were not based on sound financial accounting principles.

**Background**

8. He pointed out that the Society was audited by CA for the first time in 2016 by M/s Ashok Dhara Associates and balance sheets were prepared for eight years from 2009 to 2016. This was necessitated due to the requirement of Income Tax Authorities who had observed that we were not filing Income Tax Returns. This still remained the reason that balance sheet had to be prepared by us. The requirements of the society were adequately met by the accounts maintained in the office.

9. M/s IJR Associates had assumed responsibility for audit in 2018 after approval of the GBM. No details of the breakdown of inputs for the balance sheet or the Tally accounts for the period prior to this were available. Consequently, the legacies of this period continue to reflect in the Balance Sheets till today. This had been explained last year as well, but similar points were being raised once again by the same members.

10. **The fact that the differences in the balance sheet persist from the start is borne out by the following letter dated 25 Sep 2016, to the then CA, M/s Ashok Dhara Associates signed by Col S K Chauhan.**

**“2. You will recollect that many times we had discussions on the following issues and it was decided: -**

xxx

**(b) Matching of Balance Sheets since 2009.** As discussed by the previous management the society a/c were entered in tally by our account handling officers. Due to some differences in monthly detailed account, many entries made / property items were taken on charge. This resulted in opening / closing of some heads / sub heads in the balance sheet. The original balance sheet filed by you in the IT department needs to be matched and reconciled in the new balance sheet prepared by our officials. All the differences since 2009 are to be matched preferably in all yearly balance sheets / incorporated during 2015 -16 IT Return. Only one balance sheet to be kept with the Tally account system of our society since 2009.”

xxx

11. In response to the above letter, neither were the balance sheets amended, nor the IT Return revised. **Consequently, the differences have continued to persist and now their origin has become untraceable.**

12. **The issue of the balance sheets was never raised in the GBMs from 2009 to 2020. It was always left to the CA to do his job. The Society Accounts were discussed. However, from last**

**year it has been used by previous management members to malign the incumbent management, knowing fully well that the origin of the problem lies squarely with them, as brought out above..**

#### What Exactly is a Balance Sheet

13. In simple terms it is a snapshot of an organisation's financial status. Under the heads of Assets and Liabilities, it reflects what the organisation Owns and Owes. **It is a non-cash document, i.e., no physical cash transactions are involved.** It is a statement and not an account. Furthermore, non-cash transactions can have various outcomes.

14. **The cash account is what is maintained by the Society and is relevant to the society. It is maintained in the cash account book and each transaction is approved by three members of the management. There can be no mismatch in this account. The Cash Account is audited by the CA as well as by the Internal Audit Board of the society.**

15. The Balance Sheet is relevant to corporate organisations but we have to prepare it for Income Tax purposes. **Any amendments in the Balance Sheet do not amount to "writing off" in the commonly understood sense, because there is no cash involved. It merely removes the clutter in the Balance Sheet and gives a clearer picture.**

16. An endeavour has been made by the CA in this audit to recommend removal of certain legacy entries which give a bloated impression of the financial state. These have continued over the years because records prior to 2017 are not available to reconcile the reasons. It was not necessary to do so at this juncture, since next year's Balance Sheet will be the responsibility of the next management. However, the incumbent management has never hesitated to bring issues before the General Body, or delay any issue which needs to be addressed.

#### Receipt and Payment Account

17. It functions as a summary of cash payments and receipts of an organisation during an accounting period. It provides a picture of the cash position of an organisation. It does not differentiate whether the receipts and payments are of capital or revenue nature and records all cash and bank transactions of both capital and revenue nature.

#### Income and Expenditure Account

18. It is prepared to determine surplus or deficit of income over expenditures for a particular time frame. The accumulated or accrual concept of accounting is pursued while preparing Income and Expenditure account of non-trading concerns. This forms the basis for our Income Tax liabilities.

19. It is never possible that for a particular head, the balance will be same in all the three, as the basis of formation of all the three statements is different. Financials are prepared using the accounting principles and policies. Complete understanding of accounting is required to understand the financials. Comparison is possible only for the amounts and heads pertaining to the same nature, where same method is used. Financials contain three statements because, all of them show the financial position of the organization from three different perspectives.

### How Balance Sheet Can Be Misconstrued

20. Income and Expenditure Statement records Income and Expenditures which are on cash basis or accrual basis. The exception to this is the entry on account of "Depreciation" which is a non-cash entry, since the expenditure has not been actually incurred.

21. An amount of Rs 47,60,262/- on account of "Depreciation" is reflected in this year's I E statement. Consequently, there is an "Excess of Expenditure over Income of Rs 20,12,157/-", which is also a non-cash adjustment entry. If this were to be removed, the "Excess of Expenditure over Income" will become "Excess of Income over Expenditure". This is illustrated as under :-

#### Existing Income Expenditure Statement

Expenditure		Income	
Particulars	Amount	Particulars	Amount
Sum of all expenditure less "Depreciation"	1,63,07,782/-	Sum of all Income except of "Expenditure over Income"	1,90,55,787/-
Amount of "Depreciation"	47,60,262/-	"Expenditure over Income"	20,12,257/-
Total	2,10,68,044/-	Total	2,10,68,044/-

#### Income Expenditure Statement with Non Cash Entry of "Depreciation" removed.

Expenditure		Income	
Particulars	Amount	Particulars	Amount
Sum of all expenditure less "Depreciation"	1,63,07,782/-	Sum of all Income except of "Expenditure over Income"	1,90,55,787/-
"Income over Expenditure"	27,48,005/-		
Total	2,10,68,044/-	Total	2,10,68,044/-

#### What is the Advantage of the Non-Cash Entry of Depreciation and the Consequent "Expenditure Over Income".

22. The non-cash entry of Depreciation results in a Deficit Balance. It in no way means that the actual cash expenditure of the society has been in excess of income because this is not a cash deficit. The deficit is entirely notional and does not indicate any financial loss.

23. The Deficit Balance allows adjustment of the notional loss against the Income Tax liabilities of the society. That is the reason that we get full refund of TDS and do not have to pay any Income Tax. This has been the norm from the very beginning and to insinuate any other interpretation displays either total lack of understanding of financial accounting principles or to raise bogey issues.

Trend of Deficit Balance

Year	Deficit Balance
2009-2010	1,30,37,907/-
2010-2011	1,27,87,159/-
2011-2012	94,17,619/-
2012-2013	97,99,829/-
2013-2014	61,99,785/-
2014-2015	62,13,520/-
2015-2016	44,36,247/-
2016-2017	12,65,998/-
2017-2018	13,39,585/-
2018-2019	(-) 97,571/-
2019-2020	13,14,690/-
2020-2021	14,24,410/-
2021-2022	44,06,524/-

How is the Balance Sheet and Income Expenditure Statement prepared by CA?

24. The Society Cash Account Book and Receipt and Expense Vouchers are provided to CA every month. These details are entered into "Tally" Software by the CA. Based on these details, the Income and Expenditure State and Balance Sheet are prepared with the help of software. The Balance Sheet is made in a form which meets the requirements of IT Authorities and in the manner to get maximum tax rebate. Corrections having financial implications / amendments can be made in subsequent years and as a matter of fact, are made. The Receipt and Payment account is manually prepared by clubbing entries under suitable heads. Therefore, there is some subjectivity in clubbing the expenditures in the Receipt and Payment account. Consequently, a variation is inevitable in the headings under the "Expenditure" head in the Income and Expenditure Statement and the Receipt and Payment Account. An example from the current years financial documents is as under:-

- (a) The Income and Expenditure Statement reflects "Electricity Charges as Rs 26,98,078/- while Receipt and Payment Account reflects the same as Rs 25,63,853/-.
- (b) The actual expenditure on Electricity is Rs 25,63,853/- as reflected in Receipt and Payments account.
- (c) However, in the Income and Expenditure statement, an additional amount of Rs 1,34,225/- has been clubbed on account of expenditure on other electrical expenses.
- (d) Thus the different amount in both statements.

Society Account State

25. The accounts which are relevant to the society are the cash accounts maintained in the office by the management. These remain healthy and have been audited by the CA as well as an Internal Audit Board comprising Brig K C Sood, Col R C Jaswal and Col Surinder Singh. **As a matter of fact the board has appreciated the diligent efforts of the management in recovering society charges from all members, except the long outstanding dues of Maj Dimple Singla.**

26. The state of society accounts as on 31 Mar 2022 is as under-

Funds Available		Actual Liabilities	
FDs	2,87,51,259/-	Long Term Development Fund	92,30,000/-
Bank	22,31,331/-	Security Deposits	3,88,335/-
Cash	71,168/-	Society Charges for 2022-2023 deposited in advance	20,05,528/-
Total	3,07,33,169/-	Total	1,16,23,863/-
		Balance	1,91,09,306/-
		Corpus Fund as per Balance Sheet	1,31,99,518/-
		Increase / Additional Savings	59,09,788/-

Notes: -

- (a) This increase has occurred in spite of capital expenditure of Rs 42 lakhs on the Solar Power Project.
- (b) The entire amount excluding the society charges for the following year received in advance are in fixed deposit and cannot be utilised.
- (c) The FDs are in excess of the liabilities recorded in the Balance Sheet by Rs 59 lakhs.

**Points from Col S K Chauhan and Mr S C Pathania**

27. Prior to taking up the points, the General Secretary conveyed what had transpired prior to the GBM. He stated that he had been asked by Brig Raghuvinder Kapoor, SC, VSM as to whether a meeting could be held with Col S K Chauhan and Mr S C Pathania to resolve the issues raised, in order to avoid wasting the time of members during the GBM. Brig Kapoor was informed that on two earlier occasions, meetings had been held to discuss complaints, but at the end of the meetings, not only had the issues been placed before the GBM but had gone on to civil authorities. All these issues had been rejected by the General Body and the civil authorities since they were not based on facts. However, in the interests of maintaining a congenial environment in the society, the proposal was agreed to with the proviso that the meeting be held if it was agreed that the issues would be discussed, resolved and finally closed.

28. The meeting was held on 29 Oct 2022 in which, apart from Col S K Chauhan and Mr S C Pathania the President and General Secretary were present with Brig Raghuvinder Kapoor, SC, VSM Brig K C Sood and Brig S M S Rathaur as observers / advisors..

29. All the points raised were individually discussed and clarifications given. During the meeting Col S K Chauhan desired that he carry out another audit of the society accounts. Strong exception was taken to this by Brig K C Sood, who had presided over the Annual Internal Audit. He stated that this request implied a lack of professionalism in him and the officers who had undertaken the audit and was not acceptable. He reminded that all of them had been roped in by Col S K Chauhan and other managements in the past to conduct audit boards and these continued to be repeatedly quoted in GBMs for their detailed examination of issues.

30. The meeting terminated on the presumption that the issues were closed, in accordance with the terms for the meeting. However, after the meeting a WhatsApp message was received to the effect that all the points would be discussed again during the GBM. The General Secretary stated that he had presumed that they were dealing with an officer and a gentleman and a man of his word. But it turned out that he was wrong. In the process Brig Raghuvinder Kapoor, SC, VSM, who had come forward in good faith to resolve the imbroglio had also been embarrassed.

31. Addressing Col S K Chauhan, the General Secretary reminded that he and his colleagues had raised a series of complaints against the management before external authorities, after these were discussed and over ruled by the GBM. These were all efforts to embarrass the management and keep it tied down in replying to mundane issues instead of applying efforts to the affairs of the society. The pursual of HUDA to implement the High Court judgement on recalculation of the Third LEC had to be put on the back burner due to the time consumed in replying to the numerous issues raised in the complaints and attending hearing after hearing. Even presently, the calculation of refund of interest on Third LEC was getting delayed due to the time required to reply to the issues being raised. He reminded that these efforts went to the extent of hurting the interests of the society. The following specific examples were quoted:-

(a) The decision of the General Body to accept the offer of AWHO to take over the Project Directors Building on payment for Rs 40.00 lakhs (half of book value) had been scuttled by getting the meeting set aside by the District Registrar without informing the management or seeking its comments. AWHO thereafter withdrew the offer. The legal case before the NCDRC is now slated for judgment on 11 Nov 2022, (if our Counsel does not absent himself for a fourth time). The judgement would show the extent of loss suffered by the society due to this retrograde action and Col S K Chauhan and his colleagues would be purely responsible for this loss inflicted upon the society. This loss would not be notional as was the case with the issues being raised on the Balance Sheet.

(b) The progressive decision of the GBM to introduce the Solar Power Project was sought to be scuttled by trying to get the District Registrar to set aside the meeting of the GBM – again without informing the management. This time the management was taken into the loop by the District Registrar and the facts were placed on record. Consequently, the application was dismissed. The potential impact, if this exercise had succeeded can be gauged from the fact that our monthly electricity bill has been reduced by Rs 80,000/- to Rupees 1.00 lakh per month and one third of the cost of the project has been recovered. The project life is 25 years.

(c) The frivolous petition against the elections of Aug 2020 cast aspersions on the integrity of not only some candidates, but also all the Returning Officers / Independent Member and other staff involved in the process. After this was dismissed by the State Registrar, the decision was appealed to Registrar General of Societies, Haryana and then finally dismissed by District Registrar, Panchkula. However, the entire process went through numerous hearings and lasted two years with consequential diversion of the management's attention from the society to addressing these infructuous issues and attending multiple hearings.

(d) The case lodged by a member against the Society for refund of the Long-Term Development Fund was advised by Mr S C Pathania. He had admitted as much during a rare meeting in the society office. An adverse outcome in the case will result in massive depletion of the funds of the society -perhaps even more than the loss on account of the MI Room Building.

32. He concluded that it was ironic that those who are trying to project themselves as the messiahs of the society were directly responsible for the losses which had occurred and which might follow, only as a consequence of efforts to spite the incumbent management.

### Points from Col S K Chauhan

#### Point No. 1

33. Point. It is desirable that a CA should be present during the GBMs on financial issues.

#### Discussion

34. The General Secretary informed that the Audit Report, including allied financial documents was prepared by the CA. His responsibility ended with preparation of the report. Coming to a GBM to clarify doubts, which essentially arose from a lack of knowledge regarding financial accounting by some members, was not within the terms of their engagement. It was pointed out that from 2009 to 2020 there had never been a discussion on the Balance Sheet because the need was never felt. Only the society accounts were discussed. From last year, an impression was sought to be conveyed that there was bungling in the society accounts, knowing fully well that these were all non-cash statements.

35. Col S K Chauhan and Lt Col Kulwant Singh opined that payment could be made to the CA to arrange his presence. In view of the differing opinions, the issue was placed before the House for decision. The majority decision was that there was no need for the same.

#### Point No. 2

36. Point. Quote "Management needs to explain as to why they allowed different funds to pile up due to faulty accounting and now have PROPOSED TO WRITE OFF RS. 4,51,30,214.10 in the GBM of 28 Oct, 2022. The irony is that they are still indulging in wrong accounting and wrongly showing Rs 44,06,624/- on charge which is a DEFICIT BUDGET paper entry. The balance shown as Rs 10,56,01,562/- will reduce to Rs 5,60,64,723/- after Rs 4,95,36,838.10 (society charges- 4,41,72,160 + accrued interest from FD-6,59,665.10 + accrued interest from saving-1,17,335 + 3rd LEC amount-1,81,074+ deficit budget-44,06,624) is deducted from the amount shown as balance. The balance funds shown in the balance sheet provide a rosy and wrong picture of state of funds, which actually are in critically deficient state. The actual fund state after proposed writing off during GBM on 30 Oct, 2022 will reduce by an amount of Rs 4,95,36,838.10 and net balance will be Rs 5,60,64,723/- instead of Rs 10,56,01,562/-." Unquote.

#### Discussion

37. The General Secretary clarified that there was no writing off of funds since the Balance sheet was a non-cash statement. Furthermore, there was no such element as "Deficit Budget" in the Balance Sheet. Use of such unrelated terms tended to further confuse the members. He further pointed out that these recommendations by the Chartered Accountant were based on the fact that it was not possible to ascertain the Opening Balances prior to 2018 due to the non-availability of any documents related to preparation of Balance Sheet by the then CA, or the Tally Accounts. The legacy of erroneous entries which were being carried over to the present was borne out by Col S K Chauhan's letter to the CA quoted at para 10 -12 above. This was also confirmed by the annual trends under the concerned heads. The recommendation was made by the CA to clear up the clutter of the balance sheet for the future. In fact, it was an attempt to clear up the issues which had been referred to the then CA in 2016 for rectification, but had remained unaddressed.



Trend of Balance Under the Head Maintenance Fund

<b>Year</b>	<b>Balance</b>
2016 -2017	Rs 4,54,38,158/-
2017 - 2018	Rs 4,41,72,160/-
2018 - 2019	Rs 4,41,72,160/-
2019 - 2020	Rs 4,41,72,160/-
2020 - 2021	Rs 4,41,72,160/-
2021 - 2022	Rs 4,41,72,160/-

Trend of Balance Under the Head Interest Accrued on FDRs

<b>Year</b>	<b>Balance</b>
2017 - 2018	Rs 6,68,720/-
2018 - 2019	Rs 9,38,437/-
2019 - 2020	Rs 9,77,058/-
2020 - 2021	Rs 6,59,665/-
2021 - 2022	Rs 6,59,665/-

Trend of Balance Under the Head Interest Accrued on Savings

<b>Year</b>	<b>Balance</b>
2017 - 2018	Rs 1,16,369/-
2018 - 2019	Rs 1,17,893/-
2019 - 2020	Rs 1,20,042/-
2020 - 2021	Rs 1,19,025/-
2021 - 2022	Rs 1,17,315

Discussion.

38. The General Secretary stated that the management was making no recommendation as to which course of action should be adopted. In the absence of a consensus, it was decided to pend the issue for the time being.

**Point No. 3**

39. Point. The Special Internal Audit Board held in Feb 2022 had opined that there was no mistake in the Accrued Interest, whereas now it was proposed to write off Rs Rs 7,76,980/- (being the total of Balance of Accrued on FDRs and Balance of Accrued on Savings).

Discussion.

40. The General Secretary explained the that the Special Internal Audit Board had opined that there was no error because it was taking the Opening Balances into consideration as such. The recommendation regarding the removal of Opening Balances in no way implied any erroneous judgement on the part of the Special Internal Audit Bard.

**Point No. 4**

41. Point. The collection of Third LEC made in Dec 2017 was placed in FDs and then shifted to Savings Bank Account in Kotak Bank leading to a loss of interest. It was stated that this was

done to avoid deduction of TDS which was now to be deducted while refunding the interest on Third LEC.

### Discussion

42. The General Secretary informed that the point was not relevant to the accounts for FY 2021-2022. It had been discussed and closed in the past in the GBM. However, it would be clarified again in order to avoid any misapprehension arising amongst members.
43. The deposit of Third LEC was started in Feb 2016. Instead of opening a separate account for the same the amounts were placed in the running accounts of the society. When the management of Col S K Chauhan demitted office in 2017, it merely appended a list of Sundry CRs in the Account Book giving details of deposits. No calculation of interest on this amount was done.
44. In Nov 2017, the General Body decided to collect the Third LEC and deposit the same with HUDA. Accordingly, a massive collection exercise was undertaken and the bulk of the deposits were received by mid Dec 2017. All these deposits were kept in a redundant bank account held with the BOI. At this point of time a decision was taken by the General body to pend the deposit with HUDA, (now HSVP), in view of the legal status of some ongoing cases.
45. On 20 Dec 2017, the available balance was placed in fixed deposit with BOI. The issue of depositing the funds in fixed deposit versus keeping it in SB Accounts was discussed with the CA. It was evident that the deposits could not be kept for any long term due to the uncertainty about when the same would have to be deposited with HUDA / be demanded back by eligible members. Also the FDs would entail deduction of TDS from the society. This would eventually get refunded, but would be against the Income Tax liability of the society. Consequently, the rates of interest of other banks were explored. It was found that Kotak Mahindra Bank offered 6 % interest on SB Accounts which was comparable to Fixed Deposit / SB rates of other banks. (Then prevalent rates of the different banks were displayed on the slide). Accordingly, the funds were transferred from BOI to Kotak Mahindra Bank.
46. The Minute Sheet which was prepared at that time was read out for information of members. It was pointed out that after an interval of five years, it was easy to pass judgement. But the reasons enunciated in the Noting Sheet were valid then and remained as valid today.
47. The principal amount of deposit had since been refunded to all eligible members, (less resale cases). With the exercise to refund the interest, as approved by the GBM of 18 Sep 2022 now commencing, the Income Tax liability for the interest earned rests on the members. Accordingly, the refunds will be made after deducting TDS and depositing it with Income Tax Authorities in the name of the individual member.
- Point No. 5**
48. Point. Quote "The fund state of "LEC Account" over the last five years, in Liability/Assets in-spite of having exclusive a/c has never been consistent/reconciled. The difference between Liabilities and assets has never been explained/ investigated. The details are as under:- F/Y 16-17 Asset- 28,65,539 Liability -28,65,539 balance-00 (handed over and the amount was also shown in the monthly balance sheet pasted in the ledger) F/Y 17-18 Asset-6,74,01,907/-,Liability-6,78,99,641/-Difference (+)4,97,734/- F/Y 18-19 Asset-6,84,14,654/-,Liability-6,98,81,974-Difference -(+) 14,67,320/- F/Y 19-20 Assets-6,78,82,263/Liability-6,92,56,124/- Difference -(+) 13,73,861/- F/Y 20-21 Assets-7,18,35,473/Liability-7,05,63,443/- Difference -(-) 12,72,030/- (TOTAL LOSS OF RS. 26,45,891/- AS COMPARED TO FY 2019-20)." Unquote.

Discussion

49. The General Secretary stated that the point, as stated, was incomprehensible. Furthermore, the differences mentioned were mathematically incorrect.

50. It seemed that a "total loss" had been arrived at by adding the differences between Assets and Liabilities in the balance sheet over the years. However, figures in the balance sheet are relevant only to that particular year and do not get carried forward in the manner implied. Totalling the same implied a travesty in applying the principles of financial accounting. Furthermore, differences in Balance Sheet did not signify any financial loss, since it was part of a non-cash statement.

**Point No. 6**

51. Point. How has the amount of Rs 20,20,680/- transferred from the Society Fund to the Third LEC account adjusted the pre Nov 2017 deposit of Rs 28,65,539/-?

Discussion

52. The General Secretary informed that the difference between the two amount was due to the following:-

(a) Some repayments deposited in the Third LEC Account were made from the Society Running Account.

(b) Some members made online deposits of Society dues into the Third LEC Accounts.

(c) The BOI account which was used for the deposits in Nov 2017 had an initial balance from the Society Account which was transferred to the Third LEC Account when it was closed.

53. The Third LEC accounts have been audited separately by the CA and the following had been verified to make the necessary adjustments.

Particulars	Amount
Balance as on 31 Mar 2022	Rs 2,84,41,321/-
Pending deposits	Rs 1,70,61,058/-
Interest to be repaid	Rs 1,36,12,013/-
Total liability	Rs 3,06,73,071/-
Difference to be adjusted	Rs 22,31,750/-
Less bank charges	Rs 11,070/-
Net transfer from Society Account to Third LEC Account	Rs 22,20,680/-

**Point No. 7**

54. Point. The Auditors Report of 2020-21 had indicated less recovery of society charges of Rs 1,41,141/-. This has neither appeared in the Internal Audit Report or the CAs Report for FY 2021-2022.

Discussion.

55. The remark regarding the less recovery was made by the CA in the Auditors Report and was a summarization of the society charges recovered in advance during the previous year, the society charges recovered during the year, minus the charges recovered for the following year. It was not a statement made after individual verification of each and every payment.

56. Consequent to the similar issues being raised last year the Special Internal Audit Board had physically verified each and every payment of society charges and confirmed that every member had paid. Simultaneously, the CA was tasked to carry out a separate check and they too confirmed that all payments had been correctly made.

57. The figure of Rs 1,41,141/- was not a part of the Balance Sheet and therefore was not an item to be carried forward.

58. This difference in the summarization made by the CA was an annual feature as indicated by the following annual state:-

2017 -2018	Shortfall	Rs 1,71,381/-
2018 -2019	Shortfall	Rs 4,93,711/-
2019 -2020	Excess	Rs 2,49,205/-
2020 -2021	Shortfall	Rs 1,41,481/-
2021 -2022	Excess	Rs 1,80,361/-

**Point No. 8**

59. Point. Breakdown of surplus of Rs 1,80,361/- of collection of society charges during the current year as per CAs Report be provided.

Discussion

60. The General Secretary expressed surprise that there was objection to every figure, whether it was less or surplus. However, this excess was a result of late fees having been deposited along with the payments of principal amount. Col S K Chauhan stated that the same should be bifurcated, if required by engaging the CA to do so. The General Secretary opined that the process meant going through entries for the entire year and was therefore not commensurate with the effort and the cost. The special exercise to verify the payments during the previous year due to the insistence of Col S K Chauhan had cost the society Rs 20,000/-.

61. Furthermore, the payments for the current audit had been physically verified by the Internal Audit Board presided over by Brig K C Sood, both through the manual records held and the MyGate records.

**Point No.9**

62. Point. The Special Internal Audit Board calculated excess Society Charges of Rs 7313/- whereas the CA declared less recovery of charges by Rs 1,41,414/- for the FY 2020-2021.

Discussion

63. The point pertained to the previous financial year and been discussed and closed during the GBM of 27 Mar 2022. However, it was clarified that it was a case of apples and oranges since both

the figures were arrived at in a different manner. The CA made a summarization, as explained earlier, while the Special Internal Audit Board checked the individual records.

**Point No. 10**

64. Point. Quote. "How the balance in various following funds of the Society has been static for the last three financial years ( 2019/20, 2020/21, 2021/22) in spite of income and expenditure in these funds over the period:- - Membership Fee remained Rs. 1,31,99,518/- in all three years - General Devp Fund remained 41,78,175/- in all three years. - Maint Fund remained 4,41,72,160/- in all three years". Unquote

Discussion

65. In accordance with the accounting principles, the CA is treating the Corpus Fund as "Members Share Capital" and hence no further addition is being made to it. The Long Term Development Fund was initially being reflected as a temporary liability with the possibility of the same having to be returned and this remark was mentioned in the Audit Report. However, in view of the long delay in arriving at a decision on the issue, contributions are now being treated as Income and hence not being included in the fund. Issue of static Maintenance Fund has been explained at Point No 2.

**Point No. 11**

66. Point. Details of Solar Energy sold have not been reflected in the Balance Sheet.

Discussion.

67. As has been repeatedly mentioned in every GBM, solar energy produced is adjusted against our electricity bill. No energy is sold.

**Point No. 12**

68. Point. "Cheque debited/ credited for Rs 20,80,328 shown on both side of balance sheet whereas there are two different instruments amounting Rs 23,80,328/-, and Rs. 22,20,680/-"

Discussion

69. The figures are taken from different statements. The figure of Rs 23,80,328/-, is taken from the Income and Expenditure statement and comprises two cheques of Rs 22,20,680/- and Rs 1,59,648/-. The figure of Rs 20,80,328 is taken from the balance sheet. The difference of Rs 1,59,648.- is on account of a cheque of this amount issued to Col H S Sidhu on 22 Mar 2021 and debited on 02 Apr 2022.

**Point No. 13**

70. Point. . Rs 1,17,335/- has been reflected as accrued interest from savings while the actual accrued interest for the year is interest from saving s bank account is Rs 2,656/-.

Discussion

71. The accrued interest of Rs 1,17,335/- is the Opening Balance carried forward over the years, as enumerated at Para 2 above.

**Point No. 14**

72. Details of Rs 22,61,316/- shown as Sundry Cr, paid to Mr Rajesh Malick be provided.

73. Discussion. Details are as under:-

(a)	Repair of Grit Wash	-	Rs 13,46,941/-
(b)	Contract for operation of Water Pump House	-	Rs 2,91,120/-
(c)	Routine repairs in the campus	-	Rs 6,23,255/-

74. The format certified by each Block IC for the work done within the block, which formed the basis for each payment was shown on the slide.

**Point No. 15**

75. Point. How do the society charges come to an odd figure of Rs 1,38,12,361/- versus dues of Rs 1,36,32,000/-. The penalties received from the members on late payment be removed from entries in "Society Charges" head, and taken on charge in "Misc Head" to show actual (round/even) figures of receipt of Society Charges.

Discussion

76. Payments made online include the principal amount and late fee which is often in odd figures and sometimes even in paise. This is accounted for automatically in MyGate to keep track of payments. Furthermore, the manual receipts issued for payment made in the society office also include both amounts. It is neither feasible, nor practical to divide the entries merely to arrive at a round figure.

77. Instances of payment of society charges in odd figures and those including payments in paise were shown on the slide.

**Point No. 16**

78. Point. The internal audit of accounts should be done on monthly basis or maximum on quarterly basis, since the yearly internal audit board is too huge for the members who are not used to this professional requirement. Furthermore, the audit of accounts be allowed to be carried out by my team.

Discussion

79. The internal audit of accounts has always been carried out on annual basis since the inception of the society. The number of transactions do not justify a monthly audit, (which is not even carried out in the army), or even a quarterly audit.

80. As far as professionalism of the members detailed to conduct the Internal Audit Board is concerned, they have headed organisations in service and post retirement which had budgets of tens of crores of rupees and are fully versed with the norms of financial accounting. Their professionalism is borne out by the fact they were found fit to conduct the audit boards when the member giving the points was President / member of the managing committee. The sudden loss of faith in their professionalism is very surprising.

81. The House opined that the audit of accounts having been carried out by the CA and the Internal Audit of Accounts having been carried out by the Internal Audit Board and having been approved by the GBM of 18 Sep 2022, there were no grounds for the request being made.

**Point No. 16**

82. Point. There is a need for an SOP on accounts.

83. Discussion. Surprise was expressed that a need for SOP was being raised when none had been created during the years when Col S K Chauhan was the President / member of the managing committee. Lt Col Arvind Bali suggested that the past notwithstanding, a committee be detailed to formulate an SOP, which was agreed to.

**Points from Mr S C Pathania**

**Point No. 1**

84. Point. Every year we have to pay penalty for delayed filing of Annual Return with District Registrar.

85. Discussion It was clarified that NO late fee had been paid during the last three financial years and the receipts for the same were projected on the slide. A late fee had been paid for the Return for FY 2016-17 because the prerequisite of filing full details of 556 members had not been complied with prior to that. Considerable time and effort had gone into compiling these details and then uploading them since the mandatory Members Register was not maintained. The member raising the point had been the General Secretary during the period and was responsible for maintaining the Register of members and filing the Annual Return,

**Point No. 2**

86. Point. There is a difference of Rs 1,81,074/- between the figures of balance of Third LEC reflected in the Auditors Report (Rs 3,06,73,001/-) and Annexure III ( Rs 3,08,43,075/-).

Discussion

87. As mentioned earlier, figures of the same head will differ in various financial statements. In the present case, this is on account of the legacy entry of Rs 1,81,074/- which has been recommended to be written off.

Description	Liabilities (Auditor Report Para 4 (c))	Assets - Annexure III
Pending LEC amount	Rs 1,70,61,058/-	Rs 1,72,31,062/-
Interest earned during year	Rs 1,36,12,013/-	Rs 1,36,12,013/-
Total of 2 and 4	Rs 3,06,73,071/-	Rs 3,08,43,075/-
Less Bank Charges	Rs 11,070/-	
Balance Liabilities	Rs 3,06,62,001/-	
Less Legacy Liability carried over from earlier years		Rs 1,81,074/-
Difference -Assets and Liabilities		Rs 3,06,62,001/-

**Point No. 3**

88. Point. Long Term Development Fund and General Development Fund from Tenants (totalling Rs 15,70,000/-) should have been placed under the heading "Other Reserves.

Discussion

89. These were earlier placed under the "Reserves" heading and a remark was endorsed in the Auditors Report and while filing the Income Tax Return that the same was under litigation and hence not reflected as "Income". However, in view of the long delay in the case, same is now reflected as Income in order to avoid objections from Income Tax Authorities.

**Point No. 4**

90. Point. Current year's loss has been reported as Rs 44,06,624/-. However, the loss should actually be Rs 59,76,624/- by adding Rs 15,70,000/- which have not been included in the head of Reserves.

91. Discussion. Long Term Development Fund and General Development Fund are Income and hence cannot be reflected as losses.

**Point No. 5**

92. Point. The loss reflected has increased abnormally despite increase in maintenance charges during March 2022 without increase in the Corpus Fund.

93. Discussion. The society charges have been increased with effect from Apr 2022 and hence do not form part of the accounts under review. Furthermore, the loss is notional, as explained earlier.

**Point No. 6**

94. Point Electricity charges have increased from Rs 23,26,060/- during FY 2020-21 to Rs 26,98,078/- as per Income and Expenditure State.

95. Discussion. The expenditure on electricity has been lower than the previous year, after introduction of the Solar Power Project. It has been reduced by nearly 40% from the peak of 2015 - 2016, when it was Rs 36,03,308/- The per unit cost then was Rs 6.75, while it is Rs 7.10 now.

96. The same is tabulated below:-

Item	Amount
Electricity charges as per IE statement	Rs 26,98,078/-
Less expenditure on other items clubbed with same	Rs 1,34,225/-
Less Recovery of Electricity Charges from Shops	Rs 3,06,134/-
Actual Electricity Charges	Rs 22,57,719/- @

@ Includes bills for 13 months since these were not presented during Covid period.

97. Therefore, in actual terms, the expenditure on electricity has reduced over the previous year.



**Point No. 7**

98. Point. Water charge has increased from Rs 14,11,897/- during the previous FY 2020-21 to Rs 18,92,266/- as per Income and Expenditure Statement.

99. Discussion. There has been no increase in the water charges since the period covered is 15 months (from 01 Jan 2021 to Mar 2022).

**Passing of the Audit Report for FY 2021-2022**

100. The Audit Report and Balance Sheet were thereafter placed before the House for approval. They were proposed for passing by Brig V S Nijhawan and seconded by Col Vikrant Sharma and adopted by the House.

**Point from Mr Narinder Singh**

101. Mr Narinder Singh pointed out that the berms on the roof top in THT Block were disintegrating and they should be repaired before there was further deterioration.

102. He was informed that the point had been listed in the budget GBM of Feb 2022, but could not be taken up this year due to paucity of funds. The same would be addressed during the next financial year.

103. He also raised the point that there was excessive leakage of water from some water tanks, which, although partly reduced due to the intervention of the management, still leaked in a smaller way. He was informed that the same would be resolved at the earliest.

Date : 18 Nov 2022



(Col R S Rathee, Retd)  
President



(Brig D K Mohan, Retd)  
Gen Secretary

