

The Circle Registrar,  
Co-operative Societies Department,  
Islamabad Capital Territory (ICT),  
Islamabad.

September 25, 2018

**T&T EMPLOYEES CO-OPERATIVE HOUSING SOCIETY LIMITED, ISLAMABAD**  
**FORENSIC AUDIT REPORT FOR THE 5 YEARS FROM 2012 TO 2016**

In pursuance to our appointment as auditors of the above named society vide your letter no. 2221/CR/ICT/B dated 26-07-2017; we have completed the forensic audit of this Society for the 5 years' period from July 01, 2011 to June 30, 2016.

The management of the society is responsible for both the accuracy and completeness of the information provided to us for the purpose of this forensic audit. They are also responsible in maintaining the perpetual books of accounts and related records as well as sound system of internal controls over the financial affairs of the society. Our responsibility is to carry out this audit and report to you our findings on the issues outlined by the Honourable Supreme Court of Pakistan as well as guidelines given by the Federal Investigation Authority (FIA) of Pakistan.

We conducted the audit in accordance with the provisions of Section 22 of the Cooperative Societies Act, 1925 and Cooperative Societies Rules, 1927 and the guidelines issued by the Director Federal Investigation Authority (FIA) through the Registrar, Cooperative Societies Department, ICT, Islamabad. This audit was also conducted in accordance with the International Standards on Auditing (ISA) as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the underlying accounting and other related records of the Society are free of material misstatements. As the scope of forensic audit for the five years period was limited to the requirements stated above, therefore, we are able to express an assurance, to that extent, on the financial affairs and related operations of the Society during the audit period of five years.

**SCOPE OF AUDIT**

The above said forensic audit is for the period from July 01, 2011 to June 30, 2016, which is sought to ascertain as to whether or not the activities of the society were being carried out in accordance with the relevant laws and rules that govern its operations.

We examined the financial transactions on test basis (ascertained after due risk assessment) with evidence supporting the amounts incorporated in the books of account of the Society produced to us for audit purposes during the period of five years; and applied such tests and procedures as were considered necessary in the circumstances. In addition to this, particular reference was also given on the following areas:

**Applicable Laws, Governing Rules and Audit Guidelines**

- i. Cooperative Societies Act, 1925
- ii. Cooperative Societies Rules, 1927
- iii. Bye-laws of Housing Societies
- iv. Directions issued by the registrar
- v. Taxation laws
- vi. Other applicable laws, governing rules and regulations (i.e CDA/RDA/Municipal Authorities bye-laws, regulations, modalities etc)

**Checklists consisting of**

- i. Queries regarding plots and related matters.
- ii. Queries regarding land related matters
- iii. Queries regarding development related matters
- iv. Queries regarding Lay Out Plan(LOP) and related matters

We are now pleased to submit our report in the following paragraphs.

**1. SOCIETY AND ITS OPERATIONS**

**1.1 Nature and objective of society**

The Telegraph and Telephone Employees Cooperative Housing Society was registered with the Co-operatives Societies Department ICT, Islamabad on January 25, 1981 vide registration no. 4, under the provisions of Cooperative Societies Act, 1925. The main objects of the society are to purchase land, develop it for construction of residential houses and buildings for onward allotment / sale to its members as approved by the executive committee of the society. The area of its operation is restricted to the Federal Territory, Islamabad.

**1.2 Registered office of society**

The registered office of the society is situated at Apartment No.1, Block A, Abu Dhabi Towers, F-11 Markaz, Islamabad.

**1.3 Historical background**

Telegardens Housing Scheme was registered with the Co-operatives Societies Department, ICT, Islamabad on July 30, 2003 vide registration no.367, under the provisions of Cooperative Societies Act, 1925. Telegardens Housing Scheme is a project consisted of the following two housing Societies:

- Telegraph & Telephone Employees Cooperative Housing Society (T&TECHS); and
- Multi Professional Cooperative Housing Society (MPCHS),

Both the societies worked independently despite of getting combined approvals of LOP and NOC from the departments.

However, our audit and report thereof is for the “Telegraph & Telephone Employees Cooperative Housing Society (Regd.), (T&TECHS)” only. The main object of the society is to provide housing facility to its members, having its operation at Nougazi, Ehl-e-Paswal, Dora and Mauza Pind Parian in sectors F-17/2 & F-17/3 of zone-II, Islamabad.

The approval of layout plan (LOP) was granted vide letter No. CDA/PLW-UP (90) MPCHS/93/600 dated 18<sup>th</sup> February 2005 and No Objection Certificate (NOC) was issued by the Capital Development Authority (CDA), vide letter No. CDA/PLW/UP-HS (90) MPCHS/Vol-III/2003/491 dated 30<sup>th</sup> January 2008.

The annual audit report for the year ended June 30, 2010 revealed financial mismanagement on part of society’s management in power at that time. As such, in exercise of the powers delegated, under Rule 48 of the Cooperative Societies Rules, 1927, the Additional Deputy Commissioner (Revenues exercising powers of Registrar Cooperative Societies), ICT, Islamabad, vide letter No. 2256/CR/ICT/B dated December 21,2010, superseded the Managing Committee of the Society on the basis that it failed to satisfactorily reply to the show cause notice issued under the above said Rule 48 and unable to refute the allegations of financial irregularities and mal-administration in the affairs of the Society due to which it could not develop the schemes of the society despite laps of a long time.

Consequently new Administrative Committee of the Society was appointed for a period of six months started from December 21, 2010.

Furthermore in year 2010, number of members of the society lodged a complaint with the Registrar Cooperative Societies, about the above stated affairs of the society, upon which the Assistant Commissioner, Industrial Area was appointed as inquiry officer by the Registrar. The report submitted on February 26, 2011 by the enquiry officer also declared the then Management of the Society involved in the wrong doings and responsible for mal-administration into the financial affairs of the society and recommended for necessary action as per law to be initiated against members of the then Managing Committee.

Again the Additional Deputy Commissioner (Revenues) exercising powers of Registrar Cooperative Societies, ICT, Islamabad, vide letter No. 153/CR/ICT/B dated January 24, 2011, appointed an administrator of the society. The Administrator was assigned the task of filing a case under section 50-A of the Cooperative Societies Act, 1925 for recovery of the embezzled/ misappropriated amounts of society from the then Managing Committee Members and filing of case to Deputy Commissioner/ Registrar Cooperative ICT, Islamabad, for attachment of personal properties of office bearers of Ex- Managing Committee. Resultantly, a recovery suit under section 50-A of the Cooperative Societies Act was filed against the delinquents and a FIR was registered at Kohsar Police Station, F-7 Markaz, Islamabad against members of the Ex-Managing Committee of the society under section 409, 406 PPC bearing No. 117/11, dated 12.03.2011.

Consequently, fresh elections were held and a new Managing Committee was elected who took over the charge of the society on 02.07.2011 duly notified vide Circle Registrar's Notification No. 1630/CR/ICT/B dated 02.07.2011.

#### 1.4 Managing Committees

##### a) Managing Committee from July 02, 2011 to June 25, 2014:

The Managing Committee notified for three years vide notification no. 1630/CR/ICT/B dated July 02, 2011 of Co-operative Department consisted of the following members of the society:

Sr. No.	Name	Membership No.	Designation
1	Ch. Mushtaq Ahmed	1269	President
2	Shah Mahmood Khan	1100	Vice President
3	Azhar Ahmad Khan Balouch	2010K & 218/D	General Secretary
4	Iftikhar Hussain	1890	Treasurer
5	Bahadur Shah	0876	Executive Member
6	Hassan Jan	1893	Executive Member
7	Tariq Javaid	1598	Executive Member
8	Masood Siddiqui	2015	Executive Member
9	Muhammad Ghous	1884	Executive Member

Later-on, consequent upon resignation and cancellation of memberships of certain members of the committee, the following members constituted the Managing Committee since July 01, 2012.

Sr. No.	NAME	Membership No	DESIGNATION
1	Iftikhar Ahmed Jomezai	1428	President
2	Hassan Jan Khan	1893	Vice President
3	Azhar Balouch	2010-K	General Secretary
4	Iftikhar Hussain	1890	Treasurer
5	M. Tariq Mehmood Korla	2301-F	Executive Member
6	Masood M. Siddiqui	2015	Executive Member
7	Tariq Javed	1598	Executive Member
8	Azhar Hussain Jokhio	1395	Executive Member
9	Naveed Rauf	1940	Executive Member

**b) Managing Committee from June 25, 2014 to May 09, 2017:**

The Present Managing Committee of nine members elected and notified for three years vide notification no. 1640/CR/ICT/B dated June 25, 2014 of Co-operative Department for three years to manage the business/affairs of the Society is as under:

Sr. No.	Name	Membership No.	Designation
1	Iftikhar Ahmed Jogzai	1428	President
2	Muhammad Adnan Khan	2358	Vice President
3	Azhar Ahmed Khan Balouch	2010K	General Secretary
4	Iftikhar Hussain	1890	Treasurer
5	Tariq Mehmood Koria	2301F	Executive Member
6	Masood Mussawar Siddiqui	2308	Executive Member
7	Azhar Hussain Jokheo	1395	Executive Member
8	Naveed Rauf Khan	1940	Executive Member
9	Muhammad Saleem Akhtar	0329	Executive Member

The Honorary Treasurer Mr. Iftikhar Hussain (MS: 1890) was, however, expired on July 31, 2014.

**1.5 MEETINGS:**

**1.5.1 Annual General Meetings (AGMs)**

As per Bye-Laws of society, the supreme authority shall vest in the General Meeting and that the Annual General Meeting shall be held between 1st of July to 30th September each year.

The status of holding Annual General Meetings was as under:

Sr. No.	Year	AGM	Date of Meeting	Remarks	Registrar's Approval
1	2011-12	14 <sup>th</sup>	4th August 2012	In Time	1574/CR/ICT/B Dated 10/09/2012
2	2012-13	-	-	Not Held	-
3	2013-14	15 <sup>th</sup>	23rd February 2014	Delayed by 4 months	1027/CR/ICT/B Dated 22/04/2014
4	2014-15	16 <sup>th</sup>	6th December 2015	Delayed by 2 months	448/CR/ICT/B Dated 05/01/2016
5	2015-16	17 <sup>th</sup>	26th February 2017	Delayed by 4 months	1160/CR/ICT/B Dated 21/04/2017

Minutes of each of above meetings are available, approved by the circle registrar and also published at website of the society.

**1.5.2 Managing Committee Meetings**

We have observed that members of the management committee have actively participated in the development of the society by giving proper time to attend the MC meetings held from time to time.

The detail of MC meetings held during the period under forensic audit is tabulated below:

2011-12			2012-13			2013-14			2014-15			2015-16		
Sr. No.	Meeting No.	Date	Sr.	Meeting No.	Date	Sr.	Meeting No.	Date	Sr.	Meeting No.	Date	Sr.	Meeting No.	Date
			No.			No.			No.			No.		
1	131 <sup>ST</sup>	05.07.11	1	138 <sup>TH</sup>	19.11.12	1	141 <sup>ST</sup>	23.07.13	1	152 <sup>ND</sup>	15.07.14	1	160 <sup>TH</sup>	03.07.15
2	132 <sup>ND</sup>	17.07.11	2	139 <sup>TH</sup>	15.12.12	2	142 <sup>ND</sup>	17.08.13	2	153 <sup>RD</sup>	09.08.14	2	161 <sup>ST</sup>	16.07.15
3	133 <sup>RD</sup>	06.08.11	3	140 <sup>TH</sup>	26.05.13	3	143 <sup>RD</sup>	07.09.13	3	154 <sup>TH</sup>	07.09.14	3	162 <sup>ND</sup>	10.10.15
4	134 <sup>TH</sup>	21.09.11				4	144 <sup>TH</sup>	09.09.13	4	155 <sup>TH</sup>	15.11.14	4	163 <sup>RD</sup>	02.11.15
5	135 <sup>TH</sup>	30.09.11				5	145 <sup>TH</sup>	27.09.13	5	156 <sup>TH</sup>	05.02.15	5	164 <sup>TH</sup>	28.10.15
6	136 <sup>TH</sup>	25.04.12				6	146 <sup>TH</sup>	04.10.13	6	157 <sup>TH</sup>	28.02.15	6	165 <sup>TH</sup>	04.12.15
7	137 <sup>TH</sup>	25.05.12				7	147 <sup>TH</sup>	31.12.13	7	158 <sup>TH</sup>	15.05.15	7	166 <sup>TH</sup>	16.12.15
						8	148 <sup>TH</sup>	01.02.14	8	159 <sup>TH</sup>	23.05.15	8	167 <sup>TH</sup>	22.02.16
						9	149 <sup>TH</sup>	22.02.14				9	168 <sup>TH</sup>	29.04.16
						10	150 <sup>TH</sup>	05.04.14				10	169 <sup>TH</sup>	20.05.16
						11	151 <sup>ST</sup>	17.05.14						

Minutes of above mentioned management committee meetings are properly recorded and available at society's office.

### 1.6 Sub-Committee Meetings

Certain sub-committees were also constituted during the period under audit, which are

- Land Purchase committee.
- Development work monitoring committee.
- Committee for legal matters.

We noted that meetings of these subcommittees were held randomly and resolutions were passed for the record.

## 2. LAYOUT PLAN (LOP)/ NOC AND RELATED MATTERS

This section is divided into two sub-heads for better understanding.

### 1.1. APPROVED LOP:

Lay out plan (LOP) of Telegardens Hosuing Scheme was approved by the Planning Department of Capital Development Authority (CDA) through its letter no. CDA/PLW-UP (90)/ MPCHS/93/600 dated 18-02-2005. The LOP of this scheme was approved for 2,750.85 kanals in Sector F-17, which included 993.20 kanals for the T&TECHS.

This LOP was jointly approved for Telegardens Housing Scheme consisting of two neighbouring societies, namely-

- Telegraph and Telephone Employees Cooperative Housing Society (T&TECHS); and
- Multi professional Employees Cooperative Housing Society (MPCHS).

As per report of Messrs Urban Community Housing (pvt) limited, (an independent expert hired by our firm to assist us over the matters relating to LOP /NOC and Development work of this society) the approved LOP had certain variations within its own working, which have been noted and described as under:

- a. Summary table of plot typology given in the approved LOP indicates 896 residential plots of various categories while the actual plan (approved map of the society) has 996 plots.
- b. About 21.22 kanals of land allocated for amenities/public buildings had actually not been provided in the plan. Approved LOP indicated that 39.85 kanals land has been allocated for amenities/public buildings while actually 18.63 kanals are provided in the T&TECHS component.
- c. Approved LOP indicates that 73.26 kanal (8.09%) of land was provided for parks/play grounds. However, the actual status of the plan indicates that about 18.60 kanals of land was allocated for the parks/playground in the society.

As we discussed from point “a to c” in above paragraph, there were certain shortcomings and errors in LOP approved so the implementation of the same plan was leading the society in contradiction of the prevailing laws and regulations. The major Issues, the society was facing in respect of approved LOP, were debated and requisite changes in LOP were placed before general body in 14<sup>th</sup> Annual General Meeting held on August 04, 2012 under agenda item no.10.

In the year 2015-16, management decided to submit revised and extended LOP. The matter was also referred to the Registrar Cooperative Societies Department for approval, in response of which, the Circle Registrar directed the society vide letter no. 2359/CF/ICT/B dated October 15, 2015 to take up the matter of Revised/extended LOP with CDA Islamabad and got it ratified from the General Body. Accordingly, the matter was formally ratified by General Body in 16<sup>th</sup> Annual General Meeting held on December 06, 2015.

Copy of Approved LOP is attached as **Annexure- A**.

## 2.2 **NOC:**

NOC was granted by CDA with subject “NOC for the housing scheme named ‘TELE GARDEN’ in sector F-17/2 & F-17/3, zone-II, Islamabad floated by MPCHS and T&TECHS vide its letter No. CDA/APLW/UP-HS (90) MPCHS Volume-III/2003/491 dated January 30, 2008.

## 2.3 **REVISED LOP:**

Society has made changes in the approved Layout Plan (LOP) to accommodate the land issues and address the need for additional plots for its members. Accordingly, the T&TECHS has submitted revised LOP to the CDA for approval on July 31, 2015. A copy of which is attached herewith as **Annexure - B**.

**The Society has paid processing fee of the revised LOP to the CDA. The approval of revised LOP is in process and CDA has asked the society to provide complete land ownership documents of the additional land.**

## 2.4 **ONFIRMATION FROM CDA:**

We wrote a letter to Capital Development Authority (CDA) for verification of LOP related matters vide our letter no. KHB/17-123 dated November 08, 2017. The Planning Wing (Housing Societies Directorate) of Capital Development Authority (CDA), after a hard follow up we received a reply from the authority vide letter no. CDA/PLW/HS (UP)/T&T/2018/210 dated April 18, 2018, pointing out the following:

- LOP of the society is approved from CDA.
- Certain violations were observed by the officials of the CDA in the execution of the plan.
- Revised/ rectified plan is submitted by the society that is under consideration.

As the reply we received from the CDA was not clear and sufficient to fulfil our requirement, so the matter was thoroughly discussed with the expert town planner who has taken up the matter and has written a letter to the CDA for clarification but no reply was received till the terminal date.

The Expert Town planner is of the view that the violations highlighted by the CDA are based on Approved LOP which is not being followed by the society, as the society has submitted the Revised LOP to CDA for approval, So these violations are of no value at present.

The Reply from CDA in response to our confirmation letter for verification of approval status of LOP and NOC to the society is attached as Annexure- C.

In 16<sup>th</sup> Annual General Meeting held on December 06, 2015 under agenda item no. 5, General Body unanimously approved all actions taken and expenditure incurred by the society for submission of revised LOP for approval from CDA.

In revised and extended LOP, the Society has created 1,550 residential plots of different sizes as compared to 896 plots as per approved LOP. The revised LOP is pending for approval due to land deficit of the society measuring 243.76 kanals. The requisite fee has been paid to the CDA, amenities are in place and other requirements have been fulfilled as per land uses standard. A comparison in this regard is tabulated as under:

## 2.5 COMPARISON OF LAND AREA AS PER APPROVED AND REVISED LOP:

Type of Land Use	CDA Planning Standard	Already approved LOP		Revised LOP submitted to CDA	
		Kanals	%	Kanals	%
Residential	Not more than 55%	491.01	54.22%	843.35	53.02%
Commercial	Not more than 5%	33.98	3.75%	66.65	4.19%
Public buildings	Not less than 4%	39.85	4.40%	63.68	4.00%
Parks & Open Spaces	Not less than 8%	73.26	8.09%	126.77	7.97%
Graveyard	Not less than 2%	18.56	2.05%	32.19	2.02%
Roads	Not less than 26%	248.94	27.49%	458.09	28.80%
<b>Total</b>		<b>905.6</b>	<b>100.00%</b>	<b>1,590.73</b>	<b>100.00%</b>

The land of society, which is in the area covered by LOP as at June 30, 2016 was 1,070.93 kanals. To meet the requirement, society is continuously purchasing land for development of society. Until June 30, 2018, society further purchased land measuring 276.03 kanals, which aggregated to 1,346.97 kanals, the society needs further land measuring 243.76 kanals to meet requirement of 1,590.73 kanals of land as per revised LOP which has further been explained in para 4.5 of the report.

**2.6 Queries and our comments under the head “LOP Related Matters” are given as under:**

QUERIES	AUDITOR’S COMMENTS
Whether approval of LOP and NOC have been obtained from the concerned Municipal/ Development Authorities.	Yes, please refer to para no 2.1 & 2.2 of the report.
Whether the society is abiding by the Layout Plan approved by the concerned Development/ Municipal Authority.	Society is abiding by the revised Lay Out Plan instead of approved Lay out plan. The Revised Lay Out Plan was submitted to the CDA Planning Department on July 31, 2015 for approval.
Whether creation, sub-division or amalgamation of plots has been endorsed to Municipal/ Development Authority for approval.	Creation, subdivision or amalgamation of plots was made through Revised LOP, which has been submitted to CDA for approval.
Whether area of land approved in the LOP reconciled with area of land being purchased/ acquired.	<p>The Society was required additional area of land to meet the requirement of the members as compared to area of land as per Approved Layout Plan. This is why Revised/ Extended LOP had been submitted for approval.</p> <p>The society is in process of purchasing further land as required to meet requirement of revised LOP.</p>
Whether amenities are in place as per approved LOP.	<p>As per approved LOP the amenities are in place but due to certain errors in LOP and calculation of land usage, amenities are not as per standards. Variations were reported and described in para no. 2.1.</p> <p>As per Revised LOP, under approval, amenities are in place. For further detail please refer to the report of Town Planner which is attached herewith as <b>Annexure-D</b>.</p>
Whether allotments have been made after the approval of LOP as per by-laws of the society.	Allotments were made after approval of LOP, later on LOP was revised and submitted for approval of CDA, which is still in process of approval.
Whether Auditor hired the services of Town Planners and received input from him?	Yes, Messer Urban Community Housing (Pvt) Limited, a company registered with PCATP as “No Limit” Category Town Planning Firm shortlisted and engaged to assist us for the purpose of forensic audit.
Whether Town Planners so hired are satisfied that the development work is consistent with the LOP or otherwise?	Town Planner is satisfied with the overall development process, which is in line with the revised LOP, under approval so far. From the correspondence, it revealed that the Society had remained in close contact with the CDA for early approval of revised LOP.
Whether concerned Civil/ Municipal / Development Authorities have conducted surveys of Society/ Scheme?	It has not been established from any evidence that CDA staff have visited for monitoring and verification of LOP and/or development work.
Whether any violation of LOP/NOC is detected in such surveys and penalty paid by the Society?	Yes, Certain violations were pointed out by the CDA confirmation letter, which have been mentioned in para no. 2.4 of our report.
Whether all pre requisites for NOC and LOPs have been fulfilled and whether development work is in conformity with the NOC and approved LOP?	<p>Following pre-requisites related to NOC and LOP have not been fulfilled by the Society as per the requirements of the CDA. These include:</p> <p>a) Society has not followed the approved LOP. The LOP has been revised and extended by the Society and approval of revised LOP is in process at CDA for the last two years</p>

	<p>awaiting the submission of 100% land ownership documents. Society still needs to purchase 243.76 kanal land to meet the requirement of revised LOP as worked out in para - 4.5 of the report</p> <p>b) Society has allowed the members for construction of residential and commercial buildings and approved the building plans itself instead of approval of building plans by CDA. The management stated that approvals were granted as per clause 34(7) of Bye Laws of the Society.</p> <p>c) Society was required to complete the development work in four years which has been extended up to January 2018. Therefore, the society may need further extension in the development period. Similarly, Society has not completed the development work within the stipulated time period of 4-years and accordingly have not received completion certificate from CDA for: a) water supply, sewerage and drainage works; b) road, bridge and footpath works; c) electricity and streetlight network; d) payment of gas charges; and e) horticulture and solid waste management works.</p>
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### 3 PLOTS AND RELATED MATTERS

#### 3.1 Residential plots:

Categories	Size	Available for allotment as per revised LOP	Plots allotted to members	Plots not yet allotted
No. of plots				
A	50x90	527	501	26
B	40x80	101	100	01
C	35x70	233	226	07
D	30x60	689	530	159
<b>Total</b>		<b>1,550</b>	<b>1,357</b>	<b>193</b>

Out of 193 vacant plots, 48 plots were withheld by the management due to:

Inadequate funds deposited by certain members	41
Decision of 50-A against members of Ex-management Committee	07
<b>Total plots withheld</b>	<b>48</b>

A list of plots vacant as on June 30, 2016 is attached herewith as **Annexure-E**

#### **Detail of possession of plots granted to members:**

As on June 30, 2016, the society had developed about 672 plots of different categories. Later on in October 2016, society published advertisements in daily newspaper for certain members to take possession of their plots by paying their pending dues and possession fees as approved by the General Body in the Annual General Meeting held on December 06, 2015.

Till June 30, 2018, society has offered possession of plots to the members which have been developed, details of plots ready for granting possession is tabulated as under:

Categories	Size	No of plots ready for possession
A	50x90	359
B	40x80	100
C	35x70	120
D	30x60	430
Commercial		59
<b>Total</b>		<b>1,068</b>

**Commercial plots:**

Till June 30, 2016, fifty five (55) Commercial plots of different sizes were allotted directly to land owners and land suppliers to manage cash flow amounting to Rs.600.542 million, in addition to deposits for cost of land from other members, to enable the society for purchase of further land to fulfil the land deficit as needed for approval of revised LOP.

To take this initiative the requisite approvals were also obtained from the Regulatory Authority with letter no. 2009/CR/ICT/B dated 27/11/2012 and 573/CR/ICT/B dated 21/03/2013 and the General Body in Annual General Meeting held on February 23, 2014 under agenda item no.10 and Annual General Meeting held on December 06, 2015 under agenda item no.7.

Subsequently soon after audit period, 13 Plots out of above 55 plots were bought back by the society with an intention to sale these plots in auction and sale of one plot got cancelled by the society.

An open auction of commercial plots was held on July 05, 2017 under the supervision of representative of the Regulatory Authority. 29 commercial plots were sold through this auction. The auction was duly advertised in daily Jang on June 04, 2017.

Another open auction of commercial plots was also held on June 27, 2018 under the supervision of representative of the Regulatory Authority. 4 commercial plots were sold through this auction. The auction was duly advertised in daily Jang and The News on June 14, 2018.

**3.2 Details of Memberships:**

The management elected as on July 02, 2011 inherited 989 members. Out of which, 75 members were cancelled and 3 members were refunded. There was no movement in 12 membership numbers which seems to be inactive. Resultantly 899 memberships found active to the new management.

Later on the management issued 746 new memberships during the period under audit. The memberships issued during the period under audit were verified on sample basis and found satisfactory.

**Status of memberships as on June 30, 2016 is as under:**

	Particulars	Number of Memberships as on July 01, 2011.	Number of Memberships issued during the period under audit.	Total Number of Memberships as on June 30, 2016.
	Memberships issued against Cash Deposits,	989	650	1,639
	Memberships issued to Land owners	-	75	75
	Memberships issued to contractors/ consultants	-	21	21
	<b>Total memberships issued</b>	<b>989</b>	<b>746</b>	<b>1,735</b>
<b>Less</b>	Cancelled	(75)	(6)	(81)
<b>Less</b>	Refunded	(3)	(17)	(20)
<b>Less</b>	Bought back	(-)	(112)	(112)
<b>Less</b>	De-functional Membership Numbers	(12)	(44)	(56)
<b>Less</b>	Memberships Merged in	(-)	(7)	(7)
<b>=</b>	<b>Active members as on June 30, 2016.</b>	<b>899</b>	<b>560</b>	<b>1,459</b>

We found that the management have followed the procedures for issuance of memberships as mentioned in bye-laws of the society.

A detailed list of members and plots allotted to those members is attached herewith as **Annexure-F**.

**3.3 Queries and our comments under this head “Plots Related Matters” are given as under:**

QUERIES	AUDITOR’S COMMENTS
Whether procedure adopted for allotment, cancellation, restoration, conversion and transfer of plots to the members of the society, is as per bye-laws?	Proper procedure was adopted for allotment, cancellation, conversion and transfer of plots to the members of the society, which is also as per bye-laws of the society.
Whether procedure adopted for allotment of plots in Society/ Private Housing Scheme is justified with the files sold in the market and possession?	It is found that procedure adopted for the allotment of plots in the society is justified with the files sold in the market and possession given, during the period under audit.
List of members of the Society/ Scheme?	List of members of society is properly maintained.
List of plots allotted.	List of plots allotted to the members is maintained.
List of plots cancelled.	List of plots cancelled is properly maintained.
List of plots restored.	List of plots restored during the period under audit is properly maintained.
List of plots transferred to new owners.	List of plots transferred to new owners is maintained.
List of plots vacant.	List of vacant plots is available.
List of defaulters of the society.	List of defaulters of the society is prepared.
List of affectees of the society.	No evidence of affectees was observed by us during the period under audit.
Whether any loss has been detected by the Auditor with regards to any anomaly with regards to allotment of plots?	No loss was detected with regard to allotment of plots during the forensic audit.

**4 LAND RELATED MATTERS**

4.1 Movement in land purchased during the period under audit is as follows:

Description	2016	2015	2014	2013	2012
	<b>Rupees</b>				
Balance as on July 01,	1,053,161,255	578,590,694	325,554,867	243,677,404	141,877,719
Prior year adjustment para 4.3	-	-	-	-	12,646,388
<b>Opening balance as on July 01, (Adjusted)</b>	<b>1,053,161,255</b>	<b>578,590,694</b>	<b>325,554,867</b>	<b>243,677,404</b>	<b>154,524,107</b>
Addition during the year	59,653,285	474,570,561	253,035,827	81,877,463	89,153,297
<b>Balance as on June 30,</b>	<b>1,112,814,540</b>	<b>1,053,161,255</b>	<b>578,590,694</b>	<b>325,554,867</b>	<b>243,677,404</b>

4.2 Detail of land purchased during the period under audit is as follows:

Description	2016		2015		2014		2013		2012	
	K	M	K	M	K	M	K	M	K	M
Balance as on July 01,	981	16	921	16	823	07	790	05	738	10
Addition	89	02	60	00	98	09	33	02	051	15
<b>Balance as on June 30,</b>	<b>1,070</b>	<b>18</b>	<b>981</b>	<b>16</b>	<b>921</b>	<b>16</b>	<b>823</b>	<b>07</b>	<b>790</b>	<b>05</b>

The society has acquired land measuring 332.42 Kanals in total during the period under audit. Land purchased by the society during the forensic audit period were duly approved by the General Body in its Annual General Meeting held during 2012 under agenda item no. 6 and 11 (Clause 3), Annual General Meeting held on February 23, 2014 under agenda item no.10 and Annual General Meeting held on December 06, 2015 under agenda item no.7.

In AGMs, General Body approved purchase of land either:

- through sale/allotment of commercial plots/ mixed used area; or
- against hard cash; or
- against issuance of membership to land owners; or
- against purchase and possession of land in open market; or
- against development work

along with all transfers, inclusion and extinction of members. Requisite approvals from the department of Cooperative Housing Society, ICT, Islamabad were also granted and seen by us.

The agreements and mutation documents of land purchased during the period under audit are available with the society, which were duly verified by us on the test basis and found satisfactory.

Society has purchased possession of land from different parties through agreements and payments were made through crossed cheques. Such record provided by the society was also verified on test basis and found satisfactory.

4.3 **Adjustments in land of society as at July 01, 2011:**

It is worth mentioning here that as per decision of a case under section 50-A of cooperative societies act, 1925 dated May 21, 2015, there were major irregularities, embezzlements and ambiguities in many operational areas including land record maintained by the management before July 01, 2011. To reconcile the

land and for rectification of errors in the record, following adjustments were made by the management, who took over the charge as on July 01, 2011:

	PERIOR PERIOD ADJUSTMENT (made in 2011-12)	Ref. Para	Rupees
1	Land Purchased in prior years not accounted for	A	23,645,790
2	Less: Land acquired by MPCHS	B	(2,169,087)
3	Less: Amount recorded twice in the books of accounts	C	(5,425,000)
4	Less: Land exchanged with MPCHS, not adjusted in the books of accounts	D	(3,405,315)
	Total		<b>12,646,388</b>

- a) During the reconciliation of land by the management taken charge on July 02, 2011, it was revealed that land amounting to Rs.23,645,790 was not accounted for in the books of accounts of the society while the mutation documents were available. An entry was thus recorded by debiting the land and crediting the "Other liabilities", as it was not ascertained from whom the land was purchased/acquired.
- b) This land valuing Rs.2,169,087 was acquired by Land Acquisition Department for Multi professionals Cooperative Housing Society (MPCHS) for Rs.16,778,806 vide Gazette of Pakistan registered no. M-302/L-7646 dated April 09, 2009, on which a profit of Rs. 14,609,719 was recorded in the books of accounts of the Society during the year 2011-12.
- c) On scrutiny of record by the management elected on July 02, 2011, it was discovered that following land amounting to Rs. 5,425,000 was recorded twice in the books of accounts of the society, which was adjusted against Advances given for land to Malik Jamil (Executive member/ Coordinator of Society in Management Committee before December 21, 2010).

Mutation No	K	M	F	Total Rupees
2664	4	2	159	2,870,000
2665	2	15	57	1,925,000
2666	0	18	0	630,000
<b>Total</b>	<b>6</b>	<b>35</b>	<b>216</b>	<b>5,425,000</b>

- d) The land was exchanged with Multi Professionals Cooperative Housing Society (MPCHS), the value of land transferred in favor of society as a result of exchange agreement was added in the books of accounts of society but value of land given by the society in exchange was not reduced from the books of accounts of society. Instead, the balance in advances for land in the name of Mr. Jamil Malik was reduced erroneously.

Due to this error, the value of land was over stated, and the balance of advances for land was understated, the same is adjusted/ rectified during the year 2011-12 accordingly. The breakup of land is as under:

Mouza	Mutation No	K	M	F	Rate	Amount	Mutation fee	Total Rupees
Dora	708	19	13	0	15,300	300,000	15,300	315,300
Naugazi	2835	263	5	0	11,400	3,000,000	90,015	3,090,015
<b>Total</b>		<b>282</b>	<b>18</b>	<b>0</b>		<b>3,300,000</b>	<b>105,315</b>	<b>3,405,315</b>

**4.4 Land of Pind Parian and decision of 50-A:**

Mauza Pind Parian lying out of the area covered by the revised LOP.

**The society owns land measuring 17.65 kanals in this Mauza which is in addition to the land of the society measuring 1,070.93 kanals mentioned in para 4.2. but cost of this land has been recorded in the books of accounts of the society.**

The ex-management of the society before July 01, 2011 sold land of society fraudulently covering area of 89.90 kanals vide mutation number 7898 and land measuring 24.55 kanals vide mutation no.683 which was registered on April 27, 2007.

The Deputy Registrar confirmed the malafide intentions of ex-management and ordered for cancellation of these two mutations i.e, 7898 and 683 along with all subsequent mutations for the sale of land. This will add the land measuring 114 kanals and 9 Marlas in the ownership of society when the execution process gets completed. The decree of this land in favour of the society is in the process of execution.

**In our opinion, land measuring 114 kanals and 9 Marlas is an asset of the society, cost of which is recorded in their books of accounts, while the possession of the land and ownership is not transferred to the society as yet. Execution of order of the Registrar Cooperative Societies dated August 11, 2015 is under way on this matter.**

**4.5 Current Status of land purchased/acquired by the society:**

The position of land acquisition by the society as on June 30, 2016 and until the date of this report is as under:

Description		Area in Kanals
Area of land required as per revised LOP	A	1,590.73
Land acquired till June 30, 2016		1,070.93
Land acquired until June 30, 2018	B	1,346.97
Shortfall of land until June 30, 2018, per revised LOP	A-B	243.76

We observed that the present management of the society was trying its best to purchase/acquire further land to fulfil the need of society and meet the above deficit. As stated by the management, land acquisition at this point of time is not a simple task because of high competition and demand in the market viz a viz blackmailing attitude of landowners. The area, title and possession of land acquired so far by the society is summarized below:

**i. Land covered in Mauza Nogazai and Ahl-e-Peswal**

Land measuring 1,273 Kanals, 5 Marlas and 140 Square feet was covered in this area as per record of the society. We sent a letter to the Assistant Commissioner Taxila (Rawalpindi) for verification of land as per their record. As per his reply, the land measuring 1,273 Kanals, 5 Marlas and 140 square feet was confirmed as land purchased by the society and mutated in its name as per the record of the Revenue Department. However, a Fard and NEC issued by the Revenue Department on the same date showed that the land in the ownership/ possession of the society is 1,230 Kanals, 5 Marlas and 170 Square feet, revealing a difference of 43 Kanals, as tabulated in para 4.6 (i) below. A copy of confirmation letter of the Revenue Department is attached herewith as **Annexure-G**.

ii. **Land covered in Mauza Dora and Pindparian**

Land measuring 73 Kanals and 09 Marlas was covered in Mauza Dora as per record of the society which falls under the area covered by Revised LOP. While land measuring 17 Kanals and 13 marlas situated at Pind parian is the property of society but beyond the Revised LOP.

It was found that a mutation no. 1188 of land measuring 17 Kanals and 4 Marlas was passed on April 05, 2018 by the Revenue Department, Islamabad in favor of Haji Ghulam Hussain on the basis of a decree issued by Civil Court Islamabad, in a e-party decision in favor of Haji Ghulam Hussain which was against the society. The Decree was of 8 kanals and 7 Marlas by the Court, Islamabad, while the mutation was of 17 Kanals and 04 Marlas made by the Revenue Department.

The Society has challenged the matter in Islamabad High Court for cancellation of mutation and filed appeal in High Court against the decree. This Land is not included in total measurement of land in ownership of the society.

We wrote a letter, followed by two reminders, to the Additional Deputy Commissioner Revenue (ADCR), Islamabad for verification of land as per their record. After a hard follow up we received a confirmation from revenue department of Halqa Pind Parian, Islamabad. Which confirmed the land in the ownership of the society as 73.45 kanals in Mauza Dora and 17.65 kanals in Mauza Pind Parian.

The Confirmation letter of Mauza Dora and FARD of Mauza Pind Prian, Islamabad for verification of above said land is attached herewith as **Annexure-H**.

4.6 **Land Mutated in excess of possession:**

**It is worth mentioning that the land mutated in the name of the society ( as per Confirmation by Revenue Department) is in excess by 43 kanals as compared to possession( as per NEC and Fard issued by the said department ) Copies of Fard and NEC are attached herewith as Annexure-I. The difference of land was observed in Mauza Nogazi and Ahl e Peswal, which is tabulated below.**

MAUZA	Land as per Mutations confirmed by the Revenue department (Kanals)	Land under possession of the society as per FARD and NEC issued by the Revenue Department (Kanals)	Excess/ (Less) land with society (Kanals)
Nogazi	1,058.64	1,006.88	(51.76)
Ahl-e-Peswal	214.64	223.40	08.76
Doras	73.44	73.44	-
<b>Total</b>	<b>1,346.96</b>	<b>1,303.72</b>	<b>(43)</b>

**The Management of the society is required to reconcile the difference of 43 Kanals with the revenue department.**

**Queries and our comments under this head are as under:**

QUERIES	AUDITOR'S COMMENTS
Whether land/property registers have been kept, maintained and reconciled with the books of accounts.	Details of Land purchased during the period under audit was properly reconciled and found satisfactory. However, the balance as at July 01, 2011 remained unverified being out of audit period. It is further explained in para no.4.3 of the report.
Whether agreements and relevant record have been kept by the society related to land purchased/ sold / exchanged/ auctioned etc.	Agreements and relevant record have been kept by the society related to land purchase/ sold / exchanged during the period under audit.
Whether approval of Registrar under Rules 27 & 54 of Cooperative Societies Rules, 1927 were obtained.	Approval of Registrar for purchase of land was obtained.
Whether revenue record available with the society/ scheme is indicating ownership and possession over the land.	Land measuring 332 Kanals and 8 Marlas was purchased during the five years audit period which was verified from mutation documents and found satisfactory. As per Confirmation of Revenue Department total land purchased and mutated to the society as on June 30, 2018 was 1,346.96 Kanals. However detailed scrutiny of the record of the society and the Fard and NEC issued by the revenue department shows that total land actually in ownership and possession of the society is 1,303.72 Kanals. As mentioned in the closing para of paragraph 4.6 above, the necessary reconciliation between the two records will be made in due course of time.  However land purchased prior to the audit period is already explained in para 4.3 of the report.
Whether fee and taxes are properly paid in respect to transfer of land in the name of the society as per prevailing rates.	The record shows that fees and taxes were paid as per DC rates of the respective Mauzas during the transfer of land in the name of society.
Whether schedule of land purchased/ sold/ exchanged/ auctioned etc. during the period is prepared and available?	Schedule of land purchased during the period is prepared and available with the society.
Whether list of land suppliers along-with copies of agreements are available.	Land suppliers were verified from the mutation documents and agreements.
Composition of Land Committees along-with their activity and scope, if any.	Land committee of 4 members was constituted by the society.
Whether Auditor received input from Revenue Expert?	Confirmations were received from revenue department, which have been explained in para 4.5(i) and 4.5(ii) of the report.
Whether Revenue Expert so hired, is satisfied with land purchased or occupied by the Society/ Scheme?	Land purchased /mutated was found satisfactory. However, a difference of 43 Kanals was found in possession as explained in Para no.4.6 of the report.
Whether any loss has been detected by the Auditor in this regard?	Loss of land measuring 43 kanals in Mauza Nogazi and Ahl e Peswal and 114 kanals and 9 marlas in Mauza Pind Parian may occur if :

	<p>1- Land of Mauza Nogazi and Ahl e Peswal will not be settled under Bandobast as explained in para 4.6 of the report; and</p> <p>2- if execution of decree of 50A will remain unsuccessful as explained in para-4.4 of the report.</p>
In case of Private Housing Societies/ Schemes, whether land purchased is in conformity with the members registered or files sold in the market?	N/A

## 5 DEVELOPMENT RELATED MATTERS

Development work was carried out during the period under forensic audit at larger scale. The movement in this head of account during the period is tabulated below:

Description	2015-16	2014-15	2013-14	2012-13	2011-12
	<b>Rupees</b>				
<b>Opening balance as on July 01,</b>	278,098,766	206,711,547	58,216,869	40,101,227	39,218,514
Addition during the year	190,858,003	71,387,219	148,494,678	18,115,642	882,713
Adjustment during the year	-	-	-	-	-
<b>Closing balance as on June 30,</b>	<b>468,956,769</b>	<b>278,098,766</b>	<b>206,711,547</b>	<b>58,216,869</b>	<b>40,101,227</b>

The cost of work done by each consultant, contractor or developer is summarized in the following table that indicates the volume of work done by each of them:

Particulars	Nature of work	2015-16	2014-15	2013-14	2012-13	2011-12
<b>Balance at July 01,</b>		<b>278,098,766</b>	<b>206,711,547</b>	<b>58,216,869</b>	<b>40,101,227</b>	<b>39,218,514</b>
<b>Addition during the year:</b>						
Designmen Consulting Engineers	Consultancy	3,800,000	3,480,800	3,080,000	2,400,000	
Consolidated Perfect Engineers Pvt Limited	Development Work	79,554,552	34,105,234	73,282,121	11,955,476	
Gul Amin Sub Contractor	Consultancy	-	1,000,000	32,849,616	-	
Malik Consulting Engineers	Electricity Work	-	-	1,671,910	-	
Saadaat Enterprises	Development Work	-	3,990,234	-	-	
Capital Development Authority	CDA	-	4,932,261	-	-	
Margalla Engineers	Electric poles	6,145,831	4,403,929	2,186,405	-	
Khydra Synergy Pvt Limited	Horticulture	125,811	1,843,200	-	-	
Pakistan Railways	Railway Crossing	33,375,033	14,565,776	-	-	
Other Development works	Misc. Dev. Work	7,780,183	3,065,785	16,809,613	2,627,566	594,653
Chaghi Enterprises	Sui Gas Work	-	-	2,468,090	-	
IESCO/WAPDA	Electricity	5,091,296	-	14,963,263	-	
Topographic & Other surveys	Development Work	-	-	1,183,660	1,132,600	

Construction Material	Development Work	23,672,549	-	-	-	
Contractor/ Sub contractors	Development Work (Self Execution)	17,744,325	-	-	-	288,060
The Urban Solutions Pvt Limited	Development Work	236,116	-	-	-	
Vertex International	Development Work	13,332,307	-	-	-	
<b>Total Additions during the year</b>		<b>190,858,003</b>	<b>71,387,219</b>	<b>148,494,678</b>	<b>18,115,642</b>	<b>882,713</b>
<b>Balance at June 30,</b>		<b>468,956,769</b>	<b>278,098,766</b>	<b>206,711,547</b>	<b>58,216,869</b>	<b>40,101,227</b>

**AREAS OF DEVELOPMENT WORK:**

We can categorize the developmental works done at the site of the society in the following areas:

- 5.1 Civil works.
- 5.2 Gas works.
- 5.3 Electrical works.
- 5.4 Railway work
- 5.5 Civil work on Self-execution basis.

**5.1 CIVIL WORKS**

a. Civil works may further be divided into:

- Cutting, filling and leveling.
- Construction of roads.
- Construction of streets.
- Construction of underground sewerage system.
- Construction of main holes.
- Construction of boundary wall.
- Construction of underground water tank.
- Construction of overhead water tank.

b. Civil work is carried out:

- through contractors; and
- on self-execution basis.

c. Consultants engaged in Civil Work are :

- Messrs Designmen Consulting Engineers
- The Urban Solution (pvt) Limited

**5.1.1 TOWN PLANNING CENTER, SAADAAT ENTERPRISES**

Prior to July 2011, Messrs Town Planning Centre, Islamabad was serving as consultant / town planner and Messrs Saadaat Enterprises as Civil Work Contractor of the society.

**5.1.2 DESIGNMEN CONSULTING ENGINEERS & CONSOLIDATED PERFECT ENGINEERS**

The new Managing Committee, elected on July 02, 2012, on unsatisfactory performance of Messrs Town Planning Center (consultant) and Saadaat Enterprises (Developer) terminated their engagement and entered into the agreements with Messrs Designmen Consulting Engineers (Pvt) Limited (consultant) and Consolidated Perfect Engineers (Pvt) Limited (Developer). Later on due to certain taxation issues of Designmen with FBR, The Urban

Solutions (Pvt) Limited was engaged as Consultant. The PAPRA rules were compiled for the selection of these Consultants/developers. In this regard a newspaper advertisement in the daily “Jang” of 29<sup>th</sup> February 2012 was published against which 40 parties showed their interest but when they were informed about society’s intention to get the work initiated on deferred payment basis, the parties pointed out that the newspaper advertisement was silent on this issue. As such, the society re-issued the newspaper advertisement on 8<sup>th</sup> May 2012 clearly highlighting the “Deferred Payment Basis” Clause. Similarly for consultants hiring, a newspaper advertisement in daily “Jang” & “The News” was published on 22.03.2012 and, on competitive rate basis, Messrs Designmen Consulting Engineers Pvt Limited was selected, who then selected Messrs Consolidated Perfect Engineers Pvt Limited as Contractor of the society.

The change and appointments of new Consultant and Contractor were duly approved by the General Body of the society in its 14<sup>th</sup> Annual General Meeting held on 4<sup>th</sup> August 2012 under Agenda item No.5.

The following main areas were undertaken by the Consultants:

- (i) Design, Specifications, Quantities, Rate (CSR), Estimates and BOQ preparation.
- (ii) Tender publication in Newspaper.
- (iii) Comparative statements, recommendations after the Bids/ Quotations, accepted by society from interested contractors.
- (iv) Work order preparation.
- (v) Agreements between Society and selected Contractor.
- (vi) Work executed by contractor and supervised by consultant.
- (vii) Bills invoiced by the contractor to the society.
- (viii) Verification of Quantity, Quality and breakup of bill; and
- (ix) Recommendation to the management for the payments of work executed.

### **5.1.3 GUL AMIN, GOVERNMENT CONTRACTOR**

In addition to above for the purpose of cutting filling, a demand of around 2.00 Million cubic feet of soil was determined for embankment/ earth filling/ raising the level of roads in the society for which newspaper advertisement in the newspaper daily “Jang and Express” was published on November 13, 2013 and on the basis of lowest quote, the job of supply of soil was assigned to M/s. Gul Amin Contractor at Rs.5.84 per cubic feet. The job has been successfully completed and no work/amount stands pending.

### **5.2 SUI GAS WORK**

Messrs Chaghi Enterprises were engaged by the society for provision and execution of Sui Gas work from 2004 to date. Sui Gas pipelines have been laid in all the possessed area and the matter regarding commencement/ commissioning of gas is in process, which is going to be operative very shortly.

### **5.3 ELECTRICAL WORKS:**

#### **5.3.1 Malik Consulting Engineers Islamabad**

An agreement of consultancy was executed with this consultant for planning, design, estimation, tendering, inspection etc., purchasing electrical equipment / items and construction supervision including preparation of drawings specification, construction documents and obtaining approvals of the same from WAPDA/IESCO to the Society for its scheme.

**Malik Consulting Engineers was the approved consultants of MPCHS. As such the society acquires the services of Messrs Malik Consulting Engineers on such basis at the same rates as applicable to MPCHS rather than inviting fresh tenders for the purpose.**

### **5.3.2 Margalla Engineering Services, Islamabad**

An Agreement of Service Contract was made by the society on March 18, 2014 with Messrs Margalla Engineering Services to perform services relating to provision of External Electrical distribution system, Street Lights including their installation, commissioning and maintenance in conformity with and in all respects as per provisions of IESCO/WAPDA.

**Messrs Margalla Engineering services was the approved consultants of MPCHS. As such the society acquires the services of Margalla Engineering Services on such basis at the same rates as applicable to MPCHS rather than inviting fresh tenders for the purpose.**

Status of this work subsequent to June 30, 2016 is also summarized below:

The approval for external electrification on self-execution basis has been granted by IESCO vide Letter No. 1049-57/CEO/IESCO/CE(P&E)/HS-223 dated 26.01.2018 and a demand note has also been issued vide letter No. 1058-63/CEO/IESCO/CE(P&E)/HS-223 dated 26.01.2018 which is duly paid.

The Society has started execution of electric work on self-execution basis and around 20 distribution boxes have been installed, electric cable covering these boxes have been laid.

Furthermore the society has advertised for purchase of transformers and cables as well which is in process of evaluation.

## **5.4 RAILWAY WORKS**

In year 2015, Messrs Royal Enterprises approached the society and offered their services to provide consultancy services for getting approvals and other services from different Government Departments and agencies for the development of the society's housing project. As such the Society entered into an agreement with Messrs Royal Enterprises represented by Rana Iftikhar Hussain, CEO for obtaining necessary approval from Railway Authorities for shifting of Un-manned Level Crossing No. 7/III (9/13) between Turnol Qutbal to 9-8/9 on Turnol -GLRS Section as Manned Level Crossing along with other related work for having railway crossing on the new 100 feet double road of the society at an agreed amount of Rs.25 million, in addition to the fees and other charges as and when demanded.

The work assigned to Messrs Royal Enterprises has been completed and Railway crossing along with crossing gate has been installed by the Railway Authorities. The gate has not yet been opened for traffic as installation of signals and deputation of railway staff is awaited.

## **5.5 SELF-EXECUTION OF CIVIL WORK**

The society has also undertaken development work on self-execution basis, under the supervision of Messrs Urban Solutions (Pvt.) Limited. Material was provided by the society and the labour was hired through contractors/ sub-contractors. Approval by General Body was accorded in 17<sup>th</sup> Annual General Meeting under point (a) of agenda item no. 6. The following Contractors/Consultants were engaged in this context:

S. No.	Name	Contractor/ Consultant	From	To
1	Urban Solutions (Pvt.) Limited	Consultant	2015	<b>Todate</b>
2	Vertex International (Pvt.) Limited	Contractor	2015	2015
3	Shoukat Ali & Company	Contractor	2015	2015
4	Mian Javed Labour Contractor/Supply & fixing	Contractor	2015	2015
5	Akmal Labour Contractor/Supply & fixing	Contractor	2015	<b>Todate</b>
6	Misc. Material Suppliers Vendors	Contractor	2015	<b>Todate</b>

#### 5.5.1 PROGRESS REPORT OF DEVELOPMENT WORKS:

**As per Expert Engineer/Town planner's report:**

The Firm of expert engineers and town planners, who are members of Pakistan Engineering Council(PEC) and Pakistan Council for Architects and Town Planners (PCATP), engaged by our firm for forensic audit. As per their report, said engineers have shown satisfaction over the development work which was carried out by the society, during the period under audit.

Engineers have presented the status of development work. Stage of completion of development work is as under:

Component / Activity	% Development Work			
	Completed as on June 30, 2016	Completed during Jul 2016 to Dec 2017	Completed as on Dec 31, 2017	Work in progress as on Dec 31, 2017
Earthwork (cutting/filling)	55%	7%	62%	38%
Roads/Street - Sub-Grade	42%	19%	61%	39%
Roads/Street - Sub-Base	40%	18%	58%	42%
Roads/Street – Base	25%	34%	58%	42%
Roads/Street - Asphalt/TST	10%	46%	56%	44%
Footpaths	16%	33%	48%	52%
Sewerage System	31%	26%	56%	44%
Water Supply network	10%	5%	15%	85%
Under Ground Water Tank	70%	20%	90%	10%
Overhead Water tank	10%	10%	20%	80%
Storm Water Drainage System	40%	19%	59%	41%
External Electrical works System	40%	10%	50%	50%
Street Lights System	35%	15%	50%	50%
Boundary Wall + Main gate	70%	10%	80%	20%
Gas System and Connections	30%	10%	40%	60%
<b>Overall development work</b>	<b>37%</b>	<b>18%</b>	<b>55%</b>	<b>45%</b>

**5.6 Queries and our comments under this head are given as under:**

QUERIES	AUDITOR'S COMMENTS
Whether the development work in the society is being carried out in a transparent manner and PPRA Rules and guidelines are strictly adhered to in this regard.	Development work was executed in line with the PPRA Rules. For details please refer para 5.1.2, 5.1.3, 5.3.1 and 5.3.2 above.
Status of development of on-going project(s).	Development is in progress during the period under audit. Please refer to para 5.5 in this regard.
List of contractors/ developers along-with copies of agreements.	List of contractors/ developers was maintained by the society. Agreements with these contractors/ developers were also executed.
Procedure adopted for appointment of contractors/ developers (Tender/Quotation etc.)	Proper procedure was adopted by the management of the society for the appointment of contractors/ developers. Tenders were published in the daily newspapers, quotations were accepted and contracts were assigned in a transparent manner.
Bills of contractors/ developers along-with payments details and method adopted for payments.	Bills of contractors/ developers, payment methods and details were verified and found satisfactory.
Whether input from Consultant of PEC received?	Yes, input from consultant of PEC namely Messrs Urban Community Housing Pvt. Limited was received. Report is Attached herewith as <b>Annexure-D</b> .
Whether Consultant so hired by the Auditor is satisfied with development work and payments made to Contractor?	Yes, consultant so hired is satisfied with development work and payments made to contractors.
Whether payments made to the Contractors are justified as per development work done so far?	Yes, payments made to contractors are justified as per development work done so far.
Whether any loss has been detected by the Auditors?	No loss is detected in this head of account.
Whether Private Housing Societies/ Schemes have obtained NOCs before advertisement campaign or before development work from relevant Government Authorities.	Not applicable being Cooperative Housing Society.

**6 BOOK KEEPING, AUDIT AND ACCOUNTS:**

The society is using Microsoft Excess for book keeping in addition to the manual books for keeping record of members, expenditures incurred and payments made for the development works etc.

To cope with the complex structure of accounting entries, the society needs a customised software for maintaining proper books of accounts which will enhance the efficiency and presentation of its financial statements. The management of the society has started implementation of proper customized accounting software system which is under development.

The summarized position of audited balance sheet and Income & Expenditure account of the society for the accounting years ended June 30, 2012 to 2016 is given in **Annexure-J**.

These financial statements of the society were duly audited by different firms of Chartered Accountants and the same have been duly consulted by us for the purpose of forensic audit. We observed that no mentionable point was reported by these auditors, which specifically can be reproduced in this report.

The brief description and result of our verification of each line of the financial statements of the society is summarized below:

**6.1 SHARE CAPITAL Rs. 1,714,300**

The movement in this account is as under:

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
	Rupees				
<b>Balance at July 01,</b>	<b>1,853,100</b>	<b>1,740,500</b>	<b>947,500</b>	<b>820,000</b>	<b>811,300</b>
<b>Add:</b>					
Amount received from Members during the year	49,200	112,600	758,000	100,500	8,700
For plots issued against bills of contractors, consultants & others during the year	-	-	-	3,000	-
For plots issued against purchase of land	-	-	35,000	24,000	-
<b>Less:</b>					
Adjustment in other files due to files merging.	(113,000)	-	-	-	-
Refunded cases adjustment- transferred to revenue account on account of annual charges	(75,000)	-	-	-	-
<b>Balance at June 30,</b>	<b>1,714,300</b>	<b>1,853,100</b>	<b>1,740,500</b>	<b>947,500</b>	<b>820,000</b>

The receipts during the above said periods have been verified on test basis from the supporting documents provided to us, and found satisfactory.

**6.2 ACCUMULATED DEFICIT Rs.20,144,095**

The movement in this head of account is as under:

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
	(Rupees)				
Balance at July 01,	(2,944,940)	7,128,269	11,872,763	16,063,036	11,624,791
Less: Loss for the year	(16,817,897)	(10,073,209)	(4,744,494)	(4,190,273)	4,438,245
Less: Income tax paid during the year	(381,258)	-	-	-	-
<b>Balance at June 30,</b>	<b>(20,144,095)</b>	<b>(2,944,940)</b>	<b>7,128,269</b>	<b>11,872,763</b>	<b>16,063,036</b>

The society is facing huge deficit due to fewer amount of receipts and high expenses on account of advertisement and legal & professional expenses. As per management, this deficit will be curtailed once the commercial plots will be sold/auctioned.

**6.3 INTEREST IN SUSPENSE Rs. 115,284,840**

The management committee in 2001 made an investment amounting to Rs.228,327,670 against which nothing was received by the society. An amount of Rs.115,284,840 was accounted for being interest over such investment by the society from June 08, 2001 to June 30, 2011. Neither Interest nor the principal amount of investment was recovered.

Society has stopped charging interest after June 30, 2011 when the society filed a case under section 50-A of Cooperative Societies Act, 1925 for the recovery of principal, interest and other funds embezzled by the management committee led by Malik Jamil, etc.

The corresponding amount of interest accrued until 30-06-2011 was credited to “retained earnings” through Income and Expenditure account. However, this amount was transferred from “retained earnings” to “interest in suspense account” in the books of account, when the matter of recovery of such interest went into litigation and transferred to Recovery U/S 50-A.

The interest accrued during the period from 08-06-2001 to 30-06-2011 was recoverable from the following organizations:

Party Name	Amount Rs
Telecom Support Services (Pvt) Ltd.	71,795,964
Green Acers	43,488,876
<b>Balance</b>	<b>115,284,840</b>

#### 6.4 MEMBERS' DEPOSITS

##### a) DEPOSITS AGAINST COST OF LAND

**Rs. 1,217,748,870**

The movement in this account is as under:

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
	(Rupees)				
<b>Balance at July 01,</b>	<b>968,421,805</b>	<b>671,778,275</b>	<b>272,349,661</b>	<b>164,269,266</b>	<b>122,496,523</b>
<b>Add:</b>					
Amount received from Members	183,290,057	254,998,030	321,706,864	66,495,395	41,772,743
For plots issued against bills of contractors, consultants & others	35,300,000	3,780,000	635,000	8,233,500	-
For plots issued against purchase of land	3,500,000	37,865,500	77,792,750	33,451,500	-
Adjustment against files merged	64,959,014	-	-	-	-
<b>Less:</b>					
Refunds made during the Year	(11,139,300)	-	(706,000)	(100,000)	-
Adjustment against files merged out	(26,582,706)	-	-	-	-
<b>Balance at June 30,</b>	<b>1,217,748,870</b>	<b>968,421,805</b>	<b>671,778,275</b>	<b>272,349,661</b>	<b>164,269,266</b>

Receipts and payments/adjustments were verified from the supporting documents on test basis and found satisfactory.

##### b) COST OF DEVELOPMENT

**Rs. 688,062,306**

The movement in this account is as under:

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
	Rupees				
<b>Balance at July 01,</b>	<b>585,459,475</b>	<b>507,308,209</b>	<b>410,031,712</b>	<b>367,007,382</b>	<b>349,318,000</b>
<b>Add:</b>					
Amount received from Members during the year	73,111,831	75,313,766	88,271,037	32,730,830	17,689,382
For plots issued against bills of contractors, consultants & others during the year	17,357,500	2,268,000	1,059,500	3,000,000	-
For plots issued against purchase of land during the year	1,594,500	569,500	8,305,960	7,293,500	-
Adjustment against files merged in during the year	10,539,000	-	-	-	-
<b>Less:</b>					
Refunds made during the Year	-	-	(360,000)	-	-
<b>Balance at June 30,</b>	<b>688,062,306</b>	<b>585,459,475</b>	<b>507,308,209</b>	<b>410,031,712</b>	<b>367,007,382</b>

Receipts and payments/adjustments were verified from the supporting documents on test basis and found satisfactory.

**c) UNDER GROUND ELECTRIFICATION**

**Rs. 51,450,292**

The movement in this account is as under:

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
	(Rupees)				
<b>Balance at July 01,</b>	<b>29,260,762</b>	-	-	-	-
<b>Add:</b>					
Amount received from Members during the year	21,019,530	28,973,962	-	-	-
For plots issued against bills of contractors, consultants & others during the year	60,000	226,800	-	-	-
For plots issued against purchase of land during the year	150,000	60,000	-	-	-
Adjustment against files merged in during the year	960,000	-	-	-	-
<b>Less:</b>					
Refunds made during the Year	-	-	-	-	-
<b>Balance at June 30,</b>	<b>51,450,292</b>	<b>29,260,762</b>	-	-	-

The amounts received during the year were verified from the supporting documents on test basis and found satisfactory.

**d) ESCALATION CHARGES**

**Rs. 19,950,156**

The society has started collection of escalation charges from the members during the year ended June 30, 2016.

The society, in line with the approval of General Body in its 15<sup>th</sup> Annual General Meeting held on February 23, 2014 under agenda item No. 15 formed a high powered committee of members for evaluation and justification of levy of additional charges on defaulting members of the society. The committee in its report recommended that levy of additional charges on all the members of the society is inevitable; and proposed additional charges equivalent to differential market rate ranging between Rs.5,000 to Rs.7,500 per square yard. As such the society in its 16<sup>th</sup> Annual General Meeting held on December 06, 2015 through agenda item No. 12 & 13 levied additional / escalation charges as per following categories:

- Escalation charges @ Rs.5,000 per square yard on all defaulting members including those to whom plots were allotted during 2012-14 at the then prevailing market rate.
- Escalation charges @ Rs.1,000 per square yard on all regular members

The amounts received during the period under audit were verified from the supporting documents on test basis and found satisfactory.

## 6.5 CURRENT LIABILITIES

### a) Retention Money

Rs.1,215,343

It represents the amounts deducted from the running bills of the contractors at the agreed rates, which stands as security against the deficient work done by them. It is to be released after the completion of the maintenance period of the contracts or otherwise as mentioned in the respective agreements executed with them.

The movement in this account is as under:

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
	(Rupees)				
Balance at July 01,	2,382,865	4,177,496	3,702,157	3,140,250	3,140,250
CPE Pvt Limited	(2,221,522)	1,293,600	366,019	561,907	-
Margalla Engineers	-	20,196	109,320	-	-
Mian Javaid Contractor	1,054,000	-	-	-	-
Saadaat Enterprises	-	(3,108,427)	-	-	-
<b>Balance at June 30,</b>	<b>1,215,343</b>	<b>2,382,865</b>	<b>4,177,496</b>	<b>3,702,157</b>	<b>3,140,250</b>

### b) Withholding Tax Payable

Rs.9,415,167

Movement in this account during the period of five years is as under:

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
	(Rupees)				
Balance at July 01,	2,746,998	-	-	-	-
Additions during the year	6,684,169	2,746,998	-	-	-
Payments/Adjustments	(16,000)	-	-	-	-
<b>Balance at June 30,</b>	<b>9,415,167</b>	<b>2,746,998</b>	<b>-</b>	<b>-</b>	<b>-</b>

It represents accumulated amounts of income tax deducted at source from the payments made to contractors / employees, which are to be deposited with the government treasury.

We have observed certain instances of Income tax deducted at source, which were deposited after the prescribed time limit. Such non-compliance may attract the penal action / additional tax, therefore, should be avoided as far as possible.

### c) Cost of Land Payable

Rs.16,365,000

It represent the payable balances against purchases of land at the end of each year. The movement under this head is as follows:

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
	Rupees				
Balance at July 01	93,637,224	-	-	34,978,222	-
Addition during the year	16,365,000	93,637,224	-	-	34,978,222
Payments/ Adjustments during the year	(93,637,224)	-	-	(30,928,222)	-
Less plots issued to land owners in lieu of payments				(4,050,000)	-
<b>Balance at June 30</b>	<b>16,365,000</b>	<b>93,637,224</b>	<b>-</b>	<b>-</b>	<b>34,978,222</b>

Payments/adjustments were verified from the bank statements/supporting documents on test basis and found satisfactory.

**d) Bills Payable**

**Rs.5,457,895**

- i. These represents the miscellaneous payable balances, the detail of which is given below in para D(ii), while the movement in this account is as under:

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
	<i>Rupees</i>				
Balance at July 01	625,072	554,092	118,112	118,112	124,212
Addition during the year	11,156,988	506,860	435,880	-	-
Payments/ Adjustments	(6,324,165)	(435,880)	-	-	(6,000)
Balance at June 30	5,457,895	625,072	554,092	118,112	118,112

- ii. The yearend breakup of these payable balances is tabulated below:

Particulars	2015-16	2014-15	2013-14	2012-13	2012-13
Saddat Enterprises	118,212	118,212	118,212	118,212	118,212
Salaries Payable	-	490,860	435,880	-	-
Advertisement bill payable	-	16,000	-	-	-
Merged file balance payable	234,400	-	-	-	-
Mian Javed Contractor bill payable	1,509,500	-	-	-	-
CPE-bill payable	3,595,783	-	-	-	-
<b>Total</b>	<b>5,457,895</b>	<b>625,072</b>	<b>554,092</b>	<b>118,212</b>	<b>118,212</b>

We verified the supporting documents / details and payments/adjustments there- against on test basis and found satisfactory.

**e) Other Liabilities**

**Rs.22,353,990**

There was no movement in this account during the audit period.

This amount is appearing in the books of account of the society since 2011-2012. It is also explained in para 4.3(a) of the report that as a result of the Society's efforts to reconcile the Land Account in the year 2011-12, it was revealed that the effect of land acquired in previous years amounting to Rs. 23,645,790 have not been properly accounted for in the books of account. As an adjustment "land" was debited against which "Other Liabilities" were credited by the same amount.

Subsequently, only Rs.1,291,800 was reconciled and the balance amount of Rs. 22,353,990 remained un-reconciled / unadjusted until the ending date of audit period. The reasons for non-reconciliation / non-adjustment were explained that the particulars of land owners were not found tallied with those to whom advances for the purchase of land were given in the prior years.

No party is identified for the payable balance of Rs.22.353 million for our direct balance conformation. This amount was raised at the time of recording of land without mentioning the party which seems to be a balancing figure.

The management is of the view that this amount might be adjusted against the receivables as determined in order under section 50-A whenever it gets finally settled.

**6.6 FIXED ASSETS**

**Rs.7,421,782**

- i. The movement and breakup of this account is attached as **Annexure-K**  
ii. Society has maintained a proper fixed asset register as required by its Bye-Laws.

All the additions and deletions made in this head during the year have been verified by us and were found satisfactory.

**6.7 LAND PURCHASED**

**Rs. 1,112,814,540**

Please refer to para 4 of this report for our detailed comments on this head of account.

**6.8 DEVELOPMENT EXPENDITURE Rs. 468,956,769**

Please also refer to para 5 of this report for our detailed comments on this head of account.

**6.9 RECEIVABLE BY ORDER UNDER SECTION 50-A  
OF THE COOPERATIVE SOCIETIES ACT, 1925 Rs. 422,067,500**

i. The breakup of the above amount is as under:

	30/6/2015	Movement	30/06/2016
<b>INVESTMENTS</b>		<b>Amount (Rs.)</b>	
Short Term Investment-TSSL	190,827,670	-	190,827,670
Long Term Investment-Green Acres	37,500,000	(15,000,000)	22,500,000
	<b>228,327,670</b>	<b>(15,000,000)</b>	<b>213,327,670</b>
<b>Interest Accrued</b>	<b>115,284,840</b>	-	<b>115,284,840</b>
<b>Other Receivables (adjustment of advances to )</b>			
Ghulam Hussain	28,125,000	(5,500,000)	22,625,000
Zaigham	600,000	-	600,000
M.A.Bokhari	10,169,000	-	10,169,000
Sher Bahadur	6,686,814	-	6,686,814
Ashaba Powers	1,000,000	-	1,000,000
Sardar Sikandar	500,000	-	500,000
Jamil Malik	33,000,176	-	33,000,176
Litigation Charges Receivable	14,164,000	2,950,000	17,114,000
Additional Adjustment to be charged	-	1,760,000	1,760,000
	<b>78,877,490</b>	<b>(790,000)</b>	<b>93,454,990</b>
<b>Total</b>	<b>437,857,500</b>	<b>(15,790,000)</b>	<b>422,067,500</b>

- ii. As per order of the Additional Deputy Commissioner Revenues (Exercising Powers of Registrar Cooperative Societies ICT, Islamabad), vide letter No. 2256/CR/ICT/B dated December 21, 2010, an FIR bearing no 117/11 dated 12-03-2011 was registered in Police Station Kohsar, Islamabad and a case under section 50-A of the Cooperative Societies Act, 1925 was filed for the recovery of the embezzled / misappropriated amounts of the Society from some of the members of the Ex-Managing Committee, who were involved in such activities.
- iii. The Deputy Registrar Cooperatives, Islamabad passed an order under section 50-A of the Cooperative Societies Act, 1925 on May 21, 2015 and determined a liability amounting to Rs. 438,977,145 along with markup @ 15% until the date of order besides advising the society to take up the matter of damages in the civil court.
- iv. In addition to the above, the society has not accounted for an amount of Rs. 120,172,500 on account of sale of society's land measuring 114 kanals and 9 marals at the rates lower than the market rate, which allegation was also decided by the Deputy Registrar Cooperatives, Islamabad in his order dated May 21, 2015 and which amount has also been included in the amounts applied for obtaining the decree. The management of the society is of view, that the case has been put before the Honourable Court of Registrar for the execution of order u/s 50-A of the Cooperative Societies Act 1925. As such the above said amount cannot be incorporated in the books of account of the society until finalization of the execution of order.
- v. In compliance of orders of the ADC (G) ICT/ Deputy Registrar, Islamabad dated 21.05.2015, the Execution Certificate was issued on 20.08.2015 by the Registrar Cooperative Societies Islamabad, on the request of the society, and the proceedings under section 59(2) C under Cooperative Societies Act 1925 were started. Meanwhile, the execution process was got stayed on the application of Mr. Fahim Jamil Malik, dated 20.09.2016. The last notice from

the office of the Registrar Cooperative Societies, Islamabad was issued on June 04, 2017 in leading newspaper, wherein, the judgmental debtors have been advised to appear before the court of Registrar on 06.06.2017 failing which their movable and immovable properties would be auctioned to cover the decretal amount accordingly. The matter stands in process till finalization of this report.

Three Years have been passed but the matter could not settle in a timely manner. In case the recovery against order u/s-50A is not made, the Society will have to suffer the loss which will ultimately be borne by the members of the society.

#### 6.10 **PREMIUM ON BUY BACK**

**Rs. 52,658,333**

The movement in this account is as under:

Description:	2016 (Rupees)
Balance at July 01,	-
Add: Premium paid during the year	52,658,333
Less: Premium adjusted during the year	-
Balance at June 30,	<b>52,658,333</b>

The Society initiated a strategy of buying back recently issued plots of the defaulting members whose plots are in the non-possessed area, either directly or indirectly @ 20% to 25% profit on the cost of the plot or the margin between cost and market value of the plots, as the case may be.

This premium will be adjusted at the time of allotment of these plots to the new members at the market value at the time of new allotment. The same scenario was ratified by the General Body in the 16<sup>th</sup> Annual General Meeting held on 6<sup>th</sup> December 2015 under Agenda item No. 24.

Although the society reserves the right to cancel the plots of the defaulters, but in order to avoid unnecessary litigation cost and time, the society is of the view that the buyback option was considered to be more effective. As such plots issued vide Resolution No.128 dated 13.02.2014 were negotiated on buy back/merge option basis and after due deliberations it was agreed between the parties that these plots should be bought back at a premium of 20% to 25% on the cost of the plots to be merged in other plots. Besides having no cash outflow affect, the premium on this transaction will be accounted for as an asset to be adjusted against future purchase of land from land owners.

#### 6.11 **CURRENT ASSETS**

##### a) **Advance for purchase of land**

**Rs. 38,289,000**

The movement in this account is as under:

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
	(Rupees)				
Balance at July 01,	11,963,013	158,277,490	93,887,490	88,877,490	71,338,975
Prior year adjustment					
Amount double recorded, reversed	-	-	-	-	5,425,000
Land for MPCHS wrongly recorded, reversed	-	-	-	-	3,405,315
Other liabilities settled (Adjustment to land)	-	-	-	-	(1,291,800)
Less: Amount transferred to receivable	-	(78,877,490)	-	-	-
<b>Adjusted Opening Balance</b>	<b>11,963,013</b>	<b>79,400,000</b>	<b>93,887,490</b>	<b>88,877,490</b>	<b>78,877,490</b>
<b>Add:</b>					
Advances made during the year	30,125,987	13,463,013	71,290,000	6,510,000	10,000,000
<b>Less:</b>					
Adjustments made against purchase of land during the year	(3,800,000)	(80,900,000)	(6,900,000)	(1,500,000)	-
<b>Net Additions/(Adjustments)</b>	<b>26,325,987</b>	<b>(67,436,987)</b>	<b>64,390,000</b>	<b>5,010,000</b>	<b>-</b>
<b>Balance at June 30,</b>	<b>38,289,000</b>	<b>11,963,013</b>	<b>158,277,490</b>	<b>93,887,490</b>	<b>88,877,490</b>

- i. The present management is facing shortage of funds and has entered into agreements with different land owners for purchase of land by issuing token money, by virtue of which the land owners are bound not to sell their land to any other party. As soon as the funds are generated/ arranged, the society will settle these advances against the cost for purchase of land.
- ii. During year 2014-15 an amount of Rs.78,877,490 pertaining to previous management was reclassified under a new heading namely "Receivable under section 50 - A Order", party wise detail of which is given below:

Particulars	Opening Balance	Addition	Adjustment	Balance Rupees
<b>Advances (Prior to Jun-2011)</b>				
Advance to Ghulam Hussain	28,125,000	-	-	28,125,000
Advance to Zaigham	600,000	-	-	600,000
Advance to M.A Bokhari	10,169,000	-	-	10,169,000
Advance to Sher Bahadur	6,686,814	-	-	6,686,814
Advance to Ashaba Power	1,000,000	-	-	1,000,000
Advance to Mr. Sikandar	500,000	-	-	500,000
Advance to Malik Jamil	31,796,676	-	-	31,796,676
<b>Total</b>	<b>78,877,490</b>	-	-	<b>78,877,490</b>

b) Advances and receivables

Rs. 10,423,472

The movement in this account is as under:

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
	Rupees				
Balance at July 01,	26,871,753	5,086,786	993,559	1,053,500	-
<b>Additions during the year</b>					
Advances to Staff	833,907	1,836,441	840,000	202,000	1,250,000
Advances to Suppliers	5,475,470	23,100,000	3,888,800	78,759	-
Other Advances	-	435,312	2,612,786	712,800	-
<b>Total Additions</b>	<b>6,309,377</b>	<b>25,371,753</b>	<b>7,341,586</b>	<b>993,559</b>	<b>1,250,000</b>
<b>Less Adjustments made during the year</b>					
Advances to Staff	(322,346)	-	(840,000)	-	(196,500)
Advances to Suppliers	(22,000,000)	(974,000)	(2,408,359)	-	-
Other Advances	(435,312)	(2,612,786)	-	-	-
<b>Total Adjustments during the year</b>	<b>(22,757,658)</b>	<b>(3,586,786)</b>	<b>(3,248,359)</b>	<b>-</b>	<b>(196,500)</b>
<b>Balance at June 30,</b>	<b>10,423,472</b>	<b>26,871,753</b>	<b>5,086,786</b>	<b>993,559</b>	<b>1,053,500</b>

The advances given to staff and parties have been verified with the underlying record and found satisfactory. However, the management should take necessary steps for timely adjustment / recovery of these advances to avoid mis-utilization of society's fund.

**c) Security deposit Rs. 1,075,000**

The movement in this account is as under:

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
	(Rupees)				
Balance at July 01,	75,000	315,000	240,000	240,000	-
Additions during the year	1,000,000	-	75,000	-	240,000
Less Adjustments made during the year	-	(240,000)	-	-	-
<b>Balance at June 30,</b>	<b>1,075,000</b>	<b>75,000</b>	<b>315,000</b>	<b>240,000</b>	<b>240,000</b>

- i. The amount of security deposit for Rs. 315,000 pertaining to amount paid against office premises leased on rent, out of which Rs. 240,000 adjusted against old office premises got vacated last year and Rs. 75,000 paid against the new premises leased on rent.
- ii. During the year 2015-16, the society has entered into an agreement with Messrs **The Urban Solutions Pvt Limited** against consultancy services and supervision charges of development work carried out by the society on self-execution basis. The amount of Rs. 1,000,000 paid in advance which represents approximate amount of three month's consultancy and supervision charges, and will be adjusted in due course of time.
- iii. The amount appearing under this head of account as on 30.06.2016 comprises of:

Particulars	Balance as on 30.06.2016 Rupees
Security Deposit against F-11-Apartment No. 1	75,000
Security Deposit against services to The Urban Solutions (Pvt) Ltd.	1,000,000
<b>Total</b>	<b>1,075,000</b>

**d) Litigation charges receivables Rs. Nil**

It includes expenses incurred on legal cases filed by the individuals against the Society, which became receivable from them after having the decision in favor of society. The movement in this account is as under:

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
	(Rupees)				
Balance lat July 01,	-	11,934,500	9,026,000		-
Prior year adjustment	-	-	-	2,941,000	-
Additions during the year	-	-	2,908,500	6,085,000	-
Less Transferred to Receivable under Sec. 50(A).	-	(11,934,500)	-	-	-
<b>Balance at June 30,</b>	<b>-</b>	<b>-</b>	<b>11,934,500</b>	<b>9,026,000</b>	<b>-</b>

Similarly, all the legal charges paid in connection with litigations against ex-management have since been reversed and charged as receivable in the year 2012-13 by creating Litigation Charges Receivable and adjusting Accumulated Surplus by an amount of Rs.2,941,000.

The General Body approved in its 14<sup>th</sup> AGM held on August 14, 2012 under agenda item no. 3 that all the legal charges incurred by the society against litigations for defending the interests of the society, like Cases filed under section 50-A, criminal cases u/s 406/409 and Supreme Court SUO MOTO Constitution petition No.61/12, should not be charged to the society's expenses account rather it should be made recoverable from the delinquents.

e) Capital value tax (CVT) receivable Rs. 869,000

i. The movement in this account is as under:

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
	(Rupees)				
Balance at July 01,	1,000,000	-	-	-	-
Add: Additions during the year	-	1,000,000	-	-	-
Less :Adjustments made during the year	(131,000)	-	-	-	-
Balance at June 30,	869,000	1,000,000	-	-	-

ii. During the spot audit conducted by the Income Tax Authorities under section 175 of the Income Tax Ordinance, 2001, it was revealed that the society had failed to collect CVT at the prescribed rate against transfer of properties / plots to its members. A show cause notice no. WHT Unit-II/2015/940 dated 04.02.2015 for short deposit of CVT amounting to Rs. 4,130,560 was served on the society. The society immediately responded and informed all the members who had short deposited the CVT to deposit the amount of tax into the government treasury under intimation to it.

iii. Further, upon examining the list, it was also revealed that few amounts have been inadvertently misreported by the tax authorities, which matter is pending until the date of this report. However, the society has paid a sum of Rs. 1,000,000 on June 19, 2015 to the income tax department as interim payment against the short deposit of CVT by the members and the remaining amount has accordingly been shown under the above stated heading.

iv. The management should take necessary steps for its early recovery so that the funds of society may not be unduly utilized towards members' liability. Member wise detail in this context is attached as Annexure-L.

The management stated that these funds are being recovered from members as and when members approach the society for possession/transfer of plots at the time of sale.

In our opinion these amounts should be recovered with surcharge keeping in view the time value of money.

**6.12 CASH AND BANK BALANCES**

**Rs. 14,298,668**

i. These comprised of:

Particulars	2016	2015	2014	2013	2012
	<i>Rupees</i>				
Cash in hand	12,337	640,655	-	-	82,375
Cash at bank:					
ABL F-7 Branch Account No. 8404-9	2,273	58,277	21,609,871	86,905	3,127,274
Summit Bank F-6 Branch, A/c.144-20610-714-106811	-	-	-	-	110,444
ABL F-11 Branch Account No. 1003213660027	14,284,022	2,911,471	-	-	-
Punjab Provincial Co-operative Bank Ltd. Rawalpindi	36	36	36	36	36
Zarai Taraqiati Bank	-	-	-	-	-
<b>Balance as on June 30</b>	<b>14,298,668</b>	<b>3,610,439</b>	<b>21,609,907</b>	<b>486,941</b>	<b>3,320,129</b>

ii. We could not physically count the cash in hand as at June 30, 2016, as our appointment was made subsequent to that date. However, a certificate of cash in hand, duly signed by the secretary has been obtained.

iii. In our opinion, heavy balance of cash in hand in the sum of Rs.640,655 should not be retained to avoid any mishap; alternatively the necessary fidelity insurance should be obtained.

iv. We have not found any movement in below mentioned bank accounts, which were told to be dormant; and accordingly these should be properly closed.

Bank Name	Amount Rs.
ABL F-7	2,273
PPCB	36

**6.13 INCOME AND EXPENDITURE ACCOUNT**

- i. We have verified the income and expenditure account by employing sampling techniques both statistical and judgmental, and found the results satisfactory.
- ii. During audit we have observed that withholding tax on Salary under Income Tax Ordinance 2001 is not deducted in case of the employees, whose salaries fall under the slabs, chargeable to tax.
- iii. During audit we found that EOBI contribution is not properly computed / deposited for all employees as it is mandatory for all Organization as basic right of employees on the basis of 5% of minimum wage as Employer's contribution and 1% of minimum wage as employee's contribution.

**7 COMPLIANCE STATUS OF GUIDELINES & DIRECTIONS BY REGISTRAR AND BYE-LAWS OF THE SOCIETY**

Compliance of Guidelines issued by the Registrar vide Circular No.2323/CR/ICT/B dated 29-08-2016 for statutory audit of the cooperatives were checked and found that:

- 7.1 Clause 40(9), of bye-laws state that Society will regularly and compulsorily send six monthly reports ending 30<sup>th</sup> June and 31<sup>st</sup> December within two weeks after the close of every six months period. However no such reports were sent.
- 7.2 Annual General Meetings (AGM) of the members of society are held regularly every year under audit, except the year ended June 30, 2013 numbered as 14<sup>th</sup>, 15<sup>th</sup>, 16<sup>th</sup> and 17<sup>th</sup>. Some of these meetings were delayed because of annual audits in process at those times.
- 7.3 Some of Committees other than Managing Committee i.e. Land purchase committee, Development work monitoring committee, Legal committee are functioning in the society for which resolutions were passed for the record.
- 7.4 The development work in the society was carried out in line with the PPRA rules and guidelines as elaborated against each contractor mentioned in para-5 of the report. However, report of expert town planner/ Engineer is also referred to in this regard.
- 7.5 No audit committee was constituted by the society. Neither internal audit was conducted during the period under forensic audit, nor internal audit reports submitted to registrar cooperatives.
- 7.6 No remuneration was paid to any of the members of Managing Committee during the period under audit, except meeting allowances which are approved by the regulatory authority.
- 7.7 The society has hired professional staff to manage the operations and to run day to day business of the society. Delegation of powers to the officials and segregation of duties of employees are in place. The powers of staff are limited up to their job specifications.
- 7.8 Vigorous communications by the society was found with its members. Society publishes notifications of important information in daily newspapers in addition to circulating the letters to the members by post.
- 7.9 Website is launched by the management of the society as required by the guidelines issued by the registrar and regularly being updated.

## **8 LITIGATION**

Many cases were filed by the society as well as against the society during the period under audit, a number of cases were decided/ disposed of in the meantime. Most of the cases were decided in the favour of the society while number of cases are still being pursued. A list of decided and pending cases as on June 30, 2016 is attached herewith as **Annexure-M**.

It is important to mention here two cases which we observed are of great significance.

A case filed by the society against the previous Managing Committee superseded by Registrar at December 21, 2010. As the management before December 21, 2010 against which an inquiry was conducted and later on an FIR was launched in Kohsar Police Station in addition to filing of case under section 50-A of Cooperative Societies Act, 1925. The case was filed and was decided in favour of society however execution of court orders have not been completed yet. This led the society to lot of litigations. As appeals were filed by the convicted persons.

Another case was filed by a land owner, which was decreed against the society for the land of 8 Kanals and 12 Marlas as a result of ex-party decision and mutatuion no. 1188 was passed by the revenue department in favour of the applicant for 17 kanals and 04 Marlas. The Society has filed a petition for cancelation of mutation and an appeal is filed against ex-party decision.

**9 ATTACHMENTS WITH THE REPORT:**

Sr. No.	Description	Annexure	Ref. Para
1	Approved Layout Plan (LOP) of Society.	A	2.1
2	Revised Layout Plan (LOP) submitted to CDA for approval.	B	2.3
3	Confirmation letter from CDA over LOP and related matters.	C	2.4
4	Town Planner's Report.	D	2.6 & 5.2
5	List of vacant plots.	E	3.1
6	List of members and plots allotted to them.	F	3.3
7	Confirmation letter from Revenue Department, Rawalpindi.	G	4.6(i)
8	Confirmation letter from Revenue Department, Islamabad.	H	4.6(ii)
10	Copies of Fard and NEC issued by Revenue Department	I	4.7
11	Summary of audited balance sheet and Income & Expenditure account	J	6
12	Fix Assets Schedule	K	6.6
13	List of members from whom capital value tax (cvt) receivable	L	6.11(e)(iv)
14	List of legal cases	M	8
15	Bye-Laws of the society.	N	9

**10 CONCLUSION:**

Sr. No.	Description	Ref. Para
1	LOP was approved by CDA but certain errors of land uses have been identified in it.	2.1
2	LOP was revised by the society which was submitted for approval during 2015. The same was not yet approved by the CDA due to deficit of land.	2.3
3	Society has shortage of land measuring 243.76 kanals as compared to land required for revised LOP in process of approval.	4.5
4	loss of land measuring 114 kanals and 9 marlas in Mauza Pind Parian may occur if execution of decree of 50A will remain unsuccessful as explained in para -4.4 of the report; and land measuring 43.24 kanals in Mauza Nogazi and Ahl e Peswal need to be reconciled with the Revenue department as briefed in para 4.6 of the report.	4.4, 4.6
5	Expected loss of Rs. 284.428 million to the society owing to non-execution of order under Section 50-A. A brief description is as under: <div style="margin-left: 40px;">                     Total receivables as per order u/s 50-A                      Rs. 422,067,500                      Less: Adjustment of interest accrued                              Rs. 115,284,840                      Less: Adjustment of other payables                                      Rs. 22,353,990  <u>Balance amount to be written off</u>                                      <u>Rs. 284,428,670</u> </div>	6.9 6.3 6.5(e)
6	Compliance status of laws, guidelines & directions issued by registrar and bye-laws of society.	7

The report has been prepared as per information/documents provided to us. We are not aware of any other matter of importance that we feel should be reported to you but would be pleased to give any other information and explanations that you may require in this context.

Yours truly,

KRESTON HYDER BHIMJI & CO.  
CHARTERED ACCOUNTANTS