FAZAL MAHMOOD & COMPANY
CHARTERED ACCOUNTANTS
a member firm of PrimeGlobal International

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An Association of Independent Accounting Firms

The Registrar,
Cooperative Societies Punjab,
Lahore.

FMC/Audit /25-09
January 15, 2025

Dear Sir,

SUBJECT: SUBMISSION OF AUDIT REPORT OF JUDICIAL EMPLOYEES COOPERATIVE HOUSING SOCIETY FOR THE YAR ENDED JUNE 30, 2025

In accordance with the instructions contained in your letter no. RCS/Allo/25/634 Dated 02.12.2025, we have completed the audit of the accounts of the above-mentioned society for the year ended June 30, 2025 and are submitting the audit report with annexures. You are requested to please acknowledge.

FAZALMAHMOOD & CO.
(CHARTERED ACCOUNTANT)

CC:

1) The Secretary
   Judicial Employees Cooperative Housing Society
2) The circle Registrar, Co-operative Societies Punjab, Lahore

5) **Delay in Recording of Transactions**

It was observed that there are significant delays in recording financial transactions. In certain cases, transactions were recorded with delays exceeding three months. Such delays have also resulted in late filing of the Society's income tax returns, leading to non-compliance with statutory deadlines.

Management should ensure that all financial transactions are recorded on a timely basis. Proper internal controls and timelines should be established to avoid delays. Timely recording of transactions will facilitate accurate financial reporting and ensure compliance with statutory requirements, including the filing of tax returns within due dates.

6) **Budget for the Year Ended June 30, 2025**

The budget for the year ended June 30, 2025 was not provided for review. This indicates the absence of an approved budget for the year.

The Society should prepare an annual budget and obtain approval from the competent authority. The approved budget should be used as a key financial planning and control tool, and actual performance should be periodically compared with budgeted figures.

7) **Manual Generation of Water and Sewerage Bills**

In certain cases, the Society charges members for water and sewerage services. It was observed that all related bills are generated manually, despite the Society having already acquired an ERP system.

Management should ensure that all water and sewerage bills are generated through the ERP system. This will improve accuracy, enhance timely reporting, reduce manual errors, and strengthen overall financial controls.

8) **Receivables from Members**

Significant amounts are outstanding as receivables from members in certain cases. This adversely affects the liquidity position of the Society.

The Society should take effective steps to recover long-outstanding dues from members. A proper receivables management policy should be implemented, including regular follow-ups, aging analysis, and enforcement measures where necessary.

9) FINANCIAL REPORTING ENVIRONMENT:

We have observed that following accounting policies are being followed for the financial reporting.

- Financial Statements are prepared on **historical cost basis**.
- **Fixed assets** are stated at **cost less accumulated depreciation** except free hold **land** which is stated at **cost**. Depreciation is charged at **written down value** method. Depreciation on addition is charged for full year in the year of purchase and no depreciation is charged in the year of sale.
- **Revenue recognition** is recognized on **receipt basis. Expenses** are recognized on **payment basis** i.e. when actual payment is made.
- Figures in this financial statement have been rounded off to nearest rupee.

9) BYE LAWS:

- **Bye Laws** signed by the secretary being provided to us. It was confirmed by the management that there is neither any amendment made nor any amendment forwarded to the registrar for the approval during the current year.

10) LAYOUT PLAN AND DEVELOPMENT

Layout plan have been provided for all Phases. It is observed that layout plan of Gujranwala has yet not been approved by Gujranwala Development Authority (GDA). GDA raised objection for which the society got the decision in society's favour. GDA has filed civil revision against the judgement and decree of district court Gujranwala before Lahore High Court which is sub-judice. Management of the society expects that decision will be in favour of the society. Rest of the layout plans of all the phases are duly approved by the competent authority.

11) STATUS OF DEVELOPMENT WORKS

Development work in all phases has been completed. A certificate in this regard is provided by the society which is placed as annexure.

12) ERP IMPLEMENTATION

The society has paid amounting to Rs. 912,000 to the bright line solution but the system is not yet implemented for the generation of the water & sewerage bills for the phases of the society.
It is suggested that the time frame to be fixed for the implementation. Further software evaluation is to be done by the finance committee.

13) FIXED ASSETS

Society has maintained fixed assets register. Management has informed us that society has started maintaining the fixed assets register on ERP software which will be available in next year.

14) DETAIL OF PLOT AREA WISE

Society has provided a certificate showing category / phase wise detail of only residential plots which is as under :-

SCHEME	2-K	1-K	15-M	14-M	10-M	7-M	5-M	3.5-M
PHASE-I LAHORE	19	187	25	-	152	30	40	-
PHASE-I EXT LAHORE	57	-	-	-	-	-	-	-
PHASE-II LAHORE	-	18	-	180	85	68	16	38
PHASE-III LAHORE	17	221	2	-	44	2	13	-
PHASE-III EXT LAHORE	3	105	2	-	62	1	8	-
GUJRANWALA	20	200	-	4	85	5	143	-
FAISALABAD	-	260	1	-	16	18	-	-
RAWALPINDI	-	221	1	-	54	-	25	-
TOTAL	**116**	**1,212**	**31**	**184**	**498**	**124**	**245**	**38**

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

15) LAND:-

Detail of land in different phases is as under:-

SCHEME	KANAL	MARLAS	TOTAL COST
PHASE-I LAHORE	438	15	2,774,520
PHASE-I EXT LAHORE	107	17	286,033
PHASE-II LAHORE	353	14	16,276,964
PHASE-III & EXT LAHORE	714	-	68,898,153
GUJRANWALA	440	-	11,724,801
RAWALPINDI	306	02	27,986,704
FAISALABAD	381	-	36,547,320
TOTAL	**2,739**	**48**	**164,494,495**

Land was purchased in during the years. Form Alif, Bay and Jeem was provided to us which is placed as annexure.

16) INTERNAL AUDIT

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

17) LIST OF MEMBERS:

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

18) LITIGATION POSITION:

List of pending cases is provided by the society which is placed as an annexure. **There are 21. numbers** of cases during the year. As per legal adviser there will be no financial impact of these cases in future as all the cases hopefully be decided in favor of the society.

19) ANNUAL GENERAL MEETING:

Annual General Meeting of the society is not being held as per the provisions of Rule 19(1) of the Cooperative Societies Rules 1925, and section 12 of the cooperative Societies Act, 1925.

Last AGM of the society was held in September 2016. In last audit report it is stated that as per management of the society the amended bye-laws were approved in that Annual Meeting. Some members filed an appeal before Secretary, Cooperative against the order of the Registrar which was dismissed. Thereafter, being aggrieved, they filed writ petition before Hon'ble Lahore High Court, Lahore which was dismissed and subsequently they filed appeal before August Supreme Court of Pakistan which was also met with the same fate. Moreover, impact of Covid also caused delay in holding the AGM.

However, we examined the record of the Society and found that Special General Meeting of various phases of the society were held which were presided by Mr. justice (R) Ijaz Nisar, Former Chief Justice, Lahore High Court Lahore and different members of M.C. and was attended by members of the respective phases. In these meetings the matters of General importance pertaining to concerned phase were discussed and approved. As per record we have examined the attendance sheet and minutes of the meeting along with photographs which serves the purpose of the rules.

20) PRIOR YEAR AUDIT OBSERVATIONS

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

21) STAFF OF THE SOCIETY

We have checked the strength of the staff of the Society. In our view staff strength is reasonable as per the requirement of the Society.

22) INCOME TAX

Society is **registered** with FBR and its **National Tax Number is 3051896.** Society is filing Income Tax returns and withholding statements to FBR according to the provisions of Income Tax ordinance.

23) RESERVE FUND

Particulars	**2025 (Rupees)**	**2024 (Rupees)**
Reserve Fund	1,434,157	662,061
Total	**1,434,157**	662,061

- **As per section 39(2)** of the Cooperative Act 1925 every society other than the resource and producer's society; the 1/10th of the net profits of the net profits of the society shall be carried to serve each year.

  - ***Observations:***
    - ***During the year an amount of Rs. 1,434,157 was transferred to reserve fund.***
      (Previous year an amount of Rs. 662,061)

24) ACCOUNTING SYSTEM

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

25) ANNUAL BUDGET

Society has prepared annual budget of the society.

26) STAFF SALARIES

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

27) RENTAL INCOME

Society had made different rental agreements but these are not renewed on annual basis. Further rent is accounted for on receipt basis. We recommend that rental income should be accounted for on accrual basis.

28) WATER AND SEVERAGE

Monthly bills of water, sewerage etc. are not prepared on ERP system. Current bills and arrears therein are prepared on excel sheet and manual registrar is maintained.

It is recommended to shift the billing and collection of monthly bills on ERP as early as possible.

29) RECEIPTS & EXPENSES OF THE SOCIETY

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

30) SHARE CAPITAL

a. Every member shall have to purchase at least one full share amounting to Rs.1,000/- which shall be paid in lump sum at the time of admission.

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

c. No individual member shall hold shares, The value of which exceed Rs.9,000/- or 1/5 of the total share capital of the society, whichever is less. If an individual member, by inheritance or otherwise come in possession of more than the maximum holding, by this rule, the managing committee shall have the power to sell excess number or purchase them for society.

During the year share money received from the following members:

SR#	Description	Date	Amount
1.	Mr Muhammad Saleem Plot No.280 JC P-III Lahore	7/26/2024	1,000
2.	Mr Saleem Qureshi Through Muhammad Masood Plot No 88-B JC P-1 LHR	7/29/2024	1,000
3.	Rana Muhammad Younis Plot No. 59-B JC P-II Lahore	12/30/2024	1,000
4.	Mrs Mubarka Khizr Plot No.176JC P-III Lahore	1/17/2025	1,000

5.	Major Mushtaq Ahmad Through Heirs 144 JC Rwp	2/3/2025	1,000
6.	Mr Shabbir Hussain Chatta Plot No 51 JC P-III Lahore	2/6/2025	1,000
7.	Syed Iftikhar Hussain Shah Plot No 108-C Judicial Colony Phase-I Lahore	4/11/2025	1,000
8.	Mr Ishfaq Ahmad Plot No 12-A Judicial Colony Gujranwala	4/17/2025	1,000
9.	Sh Muhammad Illahi Through Real Heirs Pasraan Waqar Ameen Plot No 191 Judicial Colony Fsd	5/7/2025	1,000

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31) APPENDICES TO REPORT

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SR. NO.	CONTENTS	ANNEXURES
1	Audit memo pro forma under item no. 17 of instructions for audit of cooperative societies	"A"
2	Copy of certificate of registration of society	"B"
3	Copy of Bye Laws of the society	"C"
4	Certificate of no amendment in Bye Laws	"D"
5	Form Alif Bay Jeem	"E"
6	List of managing committee as on 30-06-2025	"F"
7	Certificate of meeting of managing committee held during the period	"G"
8	Certificate of Cash in hand	"H"
9	Percentage of Development work completed up to June 30, 2025	"I"
10	List of defaulters	"J"
11	List of Legal Cases	"K"
12	Invoice for professional Services (Bill)	"L"
13	Certificate of Annual General meeting held during the year	"M"
14	Society Layout Plan	N

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

Fazal Mahmood

FAZAL MAHMOOD & CO
(CHARTERED ACCOUNTANTS)

CC:

1) The circle Registrar cooperative societies, Lahore.
2) The Secretary Judicial Employees Co-operative Housing Society.