

SUMMARY OF REPORT BY ACCOUNTS RECONCILIATION COMMITTEE (ARC)

Preamble

- Accounting Reconciliation Committee (ARC) was constituted with the following members on 02/02/2020 during EGBM to identify and reconcile the discrepancies in books of accounts as mentioned in MOM.
- Members of ARC.
 - Sri Saroj Kumar Samantara – G142, Convenor
 - Sri Arun Kumar Sarangi – C081
 - Sri Parasuram Samal – E 082
 - Sri Balaji Patro – D/142
 - Sri Pitambar Puti – D021
- The period for review of society accounts was decided / resolved to be from September 2018 to August 2019 (period of Previous EB)
- ARC was authorised to examine all transactions, documents including resolutions in meetings, stock records, expense vouchers, secure meter data, invoices, payments (voucher and cheque and cash registers), related instruments and discussion with concerned staff/ previous EB. All observations stated in the report are based on the available books of accounts, invoices and documents available in the office along with discussions.
- Initially it took some time to gather the required data and connecting the loose ends. While working on the collected data, COVID-2019 problem started and resulted in slow progress of work.
- ARC basically paid a great deal of attention on available records and interpretation of data available in TALLY, as cash book is not available.
- As we are not professionals in accounts hence as per best of our knowledge we have tried to verify and reconcile the society accounts and prepared the following report.

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Santaraj
(S. K. Santaraj)
23/06/2020
Santaraj
23.6.20

Handwritten signature and date:
Arun Kumar Sarangi
23-6-2020
(A.K. SARANGI)

Observation -

1. It was found that there was a difference of **Rs 8.12 lacs** between handed over document by previous EB to the present EB and Tally balance available in the office for **Other Collections** made through money receipts.

Response of Previous EB-

Ex. Treasurer- All the transactions are being entered by office staff.

Ex GS / VP – We have never interfered in collections and tally entry. Everything is operated by treasurer single handedly.

Later on Ex Treasurer clarified the matter and handed over a statement, which is attached herewith. There were some figures, which were wrongly considered as receipt in their previous calculations.

- ARC verified the available Collection Receipts, Corresponding Register and Corresponding Tally entry.
2. Verification of MRs and the total therein is not matching with handover document and that of Tally available in office as follows. :
 - Other Collection made through available MRs = **Rs 33.75 lacs**
 - Collections Reflected in Tally = **Rs 31.48 lacs**
 - Collections as per Handover Document = **Rs 39.48 lacs**

Response of Previous EB-

Ex Treasurer – Actual collection was done by support staff and security staff. Parking was not under his control, so he doesn't have the confirmed balance.

MR wise control, with comparison to Register/ tally and actual money received is not in place.

3. 14 nos MR books were not found by ARC (either used or unused) in the series. Any amount collected against these MRs has not been received by Ex Treasurer, CRWA. When ARC verified the money receipts connected to all heads and in one of the heads i.e. parking, it was found that

Collection made as per MR books = Rs. 6.297 Lakh
Collections received by Ex Treasurer = Rs. 5.99 lakh
The difference amount is = Rs. 0.30 lakh

Response of Previous EB-

Ex Treasurer: These MRs were issued to the parking committee and the same was not returned back.

4. M/s Sanjeev Mohanty & Associates was appointed as auditor for the year 2018-19. Auditor has been removed during the audit process after few days in July 19. Queries raised by the auditor (non-availability of cash book, BRS etc) are ignored.
 - Audit report was obtained from a new auditor M/s SBN & Associates (No approvals, minutes, etc noticed). Whether such appointment was as per the by-laws or not, we have not examined.

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(Date)

- In absence of Resolution, Appointment letter, Auditor acceptance and NOC from previous auditor etc., we are unable to review the audit process carried out by the previous EB.
- Income Tax Return for the year 2018-19 was filed without passing the audited balance sheet / income-expenditure account in General Body or Governing Body meetings.

Response of Previous EB-

Ex GS – Matter discussed Replied in GB, hence no need to repeat.

Ex Treasurer – Old auditor did not do the job properly / deliberately. CA. Sabat was consulted by AKSingh to identify another auditor.

5. Consulting firm M/s Niran & Co was appointed to evaluate and submit a Report and SOP for smooth running of all operations of the society. However, no Report has been obtained. But Rs 35000/- was paid for the work. No reasons are found to be on record.

Response of Previous EB-

Ex Treasurer – Mr Manoranjan Mishra to be consulted. SOP is not yet provided. Firm has given a half-cooked report, which cannot be implemented.

Ex GS- SOP was sought for all processes of society.

6. Trial Balance as on 31st March 2019 is obtained from Tally (available in office) and reviewed in comparison to Annual Statutory Audit report for the year 2018-19. There are some mismatch between Trial balance / Books of accounts maintained by society and Annual audit report as mentioned below.

Response of Previous EB-

Ex GS & Ex Treasurer – We don't have knowledge, we cannot comment on the error. If error exists, it is an error. Mr AkSingh may be consulted.

7. Trial Balance as on 31st August 2019 is also obtained and reviewed. Difference in Opening Balance of Rs 12,26,935.53 Cr in CRWA trial balance / books observed. Reasons for such difference / non-regularisation of books of accounts are not explained to us.
8. ARC also noticed, a manipulated **Cash entry (Cash through Journal Voucher)**: - Cash balance is reduced by Rs.17,000/- through a JV to adjust the cash balance on 31st August 2019 (possibly after handing over and with a prior date).
9. **Voucher Not Available**: - Many vouchers are physically not available although, payment entries found in ~~Cash Book~~ ^{Tally} in the system. ARC also noticed that Physical Vouchers are not numbered / traceable / available as per the available Cash Book and Bank book entries.

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It is difficult for the ARC to trace all the vouchers, one by one, with cash / bank book to identify regularity of the transactions. It may be noted that, large number of entries are made through cash payment.

10. **Society Expenses by Cash** –ARC found that Cash Payments of **Rs 30.74 lacs** was made towards Staff Salary, **purchase of Assets (computers, printers, cash counting machine, wall fans etc)**, Major Repairs, SKL Payment and other Sundry Expenses, without any justifications for Cash transactions and prior approvals.

Salary register and other support documents are not available for review by ARC, although there are sizable payments towards staff salary (after SKL exit) including lot of Cash Payments.

Staff details, PF, ESI, Payment acknowledgement are not available for review.

Response of Previous EB-

Staff salary was made in two occasions due to Diwali pressure and staff bank accounts not in place.

President (GS Acharya) advised for this. Due to FANI one more occasion.

Assets through cash –No Clarity about the transactions.

Tallying of all single window cash books Vs Tally Cash balance Vs Actual Cash balance was not in place.

PF registration was not done.

No paper available for service terms of staff.

11. **Handover & Takeover** : Differences noticed in various balances handed over to new body in comparison to books of accounts (on 31st August 2019)

- CRWT books not available from 1st April 2019 onwards. The closure of balances and transfer to CRWA is not done.
- Difference in cash balance handed over by Previous Treasurer to Current Treasurer noticed (Rs 400).
 - Cash as per books = 353468
 - Cash handed over = 353868
- BRS (Bank Reconciliation Statement) was not prepared as on date of handover and Interest earned were not accounted in books.

Response of Previous EB-

EX GS – CRWT and accounts not closed. And respective closure process to be followed.

12. **Rs 3.74 crores** received in HDFC account from Builder. IFMS calculations are not found. Exact amount receivable from builder is not calculated.

Other Receivables from Builder - Interest on IFMS due to delay in payment, Club life membership fees and other misc. amounts refundable by builder was not found to be negotiated / documented. Project completion certificate by the builder is also not available.

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Response of Previous EB-

Amount Received from Builder (Assotech) towards IFMS. Few residents gathered at club and Treasurer decided to go ahead with negotiation/ channel.

13. **Loss of interest due to delay in FD investment:** Rs 2 crores was invested in FD with ICICI Bank after 13 days of amount received. Hence loss of Interest ~Rs 55,000/-. Reasons for such delay in investment were not properly explained. Comparison among banks for better interest rate is also not done before investing in FD. Rs 1.73 crores invested in FD in HDFC Bank itself after 9 days of receipt. Hence loss of Interest ~Rs 32,000/- on such large amount. Resolution by GB/EB/Gov Body not found.
14. Similarly, Interest on idle fund lying in bank without investing in FD was noticed by ARC. Interest lost on such are ICICI Bank: 50 lacs / 18-5-2019, idle amounts from 30-4-2019:Rs19,000/- and inHDFC Bank account, 30 lacs lying idle from 3/7/2019 to12-8-2019=Rs24,000/-.

Total Interest Loss to Society on above is Rs 1,30,000/-.

Response of Previous EB-

Ex Treasurer: Delay is due to internal decisions. Referred to group decisions for splitting the amount.

15. **CRWT Account** - GST return filing was discontinued. Hence, registration cancelled by the concerned department and notice is served to society. **CRWA GST Account** was cancelled by the department itself due to non-filing.
- Formal closure of the matter could have been taken up to avoid future legal complications.
 - Few Incomes (for year 2018-19) found as inclusive of GST for example Advertisements from corporates, But GST accounting is not done in the books.
 - So we are unable to review the implications such as GST payable etc. No legal opinion is obtained in this regard to safeguard the society.

Response of Previous EB-

Ex.Treasurer /GS – Society is not entitled for GST, so we have stopped filling. Cancellation of registration number process not done.

Suo-moto dept cancelled, no one from society appeared till 31st august.

16. An amount of Rs 11.72 lacs of LPG purchased from April 19 to August 19 against collection of Rs 10.35 lacs from residents and subsidy of Rs 2.80 lacs. However, stock tally of LPG (OB, Purchased units, utilised units and Closing Balance etc) not available for review.

Response of Previous EB-

Ex.Treasurer /GS:

*Amith
(Signature)*

17. Payments to M/S SKL: Since the case is sub-judice ARC did not review the accounts in this connection. An amount of Rs 20.00 lacs released to M/s SKL against pending bills, after SKL discontinued its services. Party has gone to arbitration subsequently. No GST accounted / paid, no NOC obtained.

- ARC found that Recoveries are pending that of Rs 1.93 lacs towards staff salary (cash payment made for SKL staff salary) and Rs 70,000/- towards M/s Ogimal Engineering. After termination of SKL, the amount due to the party has not been calculated.

Response of Previous EB-

Ex. Treasurer /GS: No comments

18. Cash Payments: A1 Electronics:- Bulbs were purchased from the party against cash. Only One of the bills (Rs.20000/-) is having GST invoice out of total Rs 37,400 of purchase. Bill Serial numbers & dates are not consistent. Proof of cash payment to supplier is not available. (no acknowledgment). Stock entry and utilisation of the items not found.

19. Lift related (Battery replacement): Expenditure on lift Rs. 3,72,000/-. No-Approval for battery replacement. Thyssen approval / permission not obtained to avoid AMC problem. Cost looks to be high. No Quotations from other vendors are there. Battery replaced, but the old ones are not found.

Response of Previous EB-

Ex. Treasurer /GS : Ref lifts committee.

Pramod Padhy- ARDs by Thyssen were costly. Thyssen wanted ~40 lacs to replace battery /ARDs. Thyssen's authorised vendor was selected to get these materials.

20. M/s Ogimal Engineering: No-Approval for Earthing material for lift. Cost looks to be higher than market rate, No Quotation are there to compare. Utilisation report from execution team not found. Amount is explained to be recovered from M/s SKL, but booked as expenses to society. Hence loss of 70000/-.

Response of Previous EB-

Ex. Treasurer /GS: Recoverable from SKL. Recovery is pending.

21. M/s Orissa Engineering: No approval for earthing material for lift. Cost looks to be higher than market rate. No Quotations are there to compare. Utilisation report from execution team not found.

Response of Previous EB-

Mr. Pramod Padhy -As per old WO was paid net of earlier advance 1.00 lacs. Market price was compared at a present price.

Pramod Padhy
(Signature)

22. **Duct Work by Kamala Kanta Swain:** Rs 38,660/- cash payment was made to this vender for different repairing works of Ducts.No Expert Team was used, as decided and approved. Only few labours were used. Details of work done are not available / certified.All bills were Hand Written.Food Expenses for Rs 11662/- was also paid by society.

Other findings:Separate accounting for Festival Collection through secure meter (Rs 60/- per flat per month) and expenses out of it, is not found in books.

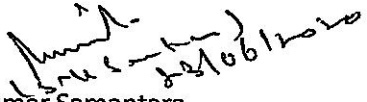
Response of Previous EB:-

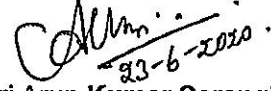
No separate account is maintained.

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RECOMENDATIOS BY ARC

- Basic accounting procedures are to be followed to maintain the Society accounts.
- Cash book should be maintained meticulously and updated more frequently.
- Entries should be made in tally and the treasurer should ensure the correctness of all the entries.
- Internal audit should be conducted every month to avoid any discrepancies, which helps greatly in preparing Balance sheet and IT filing.
- Cash expenses should be very limited.
- Cash vouchers should be properly numbered and maintained month-wise.
- As mentioned in the preamble a review by ARC is non-technical and non-exhaustive. We recommend the matter may be reviewed exhaustively by an outsider technical/financial/consultant.


Sri Saroj Kumar Samantara
Convenor


Sri Arun Kumar Sarangi


Sri Parasuram Samal

Sri Balaji Patro

Sri Pitambar Puti