

INDEPENDENT AUDITOR'S REPORT

To the members of **Alfalah Cooperative Housing Society Limited**

Report on the Audit of the Financial Statements for the year ended 30th June 2019

Opinion

We have audited the annexed financial statements of Alfalah Cooperative Housing Society Limited, which comprise the Balance Sheet as at June 30, 2019, and Income and Expenditure Account, Receipts and Payment account, notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us the Balance Sheet as at June 30, 2019, and Income and Expenditure Account, Receipts and Payment account together with the notes forming part thereof conform with the generally accepted accounting principles and the requirements of Co-operative Societies Act 1925. in the manner so required and respectively give a true and fair view of the state of the Society affairs as at June 30, 2019 and of the loss for the year then ended.

Basis for Opinion

We conducted our audit in accordance with Co-operative Societies Act 1925, Our responsibilities are described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statement in conformity with the generally accepted accounting principles and the requirements of Co-operative Societies Act 1925, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Managing Committee are responsible for overseeing the Society financial reporting process

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with Co-operative Societies Act 1925, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report on Other Legal and Regulatory Requirements

As required by Chief Auditor Co-operative Housing Society in their letter dated November 18, 2019. Ref No.RCS/Audit/Allo/4138.

1) An Examination of overdue debt.

- No provision has been made against advances of Rs 1,000,000 to Manzoor Ahmad and Rs 1,529,500 to Muhammad Ishaq. These advances were outstanding for more than 2 years and their recovery is doubtful.

- Advances and other receivables include Rs 1,657,398 of Ali Asghar, which is outstanding for more than 6 years is secured against Plot file in Society, therefore no provision is necessary.

2) Verification of Cash & Bank balance

Cash in Hand as at June 30,2019 of Rs 8,766

Cash at banks:	Rupees
A/c # 0028-1003565557	34,912,990
A/c # 0157-1002854538	21,709
A/c # 0708-03890000050	4,293,080
A/c # 0331-145900226347	1,172,871
A/c # 536705002	164,807,674
Habib Metro – TDR	100,000,000

The Society has five bank accounts, all these account balances were confirmed by the bank directly to us.

3) Valuation of Assets and Liabilities

As stated in Balance Sheet total Asset amounting to Rs 2,392,001,675 and total Liabilities amounting to Rs 2,322,193,754

4) Verification of operational plan with time frame and its implementation

The Society is in the process of approval of initial Layout Plan by LDA. Master plan has not yet been approved and no specific plots have been allocated to member.

5) Litigation position

Detail of contingent losses are as stated in Note 12

6) Land Documents.

We verified land documents on selected sample as at 30 June 2019. Total Land as at 30 June 2019 is 5842.07 Kanal. On sample basis, we check 3937 Kanal land documents as at 30 June 2019.

7) Balance recoverable from each member.

Member deposit for land is recognized on cash basis. Any default payment due against deposit is not recognized in accounts. Installment due from member as at June 30, 2019 Rs 91,019,550.

8) We obtained list of members certified by Society relating to audit period June 30, 2019.

9) We obtained schedule of Assets as shown in the financial statements containing all those items on which depreciation is worked out.

10) General

- Audit Committee as per section 22 B of the Cooperative Societies Act 1925 stands duly nominated. However, Managing Committee has entrusted the function of internal audit to a firm of Chartered Accountants. The report of the Internal Auditor should be reviewed and compliance thereof should be ensured by the Audit Committee.
- As per requirement of Cooperative Societies Act 1925, no amount of accumulated surplus has been allocated to Reserve Fund.
- We recommend that upon settlement of the civil proceedings, management should consider taking action under criminal procedure against Global Infrastructure (PVT) Limited for fraudulent sale of 25-Acre of Society property.
- As stated in Managing Committee minutes of meeting held on January 28, 2020, a complaint should be lodged with police against Mr. Muhammad Ishaq, stamp vender, who fled away with Rs 1,529,500 given to him for registration of exchange deed.
- The Society has not recorded any expenses and related liability in respect of staff gratuity or employee provident fund in the financial statement. This has also resulted in non-compliance of sub clause (6) of clause (12) of Schedule to the Industrial & Commercial Employment (Standing Order) Ordinance, 1968.

The engagement partner on the audit resulting in this independent auditor's report is *Shahid Mohsin Shaikh (FCA)*.

Signature:

Naveed Zafar Ashfaq Jaffery & Co

Lahore

Date:

August 18, 2020