

INTERNAL AUDIT REPORT ON THE ACCOUNTS OF JVV HOWA HYDERABAD FOR Q1-FY20-21
(APRIL, MAY & JUNE 2020)

NAME OF THE INTERNAL AUDITORS:

1. Mr. M PARDHA SARADHI – Director State Audit (Retd.)- DU 305, JVV
2. Ms. Swapna Jaladi – B.Com, MBA - Asst. Director, EY India - DU 81 JVV

Time taken for Audit: 21 November 2020 to 6 December 2020

The internal audit on the accounts of JVV HOWA Hyderabad has been taken up by M PardhaSaradhi and Swapna in pursuance of letter No. JVV HOWA/HYD/2020-21/Ltr No. 12 dated 12 November 2020. The internal audit of Q2 FY 20-21 needs to be taken up in the due course.

S1. Payment voucher – Details of voucher are not enclosed:

Whenever there is a payment a sub-voucher needs to be obtained as a proof of payment and enclose printed receipt to the voucher prepared. Instead payment vouchers are only filed as payment vouchers. Here and after sub-vouchers should be enclosed.

S2. Donations to Chief Minister & Prime Minister Relief Funds:

The Association has decided to donate to Prime Minister and Chief Minister relief funds. The amount should have been directly remitted to the PM & CM relief funds by cheque or yourselves -cheque. Instead the funds were transferred to said funds through RTGS incurring Bank charges of Rs. 540-00 which is avoidable expenditure. In future such donation payment may be made directly instead of RTGS.

S3. Piecemeal purchases:

Instead of purchasing in single lot by calling quotation to obtain price advantage the office has resorted for Piecemeal purchases of water meters (10 Nos) @ Rs. 2000/- each and paid in cash on all 10 vouchers. This cash payment may also tantamount to direct utilization of cash receipts. All cash receipts first remitted to Bank there after funds may be withdrawn from Bank for necessary payments. This transaction results into 2 irregularities:

1. Direct utilization of cash receipt.
2. Cash payments

The practice of direct utilization of fund and cash payments need to be controlled for the financial prudence. Such piecemeal purchases were made vide Payment Vouchers # 151 to 160. Payment vouchers 331 to 338 dated 18-June-2020 were paid towards Gates @ AG hall backside and @ DU#285.

Payment vouchers #	Amount Rs.
338	1700
337	1600
336	1000
335	1700
334	1700
333	1000
332	1700
331	1600

S4. Cash Payments made for more than Rs. 2,500:

There might be some occasions where office has to make cash payments which may exceed Rs. 2500. In such cases cash payments are being made exceeding the unit of Rs. 2500. For example, TV repair charges Rs. 3,500 was paid in cash. The repairers may not have Bank account and insist cash payment. In such cases cash payment may have to be paid. The BOM is advised to review the matter to what extent cash payments may be made and what are the safeguards and certificates to be furnished by the office manager.

S5. The rebate allowed in Receipts should be shown as Administrative expenses:

Maintenance charges if paid for 12 months in advance, one-month maintenance is allowed as rebate. In such a case rebate allowed be shown as General Administrative expenses. Otherwise the purpose of rebate could not be properly exhibited in Accounts.

S6. Budget Not produced:

The entity of JVV HOWA is big enough with turnover of approximately of Rs. 3 crores to have Budget. Budgetary control is primary to regulate Financial Receipt & Payments. In absence of Budget the entity is foregoing the benefit of Budgetary control over the Receipts & Payments. The BOM can exercise Budgetary control over the Office staff if Budgetary control is used in having Budget.

S7. Advances Recoverable register not maintained:

Advances are been paid from office funds to several people for purchases. However these advances are not written in Advance Recoverable register to watch the recovery of advance. Otherwise there is possibility of non-recovery of Advance so issued.

S8. Assets Register not maintained:

The office is having several Fixed Assets for nearly Rs. 75 Lakhs and depreciation is being charged Rs. 8.56 Lakhs per year. In absence of Assets Register the correctness of charging of Depreciation could not be verified. Further it is not known how many fixed assets are in current and how many are obsolete. It is all the way advisable to maintain Asset Register to have control over utilization of Assets & charging of Depreciation.

S9. Files are not maintained to track the veracity of transactions:

Payments are being made on vouchers on the receipts, for example, SMS charges are being paid on vouchers. But whose services are being engaged for giving SMS, the rate of SMS, the agreement concluded there for and frequency of payments are not being watched through files. It may be significant that most of the owners are office goers where in files are being maintained. But in office files are not being maintained. It is prudent to maintain at least major files and conclude agreements for the payments. Direct voucher payments may be limited to certain amounts and there after all the payments be regulated through files and agreement. For example, files for payment of Telephone charges, payment on transportation, etc., Had files / agreements are being maintained there will be check and control over repeated payments.

S10. Most of the sub-vouchers are "Estimate / Quotation":

The procedure for payments on vouchers is as follows:

1. Assessing the necessity for service/goods
2. Obtaining estimation quotation for amount of service/goods
3. Execution of work done / service / goods received and entered in stock register
4. Assessing the work done / service so received
5. Obtaining invoice there for and making payment on such invoice.

It is observed that most of the payments are being made against "Estimate / Quotation" which is at Stage 2 mentioned above. Instead of obtaining invoice at stage-5. The present system may be reviewed and changed for better financial prudence.

S11. Agreement entered with Balaji Electronics:

CCTV AMC has been entered with Balaji Electronics Service Centre but payment was made to A.Venkatesh. Agreement with one entity and payment to another entity is not in order. Payment must be made to the entity with whom Agreement was entered.

S12. Purchase of spraying machine – Misclassification and stock entry not entered:

An amount of Rs. 9399 has been drawn in voucher No. 327 dated 18-June-20 towards purchase of spraying machine to spray Sodium Hypo chloride for COVID 19. The expenditure is booked to Garden Maintenance which is not correct. The spray machine is make of Usha INTL. PVT. LTD., but the payment was made to Amazon e-commerce company. The machine is supplied with 1year warranty purchase file is not made available and it cannot be ascertained how warranty will be executed. And the machine is not entered in the stock register. It must be shown as an Asset.

S13. Stock Register not maintained:

An amount of Rs.3010 were drawn voucher #147 dated 13-May-2020 and paid to SSD Enterprises for supply of 26 Nos. 100ml and 35 Nos. 200ml Sanitizers. The distribution for the purchases are not recorded.

S14. Maintenance of 2 Bank accounts:

Office should have only one bank account. If it has more than one account, the accounts should be categorically classified function-wise OR nature of expenditure. Instead office expenditure is drawn from both the Banks, which is not in order. Payment # 162 dated 15-May-2020 drawn on BOI and Payment # 164 dated 16-May-2020 drawn on Andhra Bank.

S15. Splitting of expenditure to make cash payment conveniently:

An amount of Rs. 2150 was drawn in voucher # 313 dated 17-June-2020 and Rs. 2350 vide voucher # 314 dated 17-June-2020 for purchase of 1 Foot valve and others. Both the vouchers are paid on 17-06-2020 to Krishna Traders. The aggregate amount comes to Rs. 4500, and requires cheque payments. Office resorted solely to make cash payments the amount is split into 2 vouchers. Further the expenditure was booked to 2 different accounts.

S16. Purchase of Cement – Complimentary items for civil work not purchased:

An amount of Rs. 2100 was drawn in voucher # 228 dated 2-June-2020 and paid to M/s. Ayyappa traders for supply of 5 bags of cement. The cement is intended for repair work @ DU#246. Cement cannot be utilized directly without purchase of sand and others which was not purchased at all.

S17. Purchase of sand and where the sand was stacked not recorded:

- a. An amount of Rs. 8000 was drawn on voucher #271 dated 10-June-2020 and paid to Sri BalaKotaiah for supply of 1 tractor load of sand. The sand where stacked is not recorded. Thus, civil works are being repaired by non-synchronized purchases of various items of civil works.
- b. Further an amount of Rs.8000 drawn voucher # 306 dated 16-June-2020 for supply of 1 tractor load of sand. There is no recorded evidence for the stocking of sand and its utilization.

R1. Maintenance of Abdul Kalam Bagh park – the receipt of contribution from GHMC not watched:

The association and GHMC have come to an agreement on 01-Nov-2015 where in GHMC has agreed to contribute Rs. 5000 per month per park up to 1000 Sq. Metres and Rs.2.50 per Sq. Metres exceeding the area above 1000Sq. Metres. The association has Kalam Bagh park with an area of 1997 Sq. Metres. As such Rs. 7,492.50 per month has to be received as contribution from GHMC. The receipt of contribution from GHMC has not been watched. The contribution accrued from GHMC has not been shown in Accruals in the Balance Sheet of the association for the year 2019-20.

However, an amount of Rs. 69392 has been shown as received contribution from GHMC on 04-June-2020 but recorded as it is received towards reimbursement of salaries of Gardener #1 & #2. There is a some discrepancy between the amounts and description of receipts. The letter in which the amount of Rs. 69392 has not been produced in Audit.

The Association has also one more park – Gandhi Vanam. Another agreement with GHMC may be entered for receipt of contributions from GHMC which may spend then the finances of Association.

P1. Gate repair charges- Work done not measured – Multiple payments were made:

Whenever a civil work has been done it may have to be done on quotation basis if it is a small work / petty work done (OR) on tender basis if it is major work done. The civil work of maintenance of gates was not measured before its payment to Mr. Seva Singh. He was paid Rs. 4800/- in cash in April 2020 &Rs. 18,000 by cheque in May 2020. Such payments are not advisable as part of financial discipline without measuring the works. BOM may take policy decision in this regard and issue operating guidelines to the Manager in regulating such payments to civil works.

P2. Maintenance charges were paid to regular office workers:

The office is used to make payments regarding maintenance of parks, Guest rooms, AG Toilets, etc to regular office workers as an additional payment. This double payments to the same worker who is supposed to devote full time to office work. Such additional payments may be for additional work for regular office staff may breed to corruption in payments. The BOM is advised to take policy decision how the payments are regulated for occasional additional work if necessary. It is also observed that such additional payments are made regularly to the office workers which may have to be avoided.

These payments are made under different nomenclature as follows:

Sl.No.	Nomenclature Payment	Recipient	Amount (per month)
1	Gandhivanam Maintenance	Ramachander	Rs. 1000
2	AG Guest rooms	Ramachander	Rs. 1000
3	Common area cleaning	Ramachander	Rs. 4000
4	AG Hall New Bathrooms	Kurmaiah	Rs. 1000
5	AG Hall Bathroom	Swaroopaa	Rs. 1000
6	Office boy expenses	SubbaRao	Rs. 1000
7	Electricity Meter reading charges	Raju	Rs. 2000

P3. Vouchers NOT signed by the Treasurer:

Sl.No.	Voucher No.	Amount in Rs.	Nature of payment
1	198	1770	Plumbing material
2	180	1500	Food expenses for fire staff

P4. Advances not adjusted:

Sl.No.	Name of the Advance	Voucher No.	Amount (per month)
1	Medicines for Security	176	Rs. 2000
2	Security – Milk & Snacks	373	Rs. 1000
3	Security – Milk & Snacks	311	Rs. 1000
4	Security – Milk & Snacks	261	Rs. 1000

P5. Sub vouchers not produced:

Sub vouchers are actual expenditure as recorded and signed by the recipients were not enclosed to payment voucher paid.

Sl.No.	Voucher No.	Amount in Rs.	Nature of payment
1	2	2500	Purchases – stock not accounted for
2	3	2000	Purchases stock not accounted
3	7-April	2300+2400+2400 (7100)	Vegetables purchases
4	118	400	Airtel bill payment

Stock register for the stock received for which payment is made is not maintained and utilization of stock of so received was not watched by the office. In absence of recording of stock received leads to lethargy in office maintenance.

P6. Additional expenditure of garbage lifting @ Rs. 2400 per week from April 2020 to October 2020 – Rs. 67200:

The service of Ramesh are engaged for lifting Garbage @ Rs. 30000 per month under agreement. The contractor is under agreemental obligation to lift garbage on daily basis for the monthly payment of Rs. 30000. However, an additional amount of Rs. 2400 per week was paid to the contractor without having any supplementary agreement. It is stated that the contractor insisted for additional payment which was agreed orally and paid. The additional payment apparently is not acceptable as per the agreement. Hence Rs.67200 is not clean payment. The payment needs to be regulated either by entering into supplementary agreement OR by condonation OR by write-off. The next payment for additional amount may have to be stopped till the issue is regulated.

P7. TV Repair charges for CCTV – Rs. 3500:

The office has 48 CCTV cameras and an agreement is entered with Balaji Electronics Service Centre @ Rs. 900 per Camera per year. As per Para 5 of the agreement, Consumable items will be charged extra. The agreement is from January 2020 to December 2020. However, TV repair Charges for security CCTV for Rs. 3500 in voucher No. 193 / 22-May-2020 to M/s. Sunil Electronics, Shapur Nagar. The payment includes cost of mother board for Rs. 3000 and servicing for Rs. 500. The office management is requested to state whether this repair charges is part of CCTV maintenance or in addition.

P8. ACD Deposited with TSSPDCL:

An amount of Rs.1546 is drawn in voucher no. # 339 /18-June-2020 and paid towards ACD deposit to TSSPDCL, but it was not shown in the Deposit with other offices. The steps may be taken to gather details of such deposits with other offices and record it in the Deposits Register.

P9. Covid distribution for the poor – Acknowledgement of recipients are not recorded:

An amount of Rs. 26600 has been paid in voucher no. 44 dated 07-April-2020 for purchase of 28 bags of rice for distribution during covid and Rs.44,220 paid vide voucher No. 47 dated 7-April-2020 towards purchase of rice, dal, turmeric, soaps, provisions for the distribution of poor. The acknowledgements of recipients were not recorded in office records.

P10. Payments of Advocate fee– TDS not deducted:

An amount of Rs. 60000 were drawn vide Voucher # 62, 63, 64 dated 9-April-2020 and paid to Sri G. Bhaskar towards Advocate fee. Section 194J of IT act stipulates deduction of TDS @ 10% on payment of Professional fee and remit to IT Department. The omission may be rectified.

P11. Sub-Vouchers were not presented for full amount of Voucher:

- a. Rs. 1200 was drawn in voucher #217 dated 31-May-2020 but sub-voucher is furnished only for Rs.600, the remaining Rs. 600 needs to be accounted for.
- b. An amount of Rs.900 was drawn and paid vide voucher # 216 dated 31-May-2020 towards purchase of brooms but the sub voucher is not enclosed. For any payments made to the recipients in the office premises should be narrated clearly in the voucher.
- c. An amount of Rs. 1000 paid vide voucher no. 31-March-20 but sub voucher for Rs. 500 produced. The remaining amount of Rs. 500 is unaccounted for, and needs made good to the funds of association

P12. Garbage lifting charges paid – Rs. 30000 per month, TDS not deducted:

Any payment made to contractor if it exceeds Rs. 50000 in a year, TDS under Section 194/C of IT act should be deducted. The payment value to Sri A. Ramesh towards Garbage lifting charges amounts to Rs. 360,000 in a year. Hence this attracts deduction of TDS which has not been done. Necessary corrective steps maybe taken in this regard.

P13. Purchase of milk, sugar, tea powder for office – sub vouchers details not enclosed:

An amount of Rs.5357 was drawn on Voucher #270 dated 10-June-2020 and paid to M/s. Mahalaxmi stores for supply of milk, tea powder, sugar, etc. The sub voucher has no printed Sl.No. and just mentioned the amount of Rs.5357 charged without mentioning date. The milk price depends on fat content and the brand which was not specified. It was not mentioned how much weight of tea powder supplied and weight of sugar. In absence of these details the expenditure cannot be verified for its correctness. The office has not taken prudent steps to check the veracity of expenditure and satisfy the amount due for payment. The office has not taken minimal safeguards for protecting office interests while making the payments. Almost every month such expenditure is coming without proper verification of the expenditure payments were made without scrutiny.

P14. Extra amount was paid to Garbage lifter Rs. 1000:

An amount of Rs. 1000 was drawn in voucher # 388 dated 30-June-2020 and paid to Sri Ramesh towards extra working charges for garbage lifting. Garbage lifter is under the agreemental obligation to lift garbage and justification for payments of additional amounts was not recorded. In its absence, the extra payment is not tenable.

M PARDHA SARADHI
13/12/2020

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SWAPNA JALADI
13/Dec/2020

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Submitted to President, JVVHOWA, Hyderabad for necessary action.