



S.C. BOSE & CO.
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

TO
THE MEMBERS
JAL VAYU VIHAR APARTMENT OWNERS ASSOCIATION
HYDERABAD.

We have audited the attached Balance Sheet of **JAL VAYU VIHAR APARTMENTS OWNERS ASSOCIATION, HYDERABAD**, as at 31st March, 2009 and also the Income and Expenditure Account for the year ended on that date annexed thereto. These financial statements and the assets and liabilities and income and expenditure stated therein are the responsibility of the management of Jal Vayu Vihar Apartment Owners Association, Hyderabad. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the association, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of accounts have been kept by the Association so far as it appears from the books of accounts and **subject to our detailed report annexed** herewith-

Contd..Page.2.



Replied to Mr. Bose.

1-10-98/29, H. No. 497, Lane 3, Street 3, Mayuri Marg, Begumpet, Hyderabad - 500 016.
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CHARTERED ACCOUNTANTS

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Further to our comments above we report that:

In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Income and Expenditure read in conjunction with the notes thereon, give the information required in a true and fair view which is in conformity with the accounting principles generally accepted in India:

In the case of the Balance Sheet, of the state of affairs of the association as at 31st March 2009.

AND

In the case of Income and Expenditure account, of the excess of income of Rs.14,12,360 over the expenditure for the year ended 31st March 2009.

Subject to our report of even date
For S.C. Bose & Co.,
Chartered Accountants

Place : Hyderabad.

Date : 12-06-2009


(Subhash C Bose)
Partner



**REPORT FORMING PART OF ACCOUNTS OF JAL VAYU
VIHAR APARTMENTS OWNER'S ASSOCIATION,
KUKATPALLY, HYDERABAD.**

1. On Cash Contorls:-

- Surprise verification of cash on 17th April, 2009 at 12noon has resulted in cash shortage of Rs.290.50. The total cash available at that point of time is Rs.47,765/- out of which Rs.12,000/- dated 12-04-2009 packet and Rs.28,000/- dated 15-04-2009 packets were kept with the present secretary. On any grounds, the policy of holding cash in excess of Rs.1,000/- with them without depositing into the bank is against the bylaws (refer Chapter VII para 4(a)).
- Adequate explanation for carry forward closing cash balance of 27-03-2009 Rs.3,155-50 to Rs.3,755-50 on 28-03-2009, an excess cash of Rs.600/- could not be obtained from the staff of association.
- Negative cash balance shown in the books on the following dates for which adequate explanation could not be obtained from the staff of the association:

04-10-2008	Rs.16,352/- Credit
05-10-2008	Rs. 4,130/- Credit
- Cash payment vouchers totalling Rs.49,192/- were not supported by documentary evidence for the expense incurred. Similarly, bank payment vouchers totalling Rs.57,865/- were not supported by documentary evidence for the expenses incurred by the association.
- The association cash is not covered under insurance.



- There is room for improvement w.r.t the maintenance of vehicle stickers / bylaw books etc., as they carry monetary value. The details such as opening stock of items, newly received /ordered/printed, issued to members and the balance stock at the end of the year is desirable to arrive at the exact amount received by the association.

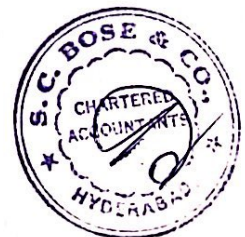
- ☞ No record / register of bylaws stationery;
- ☞ Car stickers found in the stock register not found in stock
- ☞ Scooter stickers viz., 872-877, 883,884,888,890,918 and car stickers viz., 268-271, 273-280,295,296-304, 306-308 are not on record.

2. On collection of Transfer Charges:-

- As per the bylaw No.5(b) page 3, the in-coming owner is admitted as member of the association on payment of prescribed fee of 5% of value of transaction based on market value (1% is required to be sent to AFNHB). During the year, we have noticed 6 such transfers for which an amount of Rs.5,90,442/- was collected by the association as prescribed fee. Upon verification, it was found that only 4% was collected based on the prevailing market value. Registration copy as proof of ownership is not kept on record by the association.
- The association should ensure that the members mentioned in the register of members have duly registered ownership document, a copy of which should be kept on their records.

3. On special collections:-

- The association has collected Rs.2,53,000/- towards fixation of special meter during the financial 2006-07 from 253 members. As the entire amount was not expended, an equivalent to Rs.500/- per member was refunded. However, an amount of Rs.34,500/- pertaining to 69 members is yet to be returned is shown as liability in the books of accounts.



4. On Fixed Assets:-

➤ The association owns assets worth Rs.41.89 Lakhs (after depreciation) as at the end of March,2009. These assets are not supported by fixed assets register. It is necessary that an association which owns substantial value of assets carry a fixed assets register showing the following particulars:-

- **Name of the Asset;**
- **Date on which Asset was purchased and cost of the Asset;**
- **Name of the Supplier;**
- **Name of the person who is handling the asset;**
- **Rate and amount of Depreciation charged during the year and previous year;**
- **Area/Location, Department, space etc., where the asset was kept/installed;**
- **Details of Additions & Disposal of Assets, if any;**
- **Written down/ Closing value of Asset at the year end;**

For S C Bose & Co.,
Chartered Accountants


Partner

Dated: 12-Jun-2009

Hyderabad.



JAL VAYU VIHAR APARTMENT OWNER'S ASSOCIATION

**JAL VAYU VIHAR
KUKATPALLY, HYDERABAD - 500 072**

We have conducted the statutory audit of the Jal Vayu Vihar Apartment Owners Association (hereinafter called as JVVAOA) Hyderabad, for the period 1st April, 2007 to 31st March, 2008. We have been appointed by the JVVAOA vide its letter No. JVVAOA/HYD/211/12, dated 29-11-2007. We have conducted the audit in two phases once between 15th March, 2008 and 18th March, 2008, and latter on 11th April, 2008 and 15th April, 2008, to finalise the financial statements along with our audit report.

We must state that our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In the process of our verification, We have come across areas of certain basic irregularities and weakness that in our opinion would be necessary for us to comment upon.

JVVAOA situated at Kukatpally, Hyderabad, is a registered under the society.

JAL VAYU VIHAR LAY-OUT PLAN

1. Total number of Houses in the Colony is 357.
2. House Numbers are allotted from 1 to 349
3. ER means an Extra Room which is constructed under the open area below the stairs.
4. The total numbers of Extra rooms are 16. (2,8,10 houses are used by owners)

5. There are 8 shops situated in the colony.

We started our Audit on 15/3/2008 to 18/3/2008 Finalisation of Balance sheet work was done by us on 11/4/2008 and again on 15/4/2008 the summary of the extent of verification and our audit findings are here under:

Particulars	Period	Extent of verification
Cash (Payments)	April,07 to March,08	100%
Cash (Collections)	April,07 to March,08	100%
Bank Payments	April,07 to March,08	100%
Bank Reconciliation BANK OF INDIA.A/c.No.2648	April,07 to March,08	100%
Purchases – Major Equipments, like Water meters, Gym Equipments etc.,	April,07 to March,08	100%
Statutory Payments	April,07 to March,08	100%

SOURCES OF FUNDS OF THE ASSOCIATION:

Financial resources of the association are classified as follows:-

Collections of Residential complex:

1. **Maintenance charges:** All residents must pay in time the monthly maintenance charges imposed by the Association to meet all the expenses relating to the Administration of Jal Vayu Vihar Apartments. Collected amount is used to meet expenses towards security arrangements, supply of Drinking water & Bore well water for other usages, Providing street lighting, conservancy, horticulture, and other maintenance like children's playgrounds, parks and recreational facilities like Gym, and also Payment of Insurance for coverage of

General repair and reconstruction work for the colony buildings in case of fire and other Incidents. the Association is collecting maintenance charges from the Residents for every month. This charges are mainly depends on the storage capacity of water tank of the House. The following statement shows the detailed information of the charges which are collecting by the association from the residents.

MAINTENANCE CHARGES

S.NO	H.NOS	DISCRIPTION	M.CHARGES
1	1 TO 173	1000 Ltrs Capacity Tank	350
2	174 to 245	500 Ltrs Capacity Tank	250
3	246 to 349	1000 Ltrs Capacity Tank	350
4	ER		100

Due Date for the payment of Maintenance charge is 10th of every month.

A sum of Rs. 10/- is collecting by the Association as a penalty for a months default from the owner.

Arrears in payment of monthly assessments amounting to a sum equivalent to or more than 3 months assessment then the Association have an authority to discontinuing the common services such as water supply, conservar etc., to the apartments owners/residents who are in default.

Individuals can avail a monthly concession by paying for the entire year. If a person pays the total year maintenance charges at time he can avail one month maintenance charge as concession.

2. Transfer charges:

Upon any apartment owner selling his apartment, the purchaser shall become a member of the Association and shall be admitted as member on payment of the prescribed fee of 4% of value of transaction which is based on the Market value. The purchaser becomes a new member for the association and along with the transfer fees he should pay Rs.100 as member ship fees and Rs.200 for the Bye-Laws of the Association.

Collections of Commercial complex:

In The Colony there are 8 shops provided by the association for the daily needs of the colony residents. These shops are given to the outsiders for rent.

Generally while giving a shop for rent, the rent is fixed on the basis of size of the shop i.e. in sq ft etc. But here we observed the variation in the rental collection. Among our enquiry we observed that at the time of fixing the rents, the association is considering on the volume of the business but not the size of the shop. The following statement shows the total information of the shops of the colony.

SHOP RENTS

S.NO	SHOP NO	DESCRIPTION	MONTHLY RENT
1	1	CONSULTANCY	2000
2	2	CLOTH SHOP	2065
3	3 & 4	PROVISIONAL STORES	5370
4	5	VACANT	-
5	7	CABLE TV	4500
6	8	FLOOR MILL	700
7	9	DHOBI	680

Note: While Allotting the Shop Numbers No.6 not allotted.

Akash Ganga (A.G.Hall)

Akash Ganga is a Community Hall Constructed for the benefit of Colony residents to celebrate Marriages and other Functions. For this the association is collecting the rent from the colony residents on hourly basis. Further we observed that this Hall is providing for outsiders also and collecting the rent and other charges like electricity, water, cleaning charges etc. The collection details are here under.

S.NO.	Hourly Rent	HALL RENT		CAUTION DEPOSIT Refundable	
		Colony residents	Outsiders	Colony residents	Outsiders
1	6 Hrs	2500	15000	3000	15000
2	12 Hrs	5000	30000	5000	30000
3	24 "	10,000	50,000	5,000	30,000

*** Other charges related to A.G.Hall:**

While handover the hall to the booking person the electrician notes the starting meter reading and after completion of the function he notes the ending reading of the electricity.

Cost of the Unit is Rs.10/-.

Plastic chairs are given on rent for the functions and each chair cost @ Rs.5/- per the day.

A.G.Hall fixed some persons who provide the Nadaswaram, Flower Decorations facility for the Marriages and other special Functions, and from these services providers the A.G.Hall get some income and the details are here under.

S.NO	SERVICE PROVIDED	AMOUNT (Collected from the service provider)
1	Nadaswaram	Rs.400
2	Flower Decoration	Rs.400
3	Electrical Lamps, Sound Systems etc.	10% on the Bill
4	Tent, Pandal, Shamianas etc.	20 % on the Bill

INCOME FROM OTHER SOURCES

1. The Association appointed security guards for the security of the colony residents. As per security reasons all the gates of the colony will be closed after 11 pm except the main gate. Outside vehicles are not allowed after 11 pm. The security guards at the main gate check each and every vehicle before allowing into the colony premises. For easy identification of resident's vehicles the Association is issuing the Stickers which is to be stick on the front side of the vehicle. Rate of car sticker Rs.10/- and the Rate of the Two Wheelers Stickers is Rs.5/-.
2. Further we verified that the some tools like Ladders etc is giving for daily rent to the residents @ Rs.20/- per the day. ✓
3. Internet facility is provided by the Sai Softtech, for the colony residents with the permission of the Association. For this purpose Sai Softtech is paying Rs.3,000 per month to the association,
4. The Association is encouraging cultural activities such as music and dance and provided an instructor for the Colony children to learn. The association provides hall facility to teach the above subjects and the person who conducting the classes in the colony has to pay Rs.30 (10% of the Fee) per each student to the association for providing the above said facilities.

CASH & BANK:

Verification of Receipts:

We have verified the cash control procedures of JVVAO Association collections and the following are observations.

The Association collects the amount from the residents as above mentioned procedures. The association had a bank account in Bank of India, Kukatpally Hyderabad and the collections are depositing in the said bank Account. Further we observed that the cash collections are not adequately segregated and recorded in the books of accounts. Delays were found in the cash

deposits and its accounting. Large amounts of cash are being handled by staff with loose controls and are not under any type of surveillance.

We observed that receipts are issued for all cash and cheques collections. Generally computerized receipts are issuing. Each receipt contains to leaf lets and 1st copy is giving to the person who pays the amount and the second copy of the same is being filed for records. In the absence of the Accountant, some times issuing the Manual receipts and the same again reentering in tally. The random check of the same was verified during the audit period.

1. It was noticed that the Association has remitting the cash collections in the Bank of India, Kukatpally Branch, and Hyderabad. We have also noticed certain delays in depositing the cash collections into the bank account as detailed in ANNEXURE - 1.

2. While verifying the Printed receipts with the system the variation in receipts voucher numbers observed.

3. Thus we conclude that the controls over cash handling need to be improved. There are no comprehensive written procedures for handling cash receipts. For example,

April month collection

From 1/4/07 to 4/4/07 (4 days) Rs.30, 000 Deposited on 4/4/07

From 4/4/07 to 10/4/07 (7 days) Rs.1, 40,000 Deposited on 10/4/07

Over cash handling is to be avoided.

4. Collections are using for the purpose of petty payments like plumbing, maintenance and other charges which is to be avoided. The total collection must be deposit in the bank with the same denomination in time.

5. In addition to duties imposed by the bye-laws or by resolutions of the Association, the members shall be responsible for the frequent verification of the cash collections which is not observed during our audit period. It is very important, to have a better monetary control.

Verification of Payments:

1. Maximum payments are made by cash.
2. At the time of repaying the caution deposit of A.G.Hall the payments are made in by cash and which is to be avoided. All major payments are to be made by Cheques only.
3. There is no petty cash for the Association and the daily expenses are paying from the collections. It is necessary to implement the petty cash for daily needs so that the usage of collection amount is automatically avoided.
4. While verifying the payments the following points observed.

?

Now requested auditor to advise

Has more than 5000/-
is H.O. + Secretary / provided
for safe custody been extra
deposited in the Bank.

we are done
as cross checked
but not as drill.

To introduce this
time if possible. So far
this system has not faced any
problem.

While verifying the TDS a challan of Rs. 2,92,950/- paid on 01/08/2007 by cash was found and the payment details and the challan amount is as follows found in the books of accounts.

TDS amount deducted and paid has not been accounted in the books of accounts and the details are as follows:-

PUR.V.NO	DATE	LEDGER GROUP	AMOUNT	REMARKS
258	01/08/2007	Water Meters	2,92,950	For purchases of meters deducted (2.26% TDS) Supplied By Mantech Constructions.
823	13/01/2008	Office maintenance	11,000	Amount paid towards purchase of water meter (supporting bills not submitted.)
797	06/01/2008	Festival & feasts, New year celebration expenses.	31,084	Amount paid to Divya Light & Sounds Systems Excess of Rs.400/- Actual bill Amount 3,200 Calculation Mistake and shown as 3,600.
729	16/12/2007	Watchmen charges		<u>15 days attenda</u> - <u>excess shown.</u> Total days as per Att.(153+12=165) Actual days are (136+12=150)

We will try to claim for the contractor or else we have to ask for write off in the part of

PURCHASES:

Major purchases made in this year is water meters which was purchased ON 1/8/2007 as P.V.No.258 from the M/s.Mantech Constructions P.Ltd.Total purchase value of the transaction is Rs.2,92,950. While verifying the above payment the following points are observed.

1. Huge amount was spent for the purchase of the meters and the no quotations are taken from the other suppliers.
2. Work order No.JVVAOA/HYD/206 issued on 29/6/2007 for the above work.
3. Main base of the company is construction and the meters are purchased from this company.
4. If material is purchased from the registered supplier he will not accept the TDS because the sale of meters included the VAT.

Explained by Mr. Raju that suppliers were approved by house for the Meters Board
Explained was by Mr. Raju since he was earlier member coordinator installed of meters!

Further on 13/1/2008 purchased a billing machine for water bills and the same was not in usage. There is no invoice copy of the above purchase.

The M/C needed a software programme to be developed for JVV Hence the delay

While verifying the TDS a challan of Rs.348/- which paid on 18/7/2007 by cash was found and the payment details and the challan amount is not found in the books of accounts.

for whom the TDS was deducted and Challan made

TDS amount deducted and remitted but not accounted in the books of accounts and the details are here under:

Date of Remittance	particulars	Actual Amount	Amount Remitted	Difference Amount Remitted
14/6/2007	Watchmen charges	1033	1030	Rs.3 (short Rem.,)
7/7/2007	Watchmen charges	541	540	Rs.1 Short Rem.,)
14/8/2007	Watchmen charges	6621	6621	Nil
18/8/2007	Watchmen charges	361	365	Rs.4 Excess Rem.,

Further verification we verified the following records of the JVVAOA and the details are here under,

- 1. Maintenance Register:** Is a Register in this all the Maintenance charges which are collecting from the residents are showing. This is a manual register all receipts which are entered in tally is again rewriting in this register which not necessary in our opinion.
- 2. Stickers Register:** Is a register which is maintaining for the stickers which are issuing for the colony residents. In this register Car stickers are showing separately in the page No 1 to 9 and two wheelers stickers started in the page 10. the format of the register is as follows.

It is not rewritten memo. We maintain complain Report and charges returned are entered and corresponding Tally receipt issued to Du Randa.

Sticker No	House No	Name	Vehicle No	Signature
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This register is not maintaining properly by the Staff. Details regarding the number of stickers printed and, number of stickers issued, balance stickers not recorded. While verifying the car stickers observed that the some numbers which are found in the stock are not shown in the register. For ex. Sticker no.312, 313,315,316,318,319 etc —

Further we observed that some numbers are already issued to the residents which again found in the stock for instance Sticker no.260, 264,265,286,298,299,311,

Now we are issuing stickers to Du Randa Residents are not co-operating in giving ownership details Physical Stock to be checked and Register to be updated

- 3. Shop rents Register:** Is a register which is maintaining for the shops which are situated in the colony. Details of he rents which are paying by the shop owners and the nature of the business etc is shown in this register.

4. **Akash Ganga Register:** This is a function hall register at the time of booking the hall for functions the accountant note all the details like caution deposit, Electricity meter readings other materials which are used at the time of function like chairs, carpets, etc, and other services which are provided is noted in this register. It is a just like a note pad and used for calculation at the time of billing.

Now it is on the application form

Further we observed that there is no fixed asset register found and for the safe guarding of the assets it is necessary. The following list shows the total assets of the association.

Now we have prepared the inventory we need to understand. This chart is not clear.

S.No	Name of the Asset	Name of the Register	Sub Group	Asset Details
1	Aluminium Ladder	Fixed Register	Spares & tools	Asset Value, Location of the Asset, Proper Deprecation Value of t the Asset.
2	Bore wells	Fixed Register	Electricals	Asset Value, Location of the Asset, and Proper Deprecation Value of t the Asset.
3	Bus Shelters	Fixed Register	Infrastructure assets	Location and indentifica ⁿ : date of construction and cost, measurement, funds utilisation and depreciation
4	Cement benches	Fixed Register	Buildings	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
5	Children park	Fixed Register	Buildings	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
6	Commercial Complex	Fixed Register	Buildings	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
7	Compound wall	Fixed Register	Buildings	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
8	Computers	Fixed Register	Office Equipment	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
9	Electrical works	Fixed Register	Electrical	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
10	Emergency Lights	Fixed Register	Electrical	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
11	Fogging machine	Fixed Register	Electrical	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.

old Asset Value difficult to judge but now when we buy the items this can be recorded.

12	Furniture & fixtures	Fixed Register	Furniture & Fixtures	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
13	Garden	Fixed Register	Land buildings &	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
14	Gates	Fixed Register	Land buildings &	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
15	JVV community centre	Fixed Register	Land buildings &	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
16	Library	Fixed Register	Land buildings &	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
17	Motors	Fixed Register	Electrical	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
18	Office equipments	Fixed Register	Office equipments	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
19	Parks	Fixed Register	Land buildings &	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
20	Pump house	Fixed Register	Land buildings &	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
21	RCC over headed Tank	Fixed Register	Land buildings &	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
22	Roads	Fixed Register	Land buildings &	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
23	Septic tank	Fixed Register	Land buildings &	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
24	Sewage pumps (5 HP) 2 Nos.	Fixed Register	Electrical	Asset Value, Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
25	Siren	Fixed Register	Electrical	Date of purchase, Asset value, Location of the Asset, and Proper Deprecation Value of t the Asset.
26	Software	Fixed Register	Computers	Date of purchase, cost, and Proper Deprecation Value of t the Asset.
27	Sports, Games and Play ground	Fixed Register	Land buildings &	Date construction, Estimated cost Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
28	Stage	Fixed Register	Land buildings &	Date construction, Estimated cost Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.

29	Sump	Fixed Register	Land & buildings	Date construction, Estimated cost Location of the Asset, Measurement of the Asset and Proper Deprecation Value of t the Asset.
30	Temporary office	Fixed Register		
31	Type writer	Fixed Register	Office Equipment	Date of Purchase, Asset Value, Location of the Asset, and Proper Deprecation Value of t the As: t.