

INTERNAL AUDIT REPORT ON THE ACCOUNTS OF JVV HOWA HYDERABAD FOR Q2 – FY 20-21
(Nov 2020, Dec 2020, Jan 2021, Feb 2021 and Mar 2021)

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

The time taken for Audit: 16 May2021, 22 May 2021, 05 Jun 2021, 19 Jun 2021, 26 Jun 2021 and 11 Jul, 2021.

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/Lr No.12 dated 12 November 2020. The internal audit report for the first quarter was submitted on 13 December 2020. The internal audit report for the period 07/2021 to 10/2021 was submitted on 02 April 2021. This internal audit report is in continuation of the Internal Audit Report submitted on 13 December 2020/02 April 2021. The Period of the report is from Nov 2020 to Mar 2021. The internal audit for 2020-21 since completed.

1. The defects / deficiencies pointed out in previous reports and present report may be acted upon and the accounts may be cleaned accordingly before submission of annual accounts for statutory audit.

They are rectified and verified by statutory auditors.

2. The deficiencies pointed out in the previous internal audit reports may be acted upon and defects rectified in maintaining the accounting records. Such action is required to inculcate accounting discipline. Action may be taken to rectify the defects in the books of accounts and prepare clean and clear accounts for the Accounts of JVVHOWA.

All the system deficiencies mentioned are rectified, put into practice and shown.

3. Defective vouchers were listed in the annexure enclosed for Rs. 439770.00. The defects pointed out are ranged from No original bills are attached to the vouchers, stock entries are not considered, acknowledgements not obtained, work / service details are not furnished, multiple payments were made for the same person in addition to regular payments. Action may kindly be taken to rectify the defects and set the proper accounts before submission of accounts to External Audit.

It is wrongly concluded as defective vouchers, without verifying the facts and interacting with staff. Now voucher wise explanation is given. All the assets/stocks are entered in the respective registers. Out of this few were checked and few were not checked. But all were presented as defective.

4. Service workers are engaged in civil and other miscellaneous works and daily wages are paid. Previously it was pointed out that such daily rates be fixed and get approved by the BOM and follow those fixed rates in Service payments. The approval of daily wages for service workers may be kindly be finalized.

Daily wages are paid as per the existing market price. It is difficult to fix them. Even if it is done, depending on external demand the workers may not come for that price.

5. Payment of excess Bonus: Bonus for year 2019-20 (festival year) was paid to S.K.Chand, Plumber for Rs. 11,600 may be rectified as suggested.

Though payment voucher was raised by previous board, cash was not paid as the person was on sick leave. The previous board has given in writing to adjust the amount against his advance payment. The same is done and he was not paid any Bonus last year.

6. Payment of Medical expenses to the Gardener Rs.5468/-: An amount of Rs. 5468 was drawn in Voucher No. 569 dated 6-Aug-2020 and paid to Subba Rao (Gardener) narrating the amount is reimbursement of medical expenses for the injury sustained by him during the duty. It may be rectified.

This was observed in previous quarter audit and again repeated.

7. Maintenance of Registers: The following registers would need to be maintained in Standard Format or in suggested Format.

- i) Fixed Assets Register. **Implemeted**
- ii) Advances Recoverable Register **Implemeted**

- iii) Separate Consumable Registers for Purchase of Hospitalities from M/s Mahalakhmi Stores, Stationery, Sand and Cement.

No bulk purchases are made from Mahalaxmi Stores. The purchases are shown day wise and also in a consolidated form and shown to you. The registers pertaining to sand and cement are shown and explained to you by our by BOM Secretary. It is assured that they will continue to be maintained.

- iv) Tool and Plant Register/Furniture & Fixtures

They are entered as part of Stock register with separate headings.

8. Surcharge @ 4% on TDS needs to be deducted along with TDS. Further TDS would need to be deducted on payments made to CCTV maintenance charges as annual payment exceed Rs 50000/-

His AMC charges for whole year are Rs 43,200/- only and hence he does not come under purview of TDS collection. Some purchases for CC TV are also added as his payment. This has been rectified on the advice of statutory auditor.

9. Donations for Dassara/Deepavali were paid to Security staff. Can security staff be paid extra beyond agreement amount? Can donations be made to staff? Was it festival gift? No approval of BOM was shown for this extra ordinary payment. Payment was made on vouchers 941,942,943,944,945,947,948 and 952. Why so many vouchers? They can be made in one Voucher. Work can be systemized and use of multiple vouchers may be avoided. Similarly vouchers 1078, 1079, 1084,1085,1089,1090 and 1092 can be booked in one voucher. Similarly vouchers 1112, 1118, 1119, 1134 and 1135 can be booked in one voucher. Similarly vouchers 1122, 1123, 1124, 1167 and 1171 can be booked in one voucher. Similarly vouchers 1117,1120,1126,1128, 1131, 1137, 1138, and 1139 can be booked in one voucher.

Noted

The items were purchased for various purposes for different purposes from different vendors. They are not purchased on same day. As random cash checks are done, as and when any cash is paid voucher is raised.

10. Laborers are being paid multiple payments for multiple works. Additional payments can be regularized into one consolidated bill for a month for all the workers. These vouchers are 919,920,921 and 922 of Nov 2020.

The workers are to be paid daily wages based on the day's work. Their four days work cannot be clubbed. Once the cash goes out voucher has to be raised. Regarding

other vouchers, a particular task involves purchases from different sources as the work progresses. As the purchases are made on different days it is not practicable make a single voucher.

11. Rs 20000/- and 5000 (Vr 1125) was paid as Advocate Retention fee. Very large institutions/commercial undertaking will resort to go for standing councils. Payment of Advocate retention by resident association may not be prudent.

It is as per the decision of AGM. His services are discontinued wef 30 Jun2021. No counsel has been appointed. However your views will be conveyed to AGM.

12. Payment of OT charges to Office Supervisor needs review as super cannot be equated with workers. Supervision at higher pedestal.

This is already implemented. Since January 2021, no OT is paid to the Manager.

13. Reimbursement of cell phone charges is being done. Bills are not coming regularly. It is not known whether reimbursement of cell phone charges is approved by BOM or not. Vr 1075 Rs 1498/- paid to Raju.

Earlier five CUG Sims were used with monthly payments. This BOM has surrendered all the Sims, and paid a yearly payment for Manger and Electrician only.

14. Rs 49000/- worth of materials for CCTV cameras and Materials. No quotations are called for better price, quality and warrantee.

Time was too short and items were purchased from the only official dealer India's NO 1 PA System Ahuja.

The following remarks already forwarded may also be read as part of this report.

15. REMARKS

1. Significant short fall in collection of maintenance charges at 7%. When accrual system of Accounting followed the significance is even more.

The Maintenance charges include rental incomes. During the period of 2020-2021, the whole world was affected by COVID Pandemic and all establishments including the ones in our colony were shut down. Both the BOMs of 2019-20 & 2020-21 took a lenient view and exempted shops from paying rentals for certain period of time. The decisions were in conformity with the thinking of Government.

Changes in water charges and water expenses are very significant. Water charges are very much less in 19-20 when compare with 20-21 where charges are much more than expenses

The reason for this is obvious as we are collecting water charges as per original existing Tariff and we have not paid Water Board for four months as we have not received bills from them. A committee has been ordered to decide On water Tariff since water board has implemented free water since Jun 2021.

2. Shortfall in collection of non-memers' income is 37% for which reasons may be probed
The source of Non Members income is from Akash Ganga . Based on the directives of Govt Of Telengana No gatherings were permitted and hence no functions were held since April 2020.
3. Shortfall in realisation of interest in FDR is 94% for which reasons may be probed.
There is no short fall. The Bank issued Accrued interestcertificates in the month of May which is higher than Previous year and incorporated in the books on 31-03-2021.
4. No expenditure on CCTV charges shown in 20-21 against expenditure of Rs 38400/- in 19-20. This may be glaring omission.
5. No expenditure on depreciation charges shown in 20-21 against expenditure of Rs 855952/- in 19-20. This may be glaring omission.

Depreciation will be charged when Final Balance Sheet is made. This will be taken into account when final

BS is made by the statutory auditors.

6. Significant increase in incurring of labour charges at 112%. When accrual system of accounting followed the significance is even more.

In addition to Pandemic , heavy flooding took place in Aug-Ser and many trees collapsed. Manual labour Was employed to remove the fallen trees and Debris.

7. Why increase in payment of property charges by Rs 3287? Corresponding increasing Assets not reported to concur.

The BOM of 2018-19 took advantage of early Bird incentive and paid 5% less. The same was not utilised by previous Board of 2019-20. Hence the difference. This year we have paid again less tax as we also Utilised the incentive.

8. Significant increase in incurring of SMS alert charges by 21%.

They are utilised as per requirement. The situation in the year warranted more messages.

Significant increase in website maintenance charges by 141%.

The entire website was revamped made more user friendly with introduction of Payment Gateway.

Total income is decreased by 16% and total expenditure is decreased by 18%. That is lesser activity.

Fixed Assets	5587411.26	6004501.25	417090
Investments	14631031	16593404	1962373
Current Assets	3679949.68	2661751.57	-1018198
Total Assets	23898391.94	25259656.82	1361265
Capital Account	21028347.24	22449530.93	1421184
Current Liabilities	1007264	1060894	53630
Excess of Income	1862780.70	1749231.89	-113549
Total Liabilities	23898391.94	25259656.82	1361265

Remarks

Non realisation of inter set income and not accounting for of depreciation has their impact on Balance Sheet.

- 1 These will be taken into consideration at the time of Balance Sheet.

Decreasing Current Assets and increasing investments will not explain the variation in BS.

As per your suggestion, complete physical check assets are undertaken by the Board. Once completed all items Beyond and a true picture will be presented in BS

M. PARDHA SARADHI

SWAPNA JALADI

Submitted to President, JVVHOWA, Hyderabad for necessary action