



**OFFICE OF THE
REGISTRAR, COOPERATIVE SOCIETIES,
PUNJAB, LAHORE**

No.RCS/Audit/OBS-19/G-05/ 673

Dated: 21-08, 2026

To

The President / Secretary,

Government Employees Cooperative Housing Society Ltd;

Bahawalpur.

(Service through DRCS Bahawalpur)

**Subject: AUDIT OF ACCOUNTS OF GOVERNMENT EMPLOYEES
COOPERATIVE HOUSING SOCIETY LTD; BAHAWALPUR FOR THE
PERIOD 01.07.2018 TO 30.06.2019.**

Reference to the Audit Report of The Government Employees Cooperative Housing Society Ltd; Bahawalpur for the period 01.07.2018 to 30.06.2019 received from M/S S.M Suhail & Co. Chartered Accountant. The auditor has raised certain observations in the audit report regarding the affairs of the society. You are, therefore, directed to ensure compliance of the audit observations raised by the auditor including the following points observed / highlighted by the Audit Section.

1. These expenses are on much higher side as compared to last year Rs.1,469,041/-against "Repair and Maintenance" and Rs.128,226/- against "Printing and stationary". The society should provide an explanation for huge increase in these expenses. (Page 35)
2. Auditor have examined the list of members, but it is not in accordance with the format which is recommended by clause 16 of TORs of our allocation letter dated February 27, 2026 bearing reference number RCS/Allo/148. Following are the details that are not mentioned in the list:
 - a) Date of enrollment as member.
 - b) Date of approval by the Managing Committee.
 - c) Date of confirmation by the general body.
 - d) Number and value of shares purchased.
 - e) Deposits:-
 - Against cost of land;
 - Against development charges; and others.
 - f) Balance recoverable from each member:-
 - Against cost of land;
 - Against development charges; and others.
 - Remarks about present status.

The Society does not maintain a year-wise list of members; a 'perpetual' list is maintained instead. So, auditor cannot verify the number of members as at June 30, 2019

3. During the year, it was observed that the Society does not have a formal Human Resource (HR) department. Employee-related matters, including maintenance of employee records, recruitment, and payroll administration, are handled without a structured HR framework.

4. No list of employees as at June 30, 2019 was provided so it limited our ability of substantive testing as Auditor were unable to verify whether all employees were included in payroll expenses which increases risk of unauthorized payments.
5. It was observed that increment on salaries of some employees were applied randomly throughout but Auditor were not provided with any evidence of approval of increments.
6. Although an attendance register is maintained, it was observed that salaries are disbursed on a full-month basis without adjustment for actual attendance. Employees are allowed 24 annual leaves; however, there is no formal leave management policy, nor any system for leave encashment or carry-forward. s per Clause 4 of Service Rules of the Society, "All Employees of the Society except Elected Officials will be working on Contract basis for a period of 3 Years. The contract will be renewable after the period with the consent of both Employee and the Society."; however, it was observed that employees were employed on contract basis of as low as 60 days which is violation of the prescribed Service Rules.
7. An approved layout plan was not provided by Management; instead, an unapproved layout plan prepared by NESPAK was made available. A difference of 63 Kanals was noted between the total area reported by Fard (3,202 Kanals) and the area reflected in the provided layout plan (3,139 Kanals). The Society has not provided evidence relating to approval of the layout plan. Certain facilities, including a school and a medical complex, are shown in the layout plan; however, on physical inspection it was revealed that not any of these facilities have been provided.
8. As per the TORs of the allocation letter, Auditor were directed to inspect stock and stores register of the Society. But during our audit for the period ended June 30, 2019, the Society did not provide us with a stock and spares register. The absence of proper records indicate a weakness in internal controls.
9. No list of litigations as at June 30, 2019 was provided to auditor for verification hence, Auditor were unable to verify the number of litigations and their financial effect(s). No individual case files were provided to auditor for verification hence, Auditor could not ascertain financial impact(s) of the litigations. No addresses of lawyers were provided to auditor so, auditor were unable to circulate external confirmations to them regarding litigations. In the absence of legal confirmations and case documentation, auditor were unable to assess whether any provisions or contingent liabilities should have been recognized in the financial statements.
10. It was observed that allotment/transfer files of 2 plots did not contain complete documentation, as key documents such as CNIC copies of transferors were missing. Furthermore, several instances of overwriting were noted, particularly in respect of plot numbers. In one case, two different plot numbers were mentioned in the same file. These issues raise serious concerns regarding the integrity and reliability of the underlying records and indicate a heightened risk of irregularities in the allotment and transfer process. The matter was inquired from the management and in response to this matter, the Management vide their letter no. GECHS/Admin/2026/173 dated April 27, 2026, informed that official records were manipulated and bogus entries were inserted in folio

registers by the management. On the basis of these fabricated entries, allotment letters were issued and the plots were sold in contravention to Bye-Laws of the Society.

11. A complete fixed asset register is not maintained. This weakens control over fixed assets and increases the risk of misstatement.
12. The Society does not have a formal written policy regarding depreciation on additions and disposals so auditor cannot ascertain if the depreciation charged in financial statements is consistent or not.
13. Cost of opening operating fixed assets was not available; instead, net book values were used in depreciation calculations. In the absence of historical cost information, the accuracy of depreciation and carrying values could not be verified.
14. It was noted that items of immaterial or revenue nature (e.g., as low as Rs. 130) were capitalized instead of being expensed as there no formal documented policy regarding capitalization of assets.
15. Supporting invoices for additions amounting to Rs. 258,770 (Rs. 73,510 in furniture and fixtures, Rs. 35,080 in office equipment's, Rs. 131,180 in office machinery, and Rs. 19,000 in vehicles) were not provided for audit verification.
16. It was observed that no annual stock taking is carried out by the Society. Furthermore, assets are not classified as serviceable, repairable, or unserviceable (dead). In the absence of such classification, items that are no longer usable cannot be properly identified for disposal or auction. This indicates weak assets management and internal controls.
17. As the audit pertains to prior periods, physical verification of operating fixed assets could not be performed. Therefore, the existence and condition of such assets could not be independently confirmed.
18. It was observed that the Society does not maintain proper records or verification of completed development works including completion certificates which increases the risk of payments for incomplete or unauthorized work, risk of misappropriation of funds and misstatement of project progress.
19. It was observed that the Society does not maintain proper records or verification of construction of boundary walls including completion certificates which increases the risk of payments for incomplete or unauthorized work, risk of misappropriation of funds and misstatement of project progress.
20. No supporting documentations relating to security deposits were provided to auditor so auditor were unable to verify the authenticity or recoverability of the security deposits.
21. The opening balance of Rs. 997,500 represents advances paid to five (5) members of the Society against construction of houses and remain unadjusted as at June 30, 2019. The above opening balance is outstanding in books of accounts since more than ten (10) years. No recoveries were made against these advances. Supporting for the movement in advances to members during the year, including additions and recoveries, was not provided for audit verification. It was observed that there is no formal policy relating to advances to members.
22. 'As the Society has not maintained members register which is a violation of the Bye-Laws, the share capital balance with the number of members and shares issued as at June 30, 2019 could not be verified.

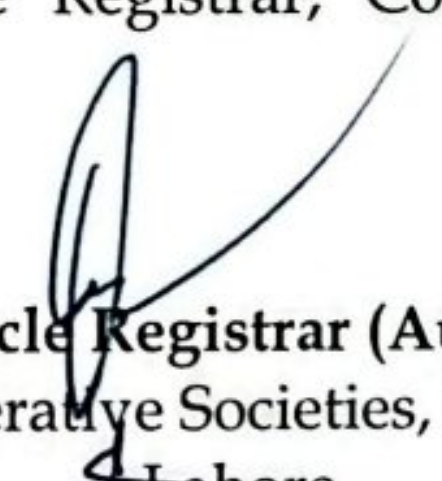
23. 'Shares register is not maintained by the Society which is a violation of the Bye-Laws of the Society.
24. No copy of minutes of meeting relating to approval of charging members for boundary walls was provided to us. The Management verbally told us that such charges were applied on members in the year 2013. 'No member-wise details of members' deposits were provided to us. Auditor could only verify the receipts by tracing through bank statements and examining copy of bank deposit slips. 'Despite performing procedures including verification of receipts, vouchers, and ledger entries, auditor were unable to reconcile members' deposits with the number of members, as the list of members as at June 30, 2019 was not provided.
25. No supporting documentation for Rs. 192,100 included in opening balance of security deposits was provided so, auditor were unable to verify the existence or accuracy of the reported security deposits.
26. The balance of Rs. 1,178,833, representing share capital contributions received against transfer fees, was verified only with reference to the prior year audited financial statements. No supporting evidence or member-wise detailed schedule of contributions was provided for the opening balance. As a result, the completeness, accuracy, and proper linkage of this balance to individual members could not be independently verified.
27. It was observed that members deposit their dues in cash at the Society's office, which are later deposited into the bank by the Society. The members are provided with a slip without signature of the Finance Secretary. The involvement of cash handling increases the risk of misappropriation, delays in deposit, and lack of proper audit trail, indicating weak internal controls over cash management.
28. It was observed that the Society does not have an effective recovery mechanism for collection of members' dues, and significant balances have remained outstanding for years. No evidence of structured follow-up, recovery actions, or enforcement measures was provided to us. Consequently, auditor were unable to assess the recoverability of these dues, which may result in accumulation of doubtful balances and potential loss to the Society, indicating a weakness in receivables management and internal controls.
29. List of defaulters (members who failed to timely pay their dues) was not provided to auditor so, auditor were unable to ascertain the amount of default as on June 30, 2019.
30. The management did not provide us with a reconciliation of transfers during the year and cash received against the transfers hence, the relating incomes (transfer fee, share transfer fee, and cost of form) to transfers could not be verified against actual transfers during the year.
31. No copy of minutes of meetings relating to approval of surcharge was provided to us.
32. No list of water connections utilized by members of Society were provided to auditor by the Society hence, water connection charges and water supply fee could not be verified.
33. It was observed that the rent increment, as stipulated in the rent agreements, was applied after 14 months instead of the 12 months specified. This delay resulted in non-compliance with the terms of the agreements.

- No supporting evidences relating to court fee return was provided to auditor so auditor were unable to verify the same.
35. It was observed that the Society charged tender fees; however, copies of the related tender documents were not provided for audit verification. Consequently, auditor were unable to verify the basis of such charges, transparency of the tendering process, and completeness of related income, indicating a weakness in procurement controls.
 36. It was observed that many expenditures were recorded in cash book at the last date of their respective months rather than their actual date of occurrence.
 37. No list of joiners or leavers was provided to auditor which made us unable to verify the appropriateness of salaries and wages - staff.
 38. No contract or invoices from security company(ies) providing security guards' service which amounts to Rs. 2,238,918 under the head 'Salaries and wages - security guards' were provided to auditor for verification.
 39. It was observed that a number of employees were paid salaries below the applicable minimum wage rate i.e. Rs. 17,500 as during the year ended June 30, 2019.
 40. It was observed that salaries to staff are paid in cash. Payment of salaries in cash increases the risk of errors, misappropriation, and lack of proper audit trail, and does not represent a strong internal control practice.
 41. It was observed that Rs. 1,375,591 on account of repair and maintenance remained unverified. Payments of Rs. 94,500; Rs. 85,045; Rs. 98,000; and Rs. 98,000 via cheques no. 00000635, 00000680, 00000678, and 00000679 were made on account of repair and maintenance and no quotations or supporting invoices were provided to auditor relating to the repair works.
 42. It was observed that Rs. 278,450 was paid to Khurram Petroleum on account of vehicle running and maintenance but auditor were not provided with travel logs so auditor were unable to substantiate the consumption of fuel and furthermore, there is formal policy regarding travelling allowance.
 43. It was observed that an amount of Rs. 20,000 was paid through cheque no. 00000655 on May 14, 2019 to the President, as reimbursement of legal expenses incurred by him on behalf of the Society. However, no supporting documentation was provided for our verification. Accordingly, the authenticity and propriety of this payment could not be verified.
 44. Vouchers worth Rs. 315,000 relating to legal fee were not provided to auditor for verification so, auditor were unable to verify the authenticity, accuracy, and occurrence of these expenses.
 45. It was observed that Rs. 77,150 via cheque no. 00000517 was paid to Daily Khabrain Multan on account of advertisement but quotations were not provided to auditor for our verification.
 46. It was observed that Rs. 61,342 was paid October 31, 2018 on account of AGM expenses which included Rs. 39,262 paid for envelopes which was not supported by any invoice.
 47. It was observed that Rs. 30,000 on January 01, 2019 is appearing in ledger as dam fund donation but cash book showed no such payment.

48. It was observed that Rs. 200,000 on account of elections expense was paid to the Convener via cheque no. 00000539 on November 29, 2018. No supporting evidence including bills, invoices or expense details were provided hence, the authenticity of this payment could not be verified.
49. It was observed that CVT of Rs. 12,810 was received from a member on June 12, 2019 but the same was neither paid to the FBR nor subsequently refunded to the member.
50. No supporting vouchers or bills relating to plantation, printing and stationery, postage, miscellaneous expenses, or sanitary items was provided to auditor for verification.
51. No utility bills relating to the year ended June 30, 2019 were provided to auditor hence, auditor could only verify the same through cash book.
52. It was observed that a single 'contingent' voucher is made in cash book for multiple entries of expenses on a single date rather than the dates the expenses actually occurred.
53. No formal policy or approved minutes specifying the imprest cash limit were provided. Accordingly, auditor were unable to verify whether imprest balances were maintained within approved limits, indicating weak internal control over cash.
54. No records or details regarding the number of constructed houses within the Society were provided to us. In the absence of such information, the completeness and accuracy of constructed houses could not be verified, which may result in discrepancies in members' records, utility charges, and related income streams.
55. Some clerical errors were observed, including miscalculations of subtotals in the ledger, which may affect the accuracy of financial records.
56. The Society is not registered with Social Security Department and nothing has been paid so far in this regard. It is mandatory for every organization to register with Social Security Department under section 2(ix) and deposit the required contributions as per section 20 of the 'Provincial Employees Social Security Ordinance, 1965'.
57. Under the 'Employees Old Age Benefits' provisions, every Entity is required to get itself registered with the Employee Old Age Benefits Institute to fulfill its legal obligation who falls under the provision and contribute at the prescribed rates under the Act but the Society did not get itself registered with the Institute.
58. It was observed that a cheque issued of Rs. 92,000 bearing no. 00000615 on March 07, 2019 but no supporting evidence was provided to us.
59. It was observed that Rs. 792,000 received as 'Pagri' (refundable) by the Society from rent tenants (shops) was accounted for in accumulated surplus instead of security deposits (liability).
60. The AGM for the year 2019 was not conducted, despite notices being sent to members. This is a procedural non-compliance under the Society's Bye-Laws.
61. As per the Society's Bye-Laws, it is one of Secretary's duties to internally audit accounts twice a year and send a copy of audit report to the Registrar. Auditor observed that this requirement was not complied upon.
62. As per Clause 42(2), the Treasurer is required to make all payments through crossed cheques supported by vouchers, bills, or other relevant documentation. However, it was observed during our audit that payments were also being made in cash and via uncrossed cheques.

63. It was observed that the Society did not maintain members register showing the name, address and occupation of every member, the number of shares held by him, the dates of his admission to membership and the nominee appointed by him under his signature; daily sale, purchase, and balance register; a ledger account of each member, depositor, and creditor and of miscellaneous and other income contingent and other expenditures and sale, purchase etc. of all goods; bonds register; a register showing the development schedule and timely execution which is a non-compliance of Bye-Laws of the Society.
64. It was observed that cash book as maintained by the Society does not show balance as at each day as required by the Bye-Laws.
65. It was observed that annual budget is not prepared by the Management which increases risk of uncontrolled expenditures.
66. As per Clause 4(3) of Bye-Laws, the Society is required to construct, manage and maintain school and dispensary for the benefits and convenience of its members. It was observed that the same is not being done.
67. It was observed that the Society does not maintain a computerized system for its records, indicating a weakness in record-keeping and internal controls, which may affect the accuracy, efficiency, and reliability of financial and member-related information.
68. The Society has not complied with observations reported by the previous auditor.

The Deputy Registrar Cooperative Societies, **Bahawalpur** is therefore, directed to get compliance of the audit observations raised through the Audit Report including the above-mentioned observations, from the "**Government Employees Cooperative Housing Society Ltd; Bahawalpur**" within 30 days of issuance of the audit observations. After getting compliance / replies from the concerned Society, the Joint Registrar (Field) Cooperative Societies, **Bahawalpur** will examine the same in detail and will submit the compliance report on the prescribed format, to the Chief Auditor Cooperative Societies, Punjab, Lahore, in accordance with the instructions contained in letter No.RCS/Audit/141 dated: 13.02.2026 issued by the Registrar, Cooperative Societies, Punjab, Lahore in true letter & spirit within 15 days.


 Circle Registrar (Audit)
 Cooperative Societies, Punjab,
 Lahore

C.C to: -

1. The Joint Registrar (Field) Cooperative Societies, Bahawalpur for information and necessary action in the light of letter No.RCS/Audit/141 dated: 13.02.2026 issued by the Registrar, Cooperative Societies, Punjab, Lahore.
2. The Deputy Registrar Cooperative Societies, Bahawalpur in accordance with the instructions contained in letter No.RCS/Audit/141 dated: 13.02.2026 issued by the Registrar, Cooperative Societies, Punjab, Lahore.
3. Auditors' File (M/S S.M Suhail & Co,) concerned

