



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

No.RCS/Audit/OBS-20/G-05/ 625

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 01.07.2019 TO
30.06.2020.**

Reference to the Audit Report of The Government Employees Cooperative Housing Society Ltd; Bahawalpur for the period 01.07.2019 to 30.06.2020 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.7,744,455/-against, "Salaries and Wages", Rs.783,865/-against "Vehicle Running and Maintenance" Rs.5,295,839/-against "Repair and Maintenance" and Rs.510,909/- against "Miscellaneous". The society should provide an explanation for huge increase in these expenses.
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, 2020

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, 2020 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.
7. As 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.
8. An approved layout plan was not provided by Management; instead, an unapproved layout plan prepared by NESPAK was made available. So, auditor cannot rely on the provided layout plan. 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.
9. No list of litigations as at June 30, 2020 was provided to auditor for verification hence, auditor were unable to verify the number of litigations and their financial effects. 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 1 plot 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. It was observed that Rs. 49,800 was paid on account of Masjid darian and safes on January 31, 2020 in cash and no invoice was produced for our verification.
12. It was observed various payments on account office room cabinets which accumulate to Rs. 459,039, was capitalized a single amount on June 30, 2020.
13. It was observed that Rs. 96,500 via cheque no. 0000793 on September 20, 2019, Rs. 96,700 via cheque no. 00001319 on May 13, 2020, and Rs. 96,700 via cheque no. 00001339 on May 30, 2020 was paid to Shaheen Traders on account of office cabinets but no quotations or invoices were provided to auditor for our verification.
14. It was observed that quotations or invoices for a number of transaction; Rs. 74,000 via cheque no. 00000711 dated July 15, 2019 to Adnan and Company on account of air conditioner, Rs. 75,600 via cheque no. 00000796 dated September 23, 2019 to Rizwan Electronics on account of air conditioner, Rs. 99,600 via cheque no. 00000730 dated July 25, 2019 to M. Faisal Iqbal on account of pipe turbine, and Rs. 80,000 via cheque no. 00000975 dated December 20, 2019 Umar Hardware on account of breathing apparatus.
15. It was observed that Rs. 96,000 on December 20, 2019 was paid in cash on account of ant wire and no invoice or quotations were provided to us.
16. A complete fixed asset register is not maintained. This weakens control over fixed assets and increases the risk of misstatement.
17. 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.
18. 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.
19. It was noted that items of immaterial or revenue nature (e.g., as low as Rs. 180) were capitalized instead of being expensed as there no formal documented policy regarding capitalization of assets.
20. Supporting invoices for additions amounting to Rs. 1,897,616 were not provided for audit verification. Accordingly, these additions could not be substantiated.
21. 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.
22. 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.
23. Invoices or supporting evidences of additions of Rs. 5,690,331 relating to construction of Masjid and development were not provided to auditor for verification.
24. It was observed that Rs. 263,325 via cheque no. 00000697 was paid on July 08, 2019 for purchase boring turbine but no invoice or quotation was provided to auditor for verification.

25. It was observed that quotations for a number of transactions above Rs. 70,000 which aggregate to Rs. 881,192 were not provided to auditor for verification.
26. It was observed that purchase of development materials like iron was not made from an approved vendor, rather the purchases were made from different vendors.
27. 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.
28. It was observed that many payments are recorded in cash book at the last day of their respective months rather than the dates the payments were actually made.
29. Invoices or supporting evidences of additions of Rs. 3,202,336 relating to construction of boundary walls were not provided to auditor for verification.
30. It was observed that quotations for a certain number of transactions above Rs. 70,000 which aggregate to Rs. 953,202 were not provided to auditor for verification.
31. 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.
32. 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.
33. In the opening balance, Rs. 997,500 represents advances paid to five (5) members of the Society against construction of houses and remain unadjusted as at June 30, 2020. The above opening balance is outstanding in books of accounts since more than ten (10) years. No recoveries were made against these advances. It was observed that there is no formal policy relating to advances to members.
34. 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, 2020 could not be verified. Shares register is not maintained by the Society which is a violation of the Bye-Laws of the Society.
35. 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.
36. '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.
37. 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, 2020 was not provided.
38. 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.
39. It was observed that, following revision in share price in Bye-Laws of 2008, the Society recovered additional amounts from existing members. However, as per directions of the

Registrar of Cooperative Societies, such increase in share price was applicable only to new members. Subsequently, the Society adjusted the excess amounts collected from existing members against members' charges. However, no detailed records or member-wise details were provided to substantiate the accuracy and completeness of such adjustments.

- 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.
40. 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.
41. 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.
42. 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, 2020.
43. 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. o copy of minutes of meetings relating to approval of surcharge was provided to us.
44. 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.
45. It was observed that goodwill of Rs. 2,370,000 received as 'Pagri' (refundable) by the Society from rent tenants (shops) was recorded as income instead of security deposits (liability).
46. It was observed that an amount of Rs. 20,000 was charged from a member as ahle commission fee instead of the prescribed rate of Rs. 30,000. No explanation or approval was provided by the management for this undercharging. This indicates a deviation from prescribed fee structure and raises concerns regarding the consistency, completeness of income, and effectiveness of revenue controls. No details relating to miscellaneous income was provided to auditor so, auditor were unable to verify the same.
47. 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.
48. No list of joiners or leavers was provided to auditor which made us unable to verify the appropriateness of salaries and wages - staff.

49. No contract or invoices from security company(ies) providing security guards' service which amounts to Rs. 2,569,912 under the head 'Salaries and wages - security guards' were provided to auditor for verification.
50. 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, 2020.
51. 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.
52. It was observed that Rs. 721,255 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.
53. Vouchers worth Rs. 280,000 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.
54. It was observed that Rs. 70,000 were paid in cash on January 09, 2020 as labour charges for cleaning of water tank but no invoice or quorations were provided to auditor for verification.
55. It was observed that Rs. 36,250 was recorded on October 31, 2019 as cash expense for 14th August celebration. Auditor were not provided with any vouchers so auditor were unable to verify appropriateness of the expense.
56. It was observed that Rs. 25,000 was paid on August 22, 2019 in cash to Mr. Tanveer but the purpose of the payment is not explained as no supporting evidence was provided.
57. No contracts, agreements, or invoices relating to IT expenses were provided for audit verification. The expense recorded in the books amounts to Rs. 150,000. Consequently, auditor were unable to verify the authenticity, accuracy, and completeness of this expense.
58. It was observed that challans of deposit of WHT of Rs. 236,748 were not provided to auditor hence, auditor were unable to verify whether the amount was paid to the FBR or not. No supporting evidences relating to plantation, printing and stationery, postage, miscellaneous expenditures, audit fee, and sanitary items were provided to auditor so, auditor were unable to verify.
59. No utility bills relating to the year ended June 30, 2020 were provided to auditor hence, auditor could only verify the same through cash book.
60. No formal policy or approved minutes specifying the imprest cash limit were provided indicating weak internal control over cash management.
61. It was observed that FBR tax amounting to Rs. 85,000 was recovered from a member on May 14, 2020 but the same was neither paid to the FBR nor refunded to the member which increases risk of misuse and misappropriation of funds.
62. 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.

Some clerical errors were observed, including miscalculations of subtotals in the ledger, which may affect the accuracy of financial records.

64. 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'.
65. 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.
66. The AGM for the year 2020 was not conducted. This is a procedural non-compliance under the Society's bye-laws.
67. 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.
68. 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.
69. 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.
70. 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.
71. It was observed that annual budget is not prepared by the Management which increases risk of uncontrolled expenditures.
72. 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.
73. 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.

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





OFFICE OF THE
REGISTRAR, COOPERATIVE SOCIETIES,
PUNJAB, LAHORE
No.RCS/Audit/Bill-20/G-05/ 676
Dated: 21-08, 2026

To

The President / Secretary,

Government Employees Cooperative Housing Society Ltd;

Bahawalpur.

(Service through DRCS Bahawalpur)

Subject: PAYMENT OF AUDIT FEE BILL FOR THE GOVERNMENT EMPLOYEES
COOPERATIVE HOUSING SOCIETY LTD, BAHAWALPUR FOR THE
PERIOD 01.07.2019 TO 30.06.2020.

The Professional Charges Bill of M/S S.M Suhail & Co. Chartered Accountants, Office 2nd Floor, 251 Block L Johar Town Lahore, Lahore on account of audit of the Government Employees Cooperative Housing Society Ltd, Bahawalpur for the Period 01.07.2019 to 30.06.2020 duly checked and passed for Rs.375,000/- (Rupees Three Lac Seventy Five Thousand Only) is enclosed herewith.

Please arrange payment of the said bill to the concerned Chartered Accountant directly, under intimation to this office.


Circle Registrar (Audit)
Cooperatives, Societies Punjab,
o/c Lahore.

C.C to:

1. The Deputy Registrar Cooperative Housing Societies, Bahawalpur with the request to ensure Payment to the auditor.
2. M/S S.M Suhail & Co. Chartered Accountants, Office 2nd Floor, 251 Block L Johar Town Lahore.
3. Auditor file concerned.





S.M. SUHAIL & CO.
Chartered Accountants (Since 1983)
A Member Firm of SGA World



**THE GOVERNMENT EMPLOYEES CO-OPERATIVE
HOUSING SOCIETY LTD. BAHAWALPUR
FOR THE YEAR ENDED 30 JUNE 2020**

COMPUTATION OF AUDIT FEE FOR THE YEAR ENDED 30 JUNE 2020

	RUPEES	
Net Turnover		96,481,448
Net Turnover		<u>96,481,448</u>
AUDIT FEE		
For first Rs.100,000/- 14.50/1,000	100,000	1,450
For Next Rs.400,000/- 8.10/1,000	400,000	3,240
For Next Rs.4,500,000/- 4/1,000	4,500,000	18,000
Beyond Rs.50-lac @ 2.2/1,000	91,481,448	201,259
		<u>223,949</u>

NOTE: The Bill has been checked and found correct as per notified rate vide letter No. RCS/AUDIT-II/120 dated: 13-01-2023 and AUDIT-II/811 Dated 24.11.2023.

Audit fee for the Year 223,949

Rupees: Two Lac Twenty Three Thousand Nine hundred and Forty Nine Rupees Only.


S. M. Suhail & Co.
Chartered Accountants



Passed for Rs. 375,000/-
In words Rupees. Three Lac Seventy Five Thousand only

CIRCLE REGISTRAR (AUDIT)
Cooperative Societies Punjab
Lahore



- Karachi
- Lahore
- Islamabad
- UAE
- Canada
- Australia

Lahore Office
2nd Floor, 251
Block L, Johar Town
Lahore, Pakistan.
Phone: + 92-42-37870145
E-mail: mehran@smsco.pk
URL: www.smsco.pk

