



জাহাঙ্গীরনগর ইউনিভার্সিটি কো-অপারেটিভ হাউজিং সোসাইটি লি:
Jahangirnagar University Co-operative Housing Society Ltd.

**Report on the findings of the review of the financial information of FY
2021-22 & 2022-23 of
Jahangirnagar University Co-operative Housing Society Ltd.**

December 23, 2023

**The Executive Committee of
Jahangirnagar University Co-operative Housing Society Ltd.**
P.O. Jahangirnagar University, Savar, Dhaka 1342

Dear Sir(s),

**Report on the findings of the review of the financial information of FY 2021-22 & 2022-23 of
Jahangirnagar University Co-operative Housing Society Ltd.**

This is in reference to the appointment letter dated October 12, 2023 with the subject: Review of the financial statements of Jahangirnagar University Co-operative Housing Society Ltd. In this connection, we are submitting the report on the serial 1 of the Terms of Reference contained in the above mentioned appointment letter.

Background:

Jahangirnagar University Co-operative Housing Society Ltd. (hereinafter “the Society” or “JUCHS”) is registered under the Bangladesh Cooperative Societies Act 2001 & Bangladesh Cooperative Societies Amendment Act 2002 having Registration No. 1395 Dated 27.06.1975.

The Registered Office of the Society is situated in Arunapalli under Upazila - Savar, District - Dhaka, Post Office - Jahangirnagar University, Post Code - 1342, Bangladesh.

The Executive Committee of the Society appointed J U Ahmed & Co., Chartered Accountants (hereinafter “the Firm”) for the review of the financial statements of the Society for the 2021-22 and 2022-23 fiscal years (hereinafter “the Engagement”).

Terms of Reference:

The Terms of Reference (ToR) of the Engagement relevant to this report are reproduced below:

1. Verification of F/S elements (2021-22, 2022-23 income statement)

Work to be performed:

- Verification of the income and expenses of the Society for 2021-22 and 2022-23 fiscal years against justification, approval, compliance with the Cooperative Societies Act and Rules, compliance with the bye-laws of the Society.
- Suggesting necessary adjustments based on the verification of the transactions.
- Reviewing the balance sheet of the Society for the above fiscal years.
- Suggesting necessary adjustments based on the review.
- Checking proper segregation of operating and capital expenditures for the above fiscal years.
- Ensuring proper book-keeping of the transactions of the Society
- Assisting in making the necessary entries in the books of the Society. We recommend making entries in an accounting software for proper preservation of the records.

- Ensuring compliance with the provisions of Income Tax Act 2023 and VAT & SD Act 2012.

Deliverables:

- Detailed report to the Executive Committee and the Audit Sub-committee of the observations, implications and recommendations including the responses of the respective personnel.

2. Presentation of Financial statements (F/S) of 2022-23

Work to be performed:

- Assisting in the preparation and presentation of financial statements of the Society for 2022-23 as per the relevant regulations and accounting principles.
- Guiding in the selection of the applicable accounting policies.
- Assisting in the identification of profit centers and cost centers of the Society.
- Presentation of separate profit loss statements for the identified profit centers above.

Deliverables:

- Trial balance for the above period
- Financial statements – Balance sheet, income statement, statement of changes in equity and the cash flow statement (indirect method) and notes to the financial statements
- Separate profit & loss statements for each profit center identified and agreed with the Audit Sub-committee

3. Ensuring continuity (Making chart of accounts, Necessary training)

Work to be performed:

- Assisting in the preparation of the chart of accounts
- Providing necessary training on the selected accounting policies to the accounts staff

Deliverables:

- Chart of accounts with approval of the Audit sub-committee

4. Investment opportunities identification

Work to be performed:

- Assisting in the preparation of the investment rules for the Society in compliance with the Cooperative Societies Act and Rules, the Income Tax Act and any other relevant regulations.

Deliverables:

- Investment rules/SOP for approval of the Executive committee.

5. Internal control (IC) development and assessment

Work to be performed:

- Reviewing the relevant portions of the bye-laws of the society for adequacy of internal controls related to financial functions of the Society.

- Assisting the Executive Committee in the development and implementation of the applicable internal control within the financial function of the Society.
- Identifying possible areas for reducing cash transactions and suggest alternate way of operation to establish a robust cashless system

Deliverables:

- Report on the areas identified and the relevant recommendations.

Coverage of this report:

This report only covers serial no. 1 of the Terms of Reference reproduced in the immediately proceeding section of this report. Performance of the subsequent items of the Terms of Reference is subject to the availability of required support from the accounting team and the Executive Committee.

Methodology of work and scope of this report:

The audit team:

- reviewed 100% of the transactions as shared by the Accounts team of JUCHS.
- reviewed the transactions against supporting documentation available at the time.
- checked the approvals of the transactions through EC meeting minutes. Wherever necessary, the meeting minutes of earlier periods were checked to ensure proper authorization of the transactions.
- Discussed the immediate observations with the accounts team and collected additional information as necessary.

The Engagement partner:

- Visited the JUCHS office several times for the commencement meetings, review of the work of the audit team.
- Presentation to EC.
- Reporting.

Engagement team:

Name	Position	Experience in years
Ali Amjad Choudhury, FCA, CISA, ISO/IEC 27001 Lead Auditor	Engagement Partner	23 years
Jannatul Maowa (CA-Certificate Level Completed)	Engagement Manager	3 years
Md. Jahidul Haque (CA-Certificate Level Completed)	Engagement In-charge	2.5 years
Nahid Hossain	Audit Associate	1 year

Timeline:

Event	Date
Submission of the Expression of Interest (EOI) by J U Ahmed & Co., Chartered Accountants	July 25, 2023
Initial meeting between the audit committee and the Engagement Partner at the Arunapalli office.	August 18, 2023
Submission of revised EOI by J U Ahmed & Co., Chartered Accountants	September 20, 2023
Second visit by the Engagement Partner at the Arunapalli office	September 22, 2023
Appointment letter issued by Executive Committee	October 12, 2023
Initial requisition shared by the audit team to the JUCHS Accounts Team	October 15, 2023
Commencement meeting between the Engagement partner, audit team and accounts team at the Arunapalli office	October 18, 2023
Commencement of fieldwork by the audit team	October 22, 2023
Visit to the Arunapalli office by the Engagement partner for review of work	October 24, 2023
Visit to the Arunapalli office by the Engagement partner for review of work	November 18, 2023
End of fieldwork by the audit team. Total working days = 22 days	November 23, 2023
Submission of the draft report	December 8, 2023
Presentation by Engagement Partner to the Executive Committee	December 21, 2023
Final report submitted based on feedback from the Executive Committee.	December 23, 2023

Use of this report:

This report is for the sole benefit of Jahangirnagar University Co-operative Housing Society Ltd. Should you wish to share this report with any third party, you shall do so without creating any contractual relationship between us and that third party. Any third party choosing to rely on this report does so at their own risk. To the fullest extent permitted by law, J U Ahmed & Co. accepts no responsibility or liability to them in connection with our services and this report.

All parts of this report are integral to understanding and explaining its contents; no part may be taken out of context, used or relied upon without reference to the report as a whole.

Limitations:

1. The audit team relied on the historical data provided by the accounting team of the Society. Where the required data wasn't available, the audit team was unable to perform the required audit procedures to ensure compliance with the relevant ToR.
2. Justification of various expenses and expenditures was not within the scope of the review, which was assumed to have been duly performed by the Executive Committee. The audit team only checked the documentary evidence and proper approval of these transactions.
3. The audit team performed the Engagement with professional competence and due care exercising professional skepticism wherever applicable. However, there is always a possibility that fraudulent activities especially those involving collusion, intentional misrepresentation of facts and figures, embezzlement of cash, overstatement of expenses, etc. may remain undetected despite the best efforts of the audit team.
4. Neither J U Ahmed & Co. nor any individuals signing or associated with this report shall be required by reason of this report to provide testimony or appear in court or other legal proceedings unless specific arrangements thereto for having been made.
5. In the event of further investigation, it is the responsibility of the Executive Committee to preserve the necessary documentary evidence for future reference. The audit team collected copies of only the most necessary documents.

Observations:

The significant observations that were made during the review of the financial statement of Jahangirnagar University Co-Operative Housing Society Ltd. are detailed below.

1. Employee loan/home loan

Observation: It was observed that there is no established practice for the approval and the repayment of the sanctioned employee loan/home, leading to a lack of clarity and structure in the debt management process.

Furthermore, these loans were not recorded as receivable on the balance sheet which were rather improperly recorded as expenses in the prior years. Consequently, there are circumstances these loans were not collected/repaid at the time of departure of the respective employee. Outstanding loan as of the mentioned date amounts to BDT 587,000 which is not reflected in the balance sheet of the Society.

During the audit, we observed that an amount of BDT 100,000 employee loan was sanctioned to Md. Golam Faruk in the 524th meeting of the Executive Committee held on 23-02-2020. The loan was supposed to be adjusted in monthly equal installments of BDT 5,000. In the salary sheet of March 2020, we found the amount of adjustment mentioned in the adjustment column but was not actually adjusted.

CO-OPERATIVE HOUSING SOCIETY LIMITED
Jahangirnagar University Co-operative Housing Society Limited
(Arunapalli), Savar, Dhaka.

Page No. 1

SLN o.	Name	Designation	Salary	Deduction/Bonus/Over time if any	Net amount payable	Signature
১.	মোঃ নাজমুল হাসান	হিসাবরক্ষক	২৪,৫০০/-	ওভারটাইম- ৬টা= ৪৭৪০/- মোবাইল বিল- ১০০০/-	৩০,২৪০/-	<i>[Signature]</i> ২৭/০৪/২০
২.	মোঃ গোলাম ফারুক	সুপারভাইজার	২৪,৫০০/-	ওভারটাইম- ৬টা= ৪৭৪০/- মোবাইল বিল- ১০০০/- (-) লোন কর্তন ৫০০০/-	৩০,২৪০/-	<i>[Signature]</i> ২৭/৪/২০
৩.	আঃ রহিম					

An amount of BDT 200,000 employee loan was sanctioned to Md. Nazmul Hasan, Ex-Accountant (who resigned on 30-10-2021) in the 536th meeting held on 22-01-2021. Only BDT 5,000 was adjusted from him during his remaining tenure of 9 months before he resigned from his position. Although he was paid an amount of BDT 372,500 as a separation benefit, the outstanding loan of BDT 95,000 was not adjusted from him.

Below is the status of the employee loans as of 30 June 2023.

Sl. No.	Employee Name	Designation	Loan sanctioned	Loan amount (BDT)	Paid amount (BDT)	Balance as on 30 th June, 2023 (BDT)	Remarks
1	Md. Golam Faruk Tajul	State Officer	524th meeting (23-02-2020)	100,000	5,000	95,000	Loan long outstanding.
2	Md. Nazmul Hasan	Accountant (resigned on 30-10-2021)	536th meeting (22-01-2021)	200,000	5,000	195,000	Employee left without repayment. The employee also received a separation payment without adjusting the loan amount
3	Md. Nazrul Islam	Electrician	531st meeting (22-08-2020)	130,000	71,000	59,000	Regular.
4	Md. Ruhul Amin	Guard	551st meeting (19-02-2022)	30,000	16,000	14,000	Regular.
5	Md. Kurban Ali	Guard	553rd meeting (14-03-2022)	40,000	16,000	24,000	Regular.
6	Ibrahim Islam	Assistant Accountant	567th meeting (15-05-2023)	100,000	-	100,000	Regular.
7	Md. Aktar Hussain	Guard	568th meeting (07-06-2023)	100,000	-	100,000	Regular.

Implication: The absence of a loan repayment schedule increases the risk of missed payments, and potential financial strain, and may result in a lack of accountability in managing JUCHS's financing obligations. A few of the loans sanctioned earlier were not collected/repaid at the time of departure of the respective employees.

Current Status: The employee loans that are currently outstanding (except sl. 1 & 2 above) are being regularly adjusted from the respective employee salary. Furthermore, the current practice of loan sanction is that the employees are not allowed more than their accrued separation benefit at the time of sanctioning the loan.

Recommendation: We recommend the immediate development and implementation of a comprehensive loan policy approved by the EC. This policy should outline the loan terms, including due dates, amounts, and any other relevant conditions. This will enhance financial planning, ensure timely collections, and mitigate associated risks.

2. Some of the expenses have no supporting documentation.

Observation: It has been noted that supporting documents were not found for expenses amounting in total to BDT 9,459,944 respectively during the audit. There is a lack of documentation to substantiate the legitimacy and accuracy of these expenditures. Significant categories of expenses include the following:

Particulars	Jul-Dec 2021	Jan-Dec 2022	Jan-June 2023
Drain construction	1,393,000	2,600,000	650,000
Land tax	-	1,600,000	311,044
Land registration	-	-	68,000
Legal expenses	637,000	794,500	976,400
Food corner renovation	220,000	-	-
Mosque Renovation	-	210,000	-


Implication: The absence of supporting documents for certain expenses raises concerns about the reliability and transparency of financial records. It may result in a misrepresentation of financial information and pose a risk to the overall integrity of JUCHS's financial reporting.

Current Status: At present, the accounting team obtains authorization from the respective convenors of various committees after the expenses have been incurred and the supporting documentation has been collected.

Recommendation: We recommend conducting an immediate and thorough investigation to locate or reconstruct supporting documents for the identified expenses. Additionally, implement and enforce internal controls to ensure the consistent retention and accessibility of all necessary documentation for financial transactions.

3. Insufficient/incomplete supporting documentation

Observation: There are many circumstances where the supporting documentation attached is insufficient or incomplete to substantiate the authenticity of the underlying transaction. Supporting documentation is insufficient or incomplete when it is not properly filled in or it is internally prepared (কাচা রসিদ) without proper approval/authorization.


 জাহাঙ্গীরনগর ইউনিভার্সিটি কো-অপারেটিভ হাউজিং
 সোসাইটি লিমিটেড
 (অরুণাঙ্গী), সাজার, ঢাকা-১৩৪২।

বিবিধ রসিদ
 তারিখ: ২৪.১১.২০২১

ক্রমিক নং	খরচের বিবরণ	দর	টাকা
	আফগান প্রকল্প - আর্ট লি- ক্যান্টিনার SS আর্ট লি- ৬তম গেজেন্ট		২৫,০০০/-
			/
		মোট:	২৫,০০০/-

কথায়: পাঁচ হাজার টাকা

প্রস্তুতকারী: আব্দুল রশিদ
 হিসাবরক্ষক: _____ সাধারণ সম্পাদক: _____ কোষাধ্যক্ষ: _____

Implication: Such supporting documentation is prone to be less reliable in substantiating the validity of a transaction resulting in misuse or misappropriation of financial resources.

Recommendation: It is always advisable to procure from reliable sources where official receipts are provided. Wherever it is not possible to do so, there must be additional approval or authorization from the Convenor of the relevant committee to establish the authenticity of the transaction.

4. Inward receipts and completion of projects

Observation: We have not observed any process for receiving and quality-checking of various procurements. No independent verification and completeness check is performed at the end of project implementation.

Implication: Quality, quantity, existence or extent of completion could not be verified in the absence of such a process.

Recommendation: Whenever procurements are made or items against procurements are received, independent verification of such receipt in terms of quality and quantity must be made. For example, Items received should be checked and confirmed at the gate as well as at the drop-off/delivery point. In the case of the implementation of various projects, independent verification must be made. For example, at the end of the implementation of a civil construction project, it must be independently verified for completeness as per specification and availability for use.

5. Incorrect amounts were recorded in the books of accounts.

Observation: During the verification of financial statements we observed that there are instances where incorrect amounts have been recorded in the books of accounts. The recorded figures do not match the actual transaction documents. some references are given below:

Voucher No.	Date	Particulars	Amount (Document)	Amount (Recorded)
3	17-07-2021	Fish farming Expense	100,300	100,000
7	23-08-2021	Entertainment	27,843	25,273
7	23-08-2021	Conveyance	18,537	18,545
7	23-08-2021	Land tax	1,345	1,750
12	04-09-2021	Purchase of IPS	28,000	27,000
36	21-11-2021	Office Maintenance & other expense	30,771	32,775
56	14-01-2022	Electricity bill	261,228	263,990
72	27-03-2022	Office maintenance & other expense	22,670	23,881

Implication: Recording wrong amounts in the books of accounts may lead to financial misstatements, inaccuracies in financial reporting, and potential errors in the decision-making processes. This poses a risk to the organization's financial integrity and transparency.

Recommendation: We recommend a thorough review and correction of the identified discrepancies in recorded amounts. Additionally, implementation and strengthening of internal controls to ensure the accuracy and verification of financial data before recording.

6. Overwriting and unauthorized corrections in the books of accounts

Observation: We observed that there is frequent overwriting and unauthorized corrections in the books of accounts, e.g. the cash book and the salary book.

Implication: Unauthorized corrections in the books of accounts may result in misstatements or even misappropriation of cash and other assets. In conjunction with not having separate bank and cash books, no bank reconciliation statement, non-availability of statements from a bank made it impossible for the audit team to identify any wrongdoing in the bank/cash transactions. The overwriting might have been an attempt at concealment of improper practices.

Recommendation: As recommended in this report, we highly recommend implementing accounting software with proper segregation of duties and internal control of the financial reporting function.

06/04/2020	১৬	কুমারের বেতন/৫৫৬	২০,০০০.০০	
		" " মাসের/৫৫৬	২,২০,০০০.০০	
		বেতন/৫৫৬	৫,৫৬,৮০০.০০	
				৬,৭৬,৮০০.০০
				৬২,৫৭,৬৭৫.৬২
				২২৪,২২০.৬২

06/04/2020	২৫	মাসের বেতন (৫৫৬)	২৫,০০০.০০	
		বাকি ও মাসের	২০,৬০০.০০	
		বিভাগের মাস	২৫,০০০.০০	
		৫৫৬ ও মাসের	২৪,৪৬০.০০	
		মাসের	৬,৭০০.০০	
		মাসের	৭,৫০০.০০	
		মাসের	৫৫০.০০	
		মাসের	৫০০.০০	
		মাসের	৫০০.০০	
				৬৫,২৬০.০০
				৭২,৬৭৫.৬২
				৭৪,৬৭৫.৬২

7. Updated and accurate transactions with members not available

Observation: There is no updated and accurate ledger of outstanding and underlying receipts from the members. Various outstanding from the members are recorded once a year in a register which is not always updated. There are a large number of unidentified amounts received from the members recorded in the financial statements. This amount was BDT 667,702 for the year 2022-23.

Implication: This results in the improper recording of transactions with the members of the society. Outstanding from any individual member of society isn't readily available. As a consequence, the society may incur losses due to long outstanding and unidentified dues. This has a direct impact on the financial management of the Society.

Recommendation: We recommend the immediate implementation of an automated system for maintaining transactions with the members of the Society.

8. Administrative charge collection and receivable

Observation: While reviewing the financial information and the receipts from the members of the Society, the audit team observed that during the year collection against the administrative charge of BDT 11,030,000. Considering that there are 622 current members of the Society, the total accrued administrative charge for the year alone would amount to BDT 14,928,000 without even considering the long-outstanding.

In conjunction with observation 6 above, there is no aging of the receivable from the members of the Society.

Implication: As the information regarding transactions with the members of the Society is maintained manually, there is a very high possibility for mistakes or even fraudulent activities by the accounting team.

Recommendation: Similar to observation 6 above, we recommend the immediate implementation of an automated system for maintaining transactions with the members of the Society.

9. House building loan

Observation: During the period under review (2021-22 & 2022-23) we observed that amounts of BDT 493,260 (2022-23) & BDT 949,197 (2021-22) were collected against house building loans. However, we were unable to obtain a list of outstanding loans from the accounting team of the Society.

Implication: In the absence of a detailed list of outstanding loans, we were unable to identify the overdue loans and the current receivable as of the reporting date.

Recommendation: The Executive Committee should consider formulating the policy and procedures for the approval and disbursement of house-building loans.

10. Lease of shops and network towers of mobile operators

Observation: It was observed that the shopping complex is let out to various shops. Also, there are mobile network towers on the rooftop of the shopping complex. However, we were not able to obtain the relevant lease agreements for our review and comparison between the respective collections and agreements.

Implication: Income may not be collected on time or may be misappropriated. Renewal may be missed and escalation of rent at the time of renewal may be missed.

Recommendation: The Executive Committee should ensure that the premises of JUCHS are leased only upon execution of valid agreements that ensure the interests of the Society are not impaired.

11. Income Tax Compliance

Observation: It was observed that the Society is registered as a taxpayer, having a TIN, under the Income Tax Act. However, we were unable to collect copies of the annual income tax return, the half-yearly return of TDS, the monthly return of TDS, and the annual return of salary payments.

Implication: The Society may be penalized by the NBR for non-compliance with the income tax rules and regulations.

Recommendation: The Executive Committee must take immediate steps to assess the current status of income tax compliance of the Society.

Limitations concerning the ToR:

1. No information is available for the preparation of financial statements on an accrual basis.

Observation: As the financial statements of the Society were not prepared on an accrual basis in the earlier period, there is no available information for the preparation of the financial statements of the Society on an accrual basis.

Implication: Under the above circumstances, the financial statements of the Society for the year 2022-23 could not be prepared on an accrual basis.

Recommendation: We recommend the immediate development and implementation of the proper chart of accounts also mentioned in other areas of this report.



Areas of immediate improvement:

1. No ledger is prepared or maintained.

Observation: During the audit process we discovered that JUCHS does not maintain a book of ledgers for keeping proper records of the transactions. There is a lack of a centralized and organized record-keeping system for financial transactions.

Implication: The absence of a general ledger poses significant challenges in maintaining an accurate and systematic record of financial transactions. This can lead to difficulties in timely financial reporting, and reconciliation issues, and hinder the organization's ability to monitor and analyze its financial position in an effective manner.

Recommendation: We recommend the immediate establishment and maintenance of a general ledger. Implement a structured system for recording, classifying, and summarizing financial transactions in accordance with accounting standards. The Executive Committee may consider the implementation of accounting software for the above.

2. Segregation of duties not available/maintained.

Observation: During our audit verification we discovered that JUCHS does not have/maintain any segregation of duties for the employees. Key responsibilities, such as authorization, recording, and reconciliation, are not separated among different individuals.

Implication: The absence of segregation of responsibilities increases the risk of errors, the possibility of fraud, and the misappropriation of assets. It compromises the effectiveness of internal controls and may result in the undetected manipulation of financial information.

Recommendation: We recommend the immediate implementation of appropriate internal control policies and procedures in the financial reporting function, clearly defining and assigning the roles for financial tasks to different individuals to ensure accountability. This will reduce the risk of financial improprieties and enhance the overall integrity of the organization's financial management.

3. Supporting documentation is not preserved with the vouchers properly.

Observation: During review of the financial transactions, we found out that supporting documentation is not consistently preserved with vouchers in an organized manner. There is no system to maintain and preserve relevant documents with vouchers for financial transactions.

Implication: The improper preservation of supporting documentation poses a risk to the accuracy and authenticity of recorded transactions. It may lead to difficulties in verification, auditing, and could result in potential misstatements in financial reporting.

Recommendation: We recommend the immediate establishment of a structured system for preserving supporting documentation with vouchers. Implement a clear and standardized filing process that links documentation to corresponding transactions. This will enhance the reliability of financial records and facilitate effective auditing processes.

4. Aging of receivables & payables not available

Observation: It was noted that there is no systematic aging analysis of receivables and payables within the financial records of JUCHS, leading to a lack of visibility into the timeliness of payments and collections.

Implication: The absence of an ageing analysis for receivables and payables hinders effective cash flow management and may result in delays, missed opportunities for early payment discounts, and potential liquidity issues.

Recommendation: We recommend the implementation of an aging analysis process for both receivables and payables. This involves categorizing outstanding amounts based on their age, enabling better monitoring of payment trends, identification of overdue accounts, and proactive management of cash flow.

5. Cash book & bank book not separately maintained

Observation: It was observed that the cash book and bank book are not maintained as separate financial records. Transactions involving cash and bank transactions are recorded in a single book which is recognized as the cash book.

Implication: The absence of a clear separation between cash and bank transactions hinders accurate financial reporting, making it challenging to reconcile cash balances, monitor liquidity, and ensure the proper recording of financial activities.

Recommendation: We recommend the immediate implementation of a separate recording system for cash and bank transactions. This includes maintaining separate cash and bank books to enhance accuracy and reconciliation processes within JUCHS's financial management.

6. Vouchers not checked & posted on books of accounts properly

Observation: It has been observed during the review of financial transactions that vouchers are not consistently checked and accurately posted in the books of accounts. There is a lack of diligence in ensuring that all transactions are properly recorded.

Implication: The failure to thoroughly check and accurately post vouchers introduces a risk of financial misstatements, and inaccuracies in the books of accounts, and compromises the reliability of the financial information prepared by JUCHS.

Recommendation: We recommend the immediate establishment and enforcement of a voucher review and posting process. This includes implementing controls to ensure that all vouchers are thoroughly checked for accuracy and completeness before being posted in the books of accounts. This will enhance the integrity of financial reporting and promote accountability in the recording of transactions.

7. No fixed assets register

Observation: It has been observed that JUCHS does not maintain a fixed asset register. There is no systematic record-keeping of fixed assets, including their acquisition, depreciation, and disposal.

Implication: The absence of a fixed asset register poses challenges in tracking and managing JUCHS's fixed assets accurately. This lack of documentation may lead to errors in financial reporting, depreciation miscalculations, and difficulties in assessing the overall asset base.

Recommendation: We recommend the immediate formulation of a fixed assets policy including the establishment and maintenance of a comprehensive fixed asset register. This register should include details such as acquisition date, cost, useful life, depreciation, and disposal information. Regular reconciliation with physical asset verification should be conducted to ensure accuracy and completeness.

8. Fixed assets not tagged or identified properly

Observation: It has been observed that the fixed assets of JUCHS do not contain a permanent identification or marking.

Implication: The absence of permanent identification or marking on the fixed asset makes it prone to being misplaced or stolen.

Recommendation: In line with our above observation, we recommend the identification of fixed assets and the implementation of proper internal control on the assets to maintain custody.

9. Non-current assets are not depreciated

Observation: It has been identified that non-current assets are not being depreciated in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). There is a lack of adherence to the established depreciation policies for these assets.

Implication: The failure to depreciate non-current assets appropriately can result in the misrepresentation of JUCHS's financial position, as it may lead to an overstatement of asset values and an underestimation of expenses, contravening IAS and IFRS principles.

Recommendation: We recommend an immediate review and adherence to IAS and IFRS guidelines for the depreciation of all non-current assets. Ensure that the depreciation calculations are accurately applied in accordance with IAS 16 - Property, Plant and Equipment and other relevant standards. Additionally, consider implementing controls to monitor and enforce consistent depreciation practices across all relevant assets.

10. Chart of accounts not available

Observation: It has come to our attention that JUCHS does not have any chart of accounts in place to follow to prepare their financial statements. There is an absence of a structured and standardized system for classifying and recording financial transactions.

Implication: The absence of a chart of accounts introduces challenges in financial management, reporting, and analysis. It hampers JUCHS's ability to organize and categorize transactions systematically, leading to inefficiencies and potential errors in financial recording.

Recommendation: We recommend the immediate development and implementation of a standardized chart of accounts. This should align with international accounting standards and the specific needs of JUCHS, facilitating consistent and accurate recording, reporting, and analysis of financial transactions.

11. Status of various legal cases not available

Observation: We have observed that there are a number of litigations are ongoing, especially regarding various land matters of the Society. Although we have requested the status of cases including the total number of cases pending, case number, court name, last hearing date, number of hearings held so far, expenses incurred against each case and the current status of the case.

Implication: Lack of proper monitoring in this area may incur additional costs due to the lengthiness of land-related cases. Duplicate expenses/charges may be incurred as a result of case tracking.

Recommendation: We recommend that the case status monitoring system should be introduced to reduce the risk of excess or duplicate payment.

12. No policy for internal controls

Observation: It has come to our attention that JUCHS lacks a documented and approved policy for internal control. There is no formalized framework specifying the processes, procedures, and guidelines to ensure effective internal controls.

Implication: The absence of a written and approved internal control policy increases the risk of inefficiencies, errors, and potential fraud. Without clear guidelines, the organization may face challenges in safeguarding assets, ensuring accurate financial reporting, and maintaining compliance with relevant regulations.

Recommendation: We recommend the immediate development and formal approval of a comprehensive internal control policy. This policy should address key areas such as segregation of duties, authorization processes, risk assessment, and monitoring mechanisms. Establishing a robust internal control framework will enhance the organization's governance, mitigate risks, and improve overall operational efficiency.

13. Gate passes not properly maintained

Observation: It was observed that there was no system of prenumbered and 3-copy (book, gate and user) gate pass system.

Implication: This introduces the risk of misappropriation or pilferage of property.

Recommendation: We recommend implementing a proper gate pass system.

14. The Bank reconciliation statement was not prepared

Observation: It has been noted that the organization does not prepare or maintain bank reconciliation statements. There is a lack of a systematic and regular process to reconcile the organization's financial records with bank statements.

Implication: The absence of bank reconciliation statements introduces the risk of undetected errors, discrepancies, or fraudulent activities in financial records. It may lead to inaccuracies in reported cash balances and hinder the organization's ability to identify and address financial discrepancies.

Recommendation: We recommend the immediate implementation of a systematic bank reconciliation process. Ensure regular reconciliation between the organization's financial records and bank statements. This will help identify and rectify discrepancies promptly, ensuring the accuracy of reported financial information.

15. Bonus to employees not always recorded on salary register

Observation: It has come to our attention that bonuses and other allowances paid to employees are not consistently recorded in the salary book. There is a lack of alignment between the recorded salary information and the actual salary paid.

Implication: The failure to accurately record bonuses in the salary book may result in misrepresentation of total compensation, affecting financial reporting accuracy, and potentially impacting employee morale due to discrepancies in reported earnings.

Recommendation: We recommend the immediate implementation of a process to consistently record bonuses in the salary book. Ensure that the salary book accurately reflects all components of employee compensation, including bonuses. Implement controls to verify and reconcile bonus payments with the salary book to maintain financial accuracy and transparency.

16. No policy for employee performance measurement and betterment

Observation: It has been observed that the organization lacks a formalized policy for employee performance measurement and betterment. There is no structured framework outlining the processes and criteria for evaluating employee performance and fostering professional development.

Implication: The absence of a policy for employee performance measurement and betterment may hinder the organization's ability to assess and enhance employee productivity, growth, and job satisfaction. It could impact overall workforce effectiveness and the organization's competitiveness.

Recommendation: We recommend the immediate development and implementation of a comprehensive policy for employee performance measurement and betterment. This policy should define performance evaluation criteria, feedback mechanisms, and strategies for continuous professional development. Regular training and communication of performance expectations will contribute to a motivated and skilled workforce.

Current status & way forward:

The Executive Committee and the audit sub-committee have already started implementing improvements in various areas covered in this report. As part of the process, they have fittingly appointed this Firm to carry out due diligence exercises on the financial information of JUCHS.

J U Ahmed is also committed to providing the Society and the Executive Committee with quality and timely support in their endeavor to implement the best practices in the Society's financial reporting functions. In this context, the Firm expects cooperation in performing the remaining part of the appointment letter.

Prioritizing and implementing the recommendations contained in this report would enable the Executive Committee to achieve its objectives in terms of the financial reporting functions of the Society.

We take this opportunity to convey our thankfulness to the Executive Committee, the Audit Sub-committee and the accounts team of the Society for facilitating the audit and extending their support in the execution of this engagement.

Thank you.

Yours sincerely

Ali Amjad Choudhury FCA
Partner
J U Ahmed & Co.
Chartered Accountants