Greetings of the Day to All the Members of CCI Family.

Friends my last Article was on Audit of EI'S - Audit of Educational Institutes (EI's)

Friends Last Week I got allotted for an Audit of Society, Where I got to know many things which I wasn’t aware of.

So I thought to share my knowledge with all the members of CCI Family.

So let’s start with it friend's -

AUDIT OF SOCIETY - REGISTERED UNDER SOCIETIES ACT, 1860

Before starting with it, Lets first know about basic terms regarding Societies.
(a) Any seven or more persons associated for any literary, scientific, or charitable purpose, or for any such purpose as is described in section 20 of this Act, may, by subscribing their names to a memorandum of association, and filing the same with Registrar of Joint-stock Companies.

(b) The memorandum of association shall contain the following things, that is to say,-

i. The name of the society;

ii. The object of the society;

iii. The names, addresses, and occupations of the governors, council, directors, committee, or other governing body to whom, by the rules of the society, the management of its affairs is entrusted.

iv. A copy of the rules and regulations of the society, certified to be a correct copy by not less than three of the members of the governing body, shall be filed with the memorandum of association.

So I Hope it's sufficient to know about the basic terms of a Society. So before starting the Audit never forget to check the above mentioned Documents.

Government Grant

The first thing which I saw was the client was receiving Grant from "Ministry of Human Resource Development" out of which expenses relating to the welfare of Weaker Section of Society. They were receiving a Grant of Rs 30,00,000 from HRD, So for this we need to check the Following Documents -

a. First of all ask for the Document from the client Containing Consent of Government allowing the Client Grant.

b. Secondly, See whether effect of Grant has been disclosed in the Necessary Accounts i.e. Profit & Loss Account as well as Balance Sheet under respective Head.
c. Then Try to figure out whether the Amount received from the Department has been spent for the purpose specified in the Document.

d. Thoroughly check the Documents and Vouch the respective Receipts and Payments.

**CASH & BANK VOUCHING**

I don’t think I need to give any special lecture on it, but for those who are not aware of it follow the following steps:

a. Whether or not voucher has been prepared for the relevant expense

b. Whether or not the payment was duly authorized

c. If there is any payment above Rs 5,000 - There should be a Revenue stamp affixed to it

d. No payment should be made in cash for a sum of 20,000 or above as per section 40(a)(3) of I.T Act.

e. Vouchers should be duly signed by the Persons in charge.

**TAX DEDUCTED AT SOURCE**

a. First of all I will like to tell everyone that No Exemption is being given to any Society in terms of T.D.S

b. You all will generally see three sections being implemented on Each Client i.e section 194(C), 194(J) and 192.

c. So you can check Form No. 26 Q, 26 AS (Certifying amount of T.D.S Deducted of the Client) and Form No. 16 & 16A (T.D.S Certificate)

d. In 194C you can check up whether Single payment to Contractor is exceeding 30,000 and in Total 75,000 or Not.

e. In 194 I you can check up whether the Payment Exceeds 30,000 or Not.
e. And also you can check up the Counterfoils to confirm whether T.D.S has been Deposited with the Department i.e within 7th of Next Month and in case of March the Date is 30th April.

**Checking Of Provident Fund (EPF)**

a. First of all we need to check whether or not it was deposited within the Stipulated Period - i.e. 15th of Next month

b. And if it has not been deposited within the Due date the in will result in Creation of DTA / DTL

c. General Provisions regarding it - Rate of Deduction - Employee - 12 %

Employer - 3.67 % toward P.F

8.33 % toward Pension

d. Admin Charges, Insurance Charges & P.F - 1.61 %

e. Salary on which P.F will be deducted (Maximum) - Rs 6,500 P.M

**FRAUDS**

a. While doing Audit of a Society you all will notice many frauds as well as Relevant Errors in the Books of accounts.

b. So be very cautious while doing “Ledger Scrutiny “as the client may mislead you by their Tactics.

c. Special focus should be on following points –

- Loan given to employees
- Expenses on staff welfare
- Fixed Assets Purchased
Documents Required

a. If there has been any Addition to Fixed Assets, ask for the Original Bills.

b. Counterfoils to EPF, ESIC Challans.

c. Any important voucher you think relevant.

d. Counterfoils to T.D.S Challans.

So that brings an end to my Article. Any Queries as well as Suggestions are Welcome.

Hope you all will like it.

Thanks & Regards

Sanyam Arora

Recommended Read

- Important Insights for GST Audit of Multi-locational Entities
- Analysis of Audit (CA Final) - May 2019 Paper

ASHISH GUPTA
thanks for this knowlegeable article.

CA SHIVANI BHARDWAJ
Sir would u plz guide abt the audit report format?
Dear Sir, Is the Audit Report of Societies to be Filed online from A.Y. 2013-14.

MOHD SHAHBAZ HUSIAN

Dear Sanyam, I'm also doing audit of a society registered under Ministry of Social Justice and Empowerment these days, kindly tell me that what depreciation rates are applicable to it, and which B/S format.

CA ESHANT PIPLANI

Thanks for sharing.... Please tell the compliances to be fulfilled like any ROC return, any late fees for delay in filing???

HEENA ARORA

all is fyn... but can u pls tel dat is audit of society registered under Society Registration act, 1860 mandatory and if yes pls give any reference..

MOHAMMAD ASLAM

very good and knowledgeable article....

RAJESH CHAUHAN81

Very informative article... thanks for sharing.... could you also summarise application of funds also in case of charitable society.
If you are looking for a good solution for CHS/RWA/Housing Societies account maintenance, you should try out apnacomplex.com.

SANYAM ARORA

Dear Purvi, Go through the following link - http://www.caclubindia.com/articles/auditing-a-beginners-guide-13749.asp

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