

**Auditors' Report
of**

**MUZAFFARABAD PHYSICAL
REHABILITATION CENTRE**

**for the year ended
June 30, 2014**

MUZAFFARABAD PHYSICAL REHABILITATION CENTRE

AUDITORS' REPORT TO THE BOARD OF DIRECTORS

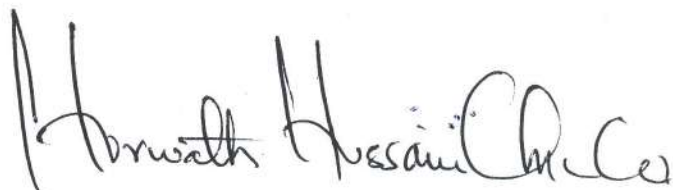
We have audited the annexed receipts and disbursements account of **MUZAFFARABAD PHYSICAL REHABILITATION CENTRE (the Centre)** as at June 30, 2014 together with the notes forming part thereof (here-in-after referred to as the statement), for the six months period from January 01, 2014 to June 30, 2014.

It is the responsibility of the Board of Directors of the Centre to establish and maintain a system of internal control, and prepare and present the statement in conformity with the cash receipts and disbursements incurred basis as described in note 2 to the statement. Our responsibility is to express an opinion on these statements based on our audit

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As described in note 2, the statement has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than the generally accepted accounting principles.

In our opinion the statement present fairly, in all material respects, the cash receipts and disbursements of the **MUZAFFARABAD PHYSICAL REHABILITATION CENTRE** for the six months period from January 01, 2014 to June 30, 2014 on the basis of accounting as described in note 2 to the statement.



HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

Lahore
Dated: 03 DEC 2014

(Engagement Partner: Muhammad Nasir Muneer)

MUZAFFARABAD PHYSICAL REHABILITATION CENTRE

RECEIPTS AND DISBURSEMENTS ACCOUNT FOR THE SIX MONTHS PERIOD FROM JANUARAY 01, 2014 TO JUNE 30, 2014

**Six Months
Period Ending
on June 30,
2014**

	Note	Rupees
RECEIPTS		
Receipts from International Committee of the Red Cross (ICRC)	3	21,043,087
Receipts from AJK Government Zakat Fund		200,000
Profit on bank deposit		207,919
Other income - donations		103,070
		21,554,076
DISBURSEMENTS		
Personnel cost	4	10,908,591
Project cost	5	1,061,844
Operational cost	6	2,416,613
		14,387,048
SURPLUS FOR THE PERIOD		<u>7,167,028</u>

The annexed notes forms an integral part of this receipts and disbursements account.


CHAIRMAN
(Board of Directors)


DIRECTOR

MUZAFFARABAD PHYSICAL REHABILITATION CENTRE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD FROM JANUARAY 01, 2014 TO JUNE 30, 2014

Note 1

The Centre and its Operations

Muzaffarabad Physical Rehabilitation Centre (the "Centre") was established by Memorandum of Understanding (MoU) signed by International Committee of the Red Cross (ICRC) and Department of Health, Azad Jammu and Kashmir (AJK) Government in April 2006 for construction of building for rehabilitation centre. On completion of construction of building in October 2007 both parties signed a cooperation agreement concerning physical rehabilitation services in AJK territory. It was also agreed that the Centre will be handed over to the Department of Health, AJK Government at completion of the agreement.

In January 2013, AJK Government passed Muzaffarabad Physical Rehabilitation Centre Ordinance establishing the Centre as an autonomous body. Later this Ordinance was replaced by Muzaffarabad Physical Rehabilitation Centre Act, 2014 (Act XVII OF 2014) passed by the Legislative Assembly of the AJK. Department of Health, AJK Government has deputed a permanent representative to serve as Director and Member on the Board of Directors of the Centre. On June 20, 2013 Board Members were accepted and an advisory committee was formed to guide and advise on the hand over process, and list of assets to be handed over to the Centre by ICRC was tabled and approved.

The main objective of the Centre is to provide treatment and rehabilitation services / appliances to patient needing orthotic and prosthetic devices. The Centre is located at C.M.H Road, Muzaffarabad.

The Centre was operated as a component of ICRC from April 2006 to December 31, 2013. All the assets and liabilities were handed over to the management of the Centre as on December 31, 2013.

Operating fixed assets donated by ICRC to MPRC are as follows:

- Building for MPRC office
- Toyota Hiace
- Diesel generators
- Water pump
- IT equipment
- Furniture and fixtures
- Office equipment

These assets have not been accounted for in the financial statements as per the practice of the Centre as these were fully charged to the project in previous years.

Note 2

Basis of Preparation

This receipts and disbursements has been prepared on receipts and disbursements basis of accounting whereby the revenue is recognised when received rather than when earned and expenses are recognised when payments are made rather than when incurred.

Note 3

Receipts from International Committee of the Red Cross (ICRC)

As per the Cooperative Agreement for assisting physically disabled persons among The Department of Health Azad Jammu & Kashmir, the Muzaffarabad Physical Rehabilitation Centre (MPRC) and International Committee of the Red Cross (ICRC); ICRC will provide monthly funding to MPRC upto the Year 2018 as per the Cooperative Agreement.

Note 4

Personnel Cost

**Six Months
Period Ending on
June 30, 2014**

Rupees

Employees salaries	10,724,015
Tea item employees	129,224
Medical cost	55,352
	<u>10,908,591</u>

Note 5

Project Cost

**Six Months
Period Ending on
June 30, 2014**

Rupees

Patient food	969,877
Ortho material - local purchase	85,769
Medical items	3,838
Patient transportation	2,360
	<u>1,061,844</u>

Note 6

Operational Cost

**Six Months
Period Ending on
June 30, 2014**

Rupees

Fuel	761,600
Electricity expense	676,271
Gas expense	294,617
Water charges	42,800
Housing and cleaning materials	138,749
Printing and stationery	101,657
Postage and communication expenses	77,828
Repairs and maintenance - building	73,100
Repairs and maintenance - machines	11,095
Repairs and maintenance - vehicles	4,504
Spares - vehicle and generator	55,724
Advertisement	50,079
Travelling, boarding and lodging	37,013
Bank charges	25,267
Gardner services	20,510
Refilling of fire extinguishers	17,850
Newspaper subscription	10,322
Goods transportation	11,880
Refreshment expenses	2,675
IT material	3,072
	<u>2,416,613</u>

Note 7

Cash and Bank Balances

	June 30, 2014
	Rupees
Cash in hand	41,346
Cash at bank	<u>7,778,742</u>
	<u>7,820,088</u>
Liabilities of the Centre as at June 30, 2014:	
Employees' Contributory Provident (CP) Fund	<u>608,060</u>
Security deposit withheld	<u>45,000</u>
	<u>653,060</u>
	<u><u>7,167,028</u></u>

Note 8

Authorization of Receipts and Disbursements Account

This receipts and disbursements account has been authorized by the Board of Directors on December 03, 2014

Note 9

General

All the figures have been rounded off to the nearest rupee.


CHAIRMAN
(Board of Directors)


DIRECTOR



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December 03, 2014

Board of Directors,
Muzaffarabad Physical Rehabilitation Centre
Muzaffarabad

MANAGEMENT LETTER

Dear Sir,

We have completed the audit of financial statements of **Muzaffarabad Physical Rehabilitation Centre (the Centre)** for the six months period ending on June 30, 2014. This letter intends to highlight system weaknesses and other matters observed by us during the course of our audit. The observations enlisted in this letter should not be taken as giving an exhaustive account of all shortcomings present because our audit procedures were applied on a test basis. The detection and prevention of errors and anomalies rests with the management and our findings should only be used as guidance to improve the overall affairs of the centre.

1. BALANCE SHEET

Observation

We observed that the management of the Centre is not incorporating fixed assets (building, equipment etc) and inventories in the balance sheet thus fixed assets and liabilities of the Centre not appearing in the financial statements.

Recommendation

The management is recommended to prepare the balance sheet and record all the assets (building and equipment etc), inventories and liabilities in its financial statements.

Management Comments

As per the TOR of the audit and approval from MPRC BOD, MPRC is maintaining cash basis of accounting. Also as per submitted auditor notes to the accounts of MPRC the receipt and disbursement have been prepared on the basis of cash. Please also refer to copies of donation certificates of fixed assets provided to you, the monetary value and



the age of the asset also not shared by the donor organization. These assets were also in use of donor organization for more than seven years before handing over to newly establish MPRC structure.

2. SUPPLIER AGREEMENTS

Observation

During the course of our audit, we observed that the Agreements with the vendors are not documented on judicial stamp papers.

Recommendation

We recommend that all the signed agreements should be on judicial stamp papers to enhance their reliability.

Management Comments

All the vender agreements are done after proper advertisement and subsequently approved by the BOD formulated committees. Agreements are done on MPRC official letter pads with witnesses and proper signatures.

3. EMPLOYEE'S CENTRE PROVIDENT FUND

Observation

We observed that the management has not created a separate Trust for the Employees Provident Fund; the management of the Centre is the custodian of the money received on account of Employees Provident Fund.

Recommendation

It is recommended that the Centre shall constitute a Trust for the Employees Provident Fund under Section 20 of Trust Act, 1882 in compliance with the best operating practice.

Management Comments

As per MPRC Act clause 15 section(b)" Nothing in sub-section (1) shall be deemed to preclude the Board from investing any such moneys which are not required for immediate expenditure in any of the securities described in section 20 of the Trust Act, 1882 (Act No. II of 1882), or placing them in fixed deposit with a Bank approved by the Board or in such other manner as may be approved by it".



As per the decision of the BOD and after consultation with MPRC employees we have opened separate Islamic bank account for employee's contribution fund also in compliance with above mentioned MPRC ACT clause.

4. COMPUTERIZED ACCOUNTING SOFTWARE

Observation

We observed that the Centre does not have any accounting software to properly record and maintain its financial information electronically.

Recommendation

We recommended that the management should implement appropriate accounting software to meet its reporting requirements and avoid human errors in data processing, if any.

Management Comments

Please suggest us appropriate software can be used with should be cost effective for an organization with the size of MPRC.

We trust that the Board of Directors shall make use of our suggestions for improving the accounting and internal control system of the Centre.

In the end we would like to place on record our appreciation for the co-operation extended by the management and staff in timely completion of the audit assignment.

Yours truly,

Horwath Hussain Ch & Co