

ROSHANARA CLUB LIMITED

Annexure B to the Independent Auditor's Report of even date on the Financial Statements of Roshanara Club Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Roshanara Club Limited ("the Club") as of March 31, 2016 in conjunction with our audit of the financial statements of the Club for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Club's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Club considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Club's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Club's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Club's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Club's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Club's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Club; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Club are being made only in accordance with authorisations of management and directors of the Club; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Club's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified opinion

According to the information and explanations given to us and based on our audit, the following material weakness has been identified as at March 31, 2017:

- a) The Club did not have an appropriate internal control system for maintaining and preserving books of account and keeping backups of past years.
- b) Trade receivables in the financial statements includes (i) certain amounts due from members wherein the name of members are not available, and (ii) amounts allegedly received from members wherein the names of members from whom such sums have been received are not available. These amounts so received have been adjusted against overall trade receivables.
- c) Consequent to filing of income tax returns of various past years refunds of extra taxes paid was due from income tax department. However, due to lack of follow up with the income tax department these amounts were not received and have been written off in the books of account of the current financial year. In fact in some cases income tax department recovered further taxes from the club even though refunds were due as per returns filed.

Reasons for non receipt of refunds and recovery of further taxes as above is not available with the club.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the effects/possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Club has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Club considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2017 financial statements of the Club, and the material weakness, except as mentioned in our report on financial statements, does not affect our opinion on the financial statements of the Club.

For M/s. D. G. & Co.
Chartered Accountants
Firm's Regn. No. 007214N

Place : New Delhi
Date : 31/08/2017

Dinesh Gupta
Partner
Membership No. 086089