# CA CERTIFICATES AND AUDIT REPORT UNDER MAHARERA

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#### History

- Real Estate Regulation and Development Act, 2016 was passed by the Central Government on 25<sup>th</sup> March 2016. Law became effective May 1, 2017
- Real Estate (Regulation and Development) (Registration of Real Estate Projects, Registration of Real Estate Agents, rates of interest and Disclosure on website) Rules 2017 were notified on 20th April 2017 by Maharashtra State
- MAHA-RERA authority issued the Maharashtra Real Estate Regulatory Authority (General) Regulations, 2017 on 24<sup>th</sup> April 2017
- Housing being a concurrent subject, the Act is passed by the Centre and Rules/Regulations by States

#### PURPOSE OF RERA

- Ensure Accountability of Promoters and Real Estate Agents
- Infuse Transparency
- Ensure Fair-play and Reduce Frauds & Delays
- Introduce Professionalism
- Symmetry of Information
- Imposing Responsibilities on Promoters
- Imposing Responsibilities on Real Estate Agents
- Imposing Responsibilities on Allottees
- **Establish Regulatory Mechanism**

#### PURPOSE OF RERA (contd.)

- Establish Fast- track Dispute Resolution Mechanism (3700 + orders till date)
- Promote Good Governance in the Real Estate Sector
- Total projects registered till date are 21,000 and total Real Estate Agents registered are 20,000

#### Registration under RERA

- Registration of a real estate project is required before advertising, marketing booking, selling or offering for sale in any manner
- No registration is required where land does not exceed 500 sq. mt. OR no. of apartments do not exceed 8
- No registration is required where CC or OC was obtained before the commencement of the Act
- No registration is required in case of renovation, re-development or repair of building not involving sale

RERA applies to the whole of India except J&K. Applies to all districts in Maharashtra (beause as per MRTP Act, entire Maharshtra State including rural areas are notified as planning areas)

The authority has clarified that RERA applies also to projects which are not registered with MAHARERA

Apartment – by whatever name called will include residence, office, shop, showroom, Godown, used for the purpose of residential, commercial or industrial use

**Building** includes any structure or erection or part thereof intended for residential, commercial or industrial use or any other related use

Phase of a real estate project may include a building or a wing of a building or defined number of floors in a building or wing

Carpet area means net usable floor area of an apartment including internal walls but excluding external walls

#### Real estate project means the:

- <u>development</u> of a building or
- the development of land into <u>plots</u>
- includes the common areas, the development works, all improvements and structures thereon

for the purpose of <u>selling</u> the same (includes long term lease)

#### **Does not include:**

Renovation, repair or re-development which does not include marketing, advertisement, selling or new allotment

- Development means carrying out the development of immovable property, engineering or other operations in, on, over or under the land or the making of any material change in any immovable property or land and includes re-development
- Development Works means the <u>external</u> development works and <u>internal</u> development works on immovable property

**External** Development Works includes roads and road systems landscaping, water supply, sewerage and drainage systems, electricity supply transformer, sub-station, solid waste management and disposal or any other work which may have to be executed in the periphery of, or outside a project for its benefit, as may be provided under the local laws

Internal development works means roads, footpaths, water supply, sewers, drains, parks, tree planting, street lighting, provision for community buildings and for treatment and disposal of sewage and water, solid waste management and disposal, water conservation, energy management, fire protection and fire safety requirements, social infrastructure such as educational, health and other public amenities or any other work in a project for its benefit, as per sanctioned plans

means the total cost involved in developing the real estate project and includes the land cost, taxes, cess, development and other charges

Section 4 specifies that every promoter shall make an application for registration including a declaration supported by an affidavit that –

- Sec. 4(2)(*l*)(*d*) 70% of the amounts received from allottees will be deposited in a separate bank account to be maintained with a scheduled bank to cover the construction cost, land cost and shall be used for that purpose only
- Provided that the promoter shall withdraw the amounts from the said account in <u>proportion to</u> <u>the % of completion of the project</u>

- Provided that the amounts will be withdrawn after it is certified by an Architect, an Engineer and a CA in practice (other than the statutory auditor) that the withdrawal is in proportion to the % of completion of the project
- Provided also that a promoter shall get his accounts audited from a CA in practice (statutory auditor as per Rules) within 6 months from the end of the financial year and it shall be verified during the audit that the amounts collected for a particular project have been utilised for the project and the withdrawal has been in proportion to the % of completion of the project

#### RERA and AS 29

- Section 14(3) a promoter is liable for structural defects or defects in workmanship, quality, or service or any other obligation under the agreement for sale for a period of 5 years
- Therefore Real Estate entities should make a provisions in their accounts under AS 29
- It will be our duty to comment on adherence to AS 29 and hence we need to be watchful for event occurring during the year which may trigger consequences of section 14(3) of RERA

### RERA AND % COMPLETION METHOD

- Section 18(1) if a promoter fails to complete the project or fails to hand over possession in terms of the Agreement for sale he shall be liable to return to the allottees the amounts received from them, if they wish to withdraw from the project
- Fig. 16 If a Real Estate Entity is following "Percentage Completion Method" and if it faces the eventuality of section 18(1) then reversal of the revenue to the extent of cancellation of sale will have to be done

# IMPORTANT TERMS UNDER (MahaRERA Rules) befroe amendment of 6th June 2019

#### The land cost shall include,

- (i) Cost of acquisition of ownership and title including its lease charges, overhead cost, *marketing cost*, legal cost and supervision cost;
- (ii) Premium payable to obtain development or redevelopment rights;
- (iii) Amount paid for acquisition of TDR;
- (iv) Premium for grant of FSI

# IMPORTANT TERMS UNDER (MahaRERA Rules) befroe amendment of 6th June 2019)

#### The land cost shall include (...contd.)

- (v) Consideration payable to the outgoing developer to relinquish the ownership
- (vi) Stamp Duty, transfer charges, registration fees etc.; and
- (vii)ASR linked premiums payable by any Promoter for obtaining right for redevelopment of lands owned by Public Authorities

#### IMPORTANT TERMS UNDER (MahaRERA Rules) befroe amendment of 6th June 2019

#### Land Cost (when not paid for):

Where the promoter acquires land due to inheritance, gift or otherwise and is not required to incur any cost it will be ascertained from the <u>ASR</u> prepared under the provisions of the Maharashtra Stamp Act, <u>relevant on the date of registration</u> of the real estate project

The rules have been amended on 6<sup>th</sup> June 2019 and the definition of land cost has undergone significant change.....

### Amended Rules w. e. f. 6<sup>th</sup> June 2019

Rule 5(ii), Explanation I and II which defines Land Cost (as covered in earlier two slides) has been omitted and replaced with the following:

In ascertaining the cost of completion of percentage of the project, the land cost shall be reckoned on basis of the value of the land as ascertained from the Annual Statement of Rates (ASR) prepared under the provisions of the Maharashtra Stamp Act, relevant on the date of registration of the real estate project

(need legal view since this can have serious impact)

### Amended Rules w. e .f. 6<sup>th</sup> June 2019

#### Following explanations added to Rule 5

"Explanation IV-all cost items should be mutually exclusive. There should not be any double counting of costs.

Explanation V-The development cost or cost of construction of the project shall not include marketing and brokerage expenses towards sale of apartments. Such expenses though part of the project cost, should not be borne from the amount that is required to be deposited in the designated separate account."

### Amended Rules w. e .f. 6<sup>th</sup> June 2019

#### Clause (iii) has been added to Rule 5:

Application of provisions of sub-clause (b) of clause (i) to ongoing projects.—

The provisions of sub-clause (b) of clause (i) regarding submission of certificates to scheduled bank for withdrawal of amount shall mutatis mutandis apply in case of ongoing projects."

Before the amendment the rule of submission of 3 certificates for withdrawal from specified bank account was applicable only to new projects registered after commencement of the Act

### IMPORTANT TERMS UNDER (MahaRERA Rules)

The cost of construction shall include

- on-site and off-site expenditure for the development of the Real Estate project
- Principal sum and interest, paid or payable to any financial institutions including scheduled banks or NBFCs or money-lenders (registered under the Maharashtra Money-Lending Regulation Act, 2014) for the Real Estate Project
- Interest on unsecured loans from friends and relatives is not covered

Project Costs - Project costs in relation to a project ordinarily comprises of :

- (a) <u>Cost of land and cost of development rights</u> -All costs related to the acquisition of land, development rights in the land or property including cost of land, cost of development rights, rehabilitation costs, registration charges, stamp duty, brokerage costs and incidental expenses.
- (b) <u>Borrowing Costs</u> Borrowing Costs which are incurred directly in relation to a project or in accordance with Accounting Standard (AS) 16, which are apportioned to a project.

(c) <u>Construction and development costs</u> – These would include costs that relate directly to the specific project and costs that may be attributable to project activity in general and can be allocated to the project.

Construction costs and development costs that relate directly to a specific project include:

- (a) land conversion costs, betterment charges, municipal sanction fee and other charges for obtaining building permissions;
- (b) site labour costs, including site supervision;

- (c) costs of <u>materials</u> used in construction or development of property;
- (d) <u>depreciation</u> of plant and equipment used for the project;
- (e) costs of moving plant, equipment and materials to and from the project site;
- (f) costs of hiring plant and equipment;
- (g) costs of design and technical assistance that is directly related to the project;
- (h) estimated costs of <u>rectification</u> and guarantee work, including expected warranty costs; and
- (i) <u>claims</u> from third parties.

The following costs **should not be considered** part of construction costs and development costs if they are material:

- (a) general & administration costs;
- (b) selling costs;
- (c) research and development costs;
- (d) depreciation of idle plant and equipment;
- (e) cost of unconsumed or uninstalled material delivered at site; and
- (f) payments made to sub-contractors <u>in advance</u> of work performed.

Costs that may be <u>attributable</u> to project activity in general and can be allocated to specific projects include:

- (a) insurance;
- (b) costs of design and technical assistance that is not directly related to a specific project; and
- (c) construction or development overheads; and
- (d) borrowing costs.

#### DESIGNATED BANK ACCOUNT

- A Separate Bank Account for RERA Compliance (RERA account) is required per project registered under RERA
- With a Scheduled Bank
- 70% of receipts from allottees are to be deposited in this account. This is applicable for every realisation and not to be done on period basis
- The withdrawal from this account has to be in proportion to % completion of work

#### DESIGNATED BANK ACCOUNT

- Promoter is required to obtain Certificate from an Architect, Engineer and CA (Form 1,2,3) per withdrawal
- Promoter is required to file quarterly declaration to the bank that withdrawals are in proportion to work completion and are backed by requisite certificates (Circular no 3/2017 dated 7<sup>th</sup> June 2017)
- The interpretation that the withdrawal certificates are required quarterly is incorrect

#### Certificate of Quality by Supervising Engineer

- Certificate of Quality by Supervising Engineer has been mandated for projects registered after December 1, 2018
- It is to be submitted quarterly
- The format has been prescribed form 2A

(prescribed by MAHARera Order no 5/2018 dated 26th November 2018)

#### JOINT DEVELOPMENT

- Most of the real estate deals take place in the form of Joint Development
- In most cases of Joint Development, the land owner is paid under revenue sharing arrangement or area sharing arrangement
- In both the arrangements Land Owner is treated as Promoter and has to file form B with affidavit at the time of registration
- These provisions also apply to Investors who are entitled to revenue share or area share. So Investors also become Promoters

#### Joint Development

Circular no 12/2017 dated 4th July 2017, Land owners and investors having revenue share or area share

- There was an office order from MHARERA dated 11<sup>th</sup> May 2017 which classified Land owners and investors having revenue share or area share, as co-promoters
- Circular no 12 replaces the Office Order
  - Land owners and investors having revenue share or area share are to be treated as promoters at the time of registration

#### Joint Development

- They should open specified bank account for deposit of 70% of the amount they receive <u>from</u> area share they sell
- They are at par with the promoter (developer) as far as withdrawals from bank accounts are concerned
- The liabilities of such promoters will be coterminus with the written agreement / arrangements governing their rights in real estate projects
- They should file form B declaration at the time of registration

### Joint Development-illustration under revenue sharing arrangement

- The Developer and Land Owner enter into a Joint Development Agreement to develop the land into a residential/commercial project.
- The terms of the consideration are **Revenue Sharing** in the ratio of Developer 60: Land

  Owner 40
- The Estimated and Incurred Land Cost is Rs. 5 Crores
- The Estimated Cost of Construction is Rs. 15 Crores and Incurred Cost is Rs. 3 Crores.

- Since, the Maha-RERA does not mandate the promoters to have separate bank accounts when the terms of JDA are on the basis of Revenue Sharing, it is preferable to have a joint Separate Bank Account (SBA) for RERA purposes.
- Hence, the Form 3 shall be computed as per the combined estimates and costs incurred by both the promoters.
  - The Sample Form 3 may be the following:

Sr. No.	Particulars	Estimated	Incurred
1.	Land Cost	5 Crores	5 Crores
2.	Cost of Construction	15 Crores	3 Crores
3.	Total Estimated Cost	20 Crores	
/4.	Total Incurred Cost		8 Crores
5.	Proportion of Cost Incurred		40%
6.	Amount that can be withdrawn		8 Crores
7.	Less: Amount already withdrawn		0
8.	Net amount that can be withdrawn		8 Crores

- The Developer and Land Owner enter into a Joint Development Agreement to develop the land into a residential/commercial project
- The terms of the consideration are **Area Sharing** in the ratio of Developer 50 : Land Owner 50
- The Estimated and Incurred Land Cost is Rs. 5 Crores incurred by the Landowner Promoter as per Explanation II to Rule 5 of the Maha- RERA Rules or Circular 7/2017. Further, the Developer Promoter has incurred a Land Cost (TDR, Premium) of Rs. 3 Crores.
  - The Estimated and Incurred Cost of Construction is Rs. 15 Crores and Rs. 3 Crores respectively, solely incurred by the Developer Promoter

- Since, Maha-RERA has specifically mandated both the promoters in the JDA to have different Specified Bank Accounts when the terms are "Area Sharing basis", two different Form 3 for different Specified Bank Accounts are required
- There are two possible ways of computing withdrawable amounts
- In Option I, the costs shall be directly attributed to the concerned promoter incurring the cost
- In Option II, the total costs shall be attributed to the concerned promoter on the basis of the Area Sharing Ratio

### Possible computation I

#### **FORM 3 of the Land Owner Promoter**

Sr. No.	Particulars	Estimated	Incurred
1.	Land Cost	5 Crores	5 Crores
2.	Cost of Construction	Nil	Nil
3.	Total Estimated Cost	5 Crores	
4.	Total Incurred Cost		5 Crores
5.	Proportion of Cost Incurred		100%
6.	Amount that can be withdrawn		5 Crores
7.	Less: Amount already withdrawn		0
8.	Net amount that can be withdrawn		5 Crores

### Possible computation I

#### **FORM 3 of the Developer Promoter**

Sr. No.	Particulars	Estimated	Incurred
1.	Land Cost	3 Crores	3 Crores
2.	Cost of Construction	15 Crores	3 Crores
3.	Total Estimated Cost	18 Crores	
4.	Total Incurred Cost		6 Crores
5.	Proportion of Cost Incurred		33.33%
6.	Amount that can be withdrawn		6 Crores
7.	Less: Amount already withdrawn		0
8.	Net amount that can be withdrawn		6 Crores

### Possible computation II

#### FORM 3 of the Land Owner Promoter and Developer Promoter (due to equal share)

Sr. No.	Particulars	Estimated	Incurred
1.	Land Cost	4 Crores	4 Crores
2.	Cost of Construction	7.5 Crores	1.5 Crore
3.	Total Estimated Cost	11.5 Crores	
4.	Total Incurred Cost		5.5 Crores
5.	Proportion of Cost Incurred		47.82%
6.	Amount that can be withdrawn		5.5 Crores
7.	Less: Amount already withdrawn		0
8.	Net amount that can be withdrawn		5.5 Crores

(Circular no 7/2017 dated – For CA certificate...its like a Master Circular)

- The term **incurred** would mean amount of product or service received creating a debt in favour of the supplier and shall also include the amount of product or service received against the payment
- So it is necessary to have **received** and **applied** the product or service to construction

- Mere payment of advance or cost of unused product or service would not amount to cost of construction incurred
- In case of **increase in cost** of construction due to extra or additional items, such increase can be added to on-site costs

Although Rules use the word "principal amount of loan" in the definition of cost of construction, only interest amount should be considered. The principal amount is to be shown in bracket in form 3

- Pass through charges like stamp duty, registration fee, share capital of the society, corpus fee, GST etc. should be deposited in a separate bank account BUT NOT IN THE SPECIFIED RERA BANK ACCOUNT
- Income tax paid by the promoter is not cost of construction

- RERA bank account is a **No Lien** Account (So Banks do take lien on 30% account + ensure withdrawals from 70% account get transferred to 30% account)
- Excess money in the account can be converted into No Lien FD but loan cannot be obtained by creating charge on those FDs

- CA has to certify that 70% of the amount collected from allottees (apart from pass through charges) is deposited in separate bank account
- In case of cancellation of apartments, **refunds by promoters** to allottees can be treated as cost of construction to the extent of 70% of such refunds

	Description	Estimat	ed Cost
Sr. No.		Amount (`)	Percentage of charges over total project cost
	Carpet area = 5400 ft <sup>2</sup> , Sellable area = 7019 ft <sup>2</sup>		
А	Amount to be paid against <u>land cost</u> (e.g. land cost to owners etc.)	85,00,000	23.95%
В	Estimated expenses related to land purchase / acquisition (excluding land cost)		
1	Charges related to Development agreement (e.g. Documentation charges - Advocate's fees, stamp duty, LBT, Registration charges, paging charges, overheads)	5 20 800	1.47%
2	Charges related to Power of Attorney (in case of Agreement to Sale) - e.g. Documentation charges - Advocate's fees, stamp duty, LBT, Registration charges, paging charges, overheads	14,400	0.04%
С	Estimated cost related to Transfer of Development Rights (e.g. Documentation charges - Advocate's fees, stamp duty, LBT, Registration charges, paging charges, overheads, TDR utilisation)	44 20 140	12.45%
D	Commission of agents related to land		
D	commission of agents related to land		
E	N. O. C. Charges of existing society		

	F	Estimated rent (in case of re-development project)	1,00,000	0.28%
(	G	Estimated relocation expenses (in case of re-development project)		
ł	Н	Estimated cost due to borrowed funds (e.g. Interest amount on loan from individual / private financiers, project loan related charges, bank guarantee related charges, Interest amount on loan from financial institutions)		6.76%
	I	Estimated allied, administrative and overhead charges		
	1	Estimated cost of marketing, publicity / advertisement, sponsorship and donations		
;	а	Charges related to advertising (e.g. hoarding, print media, brochures, etc.)	1,00,000	0.28%

I	Estimated allied, administrative and overhead charges contd		
2	Estimated cost of functions / ceremonies		
a	Land breaking / Launching Ceremony (e.g. invitations, pandal, Pooja, Reffreshments, ceremonial securirty gaurds, ceremonial signages)		0.14%
b	Vijayadashmi Pooja (e.g. invitations, pandal, Pooja, refreshments, ceremonial securirty gaurds, ceremonial signages)		0.07%
С	Diwali (e.g. greetings, gifts, refreshments)	1,17,500	0.33%
	Handing-over ceremony (e.g. invitations, pandal, refreshments, ceremonial securirty gaurds, ceremonial signages, documentation part)		0.141%

	3	Estimated cost of staff salary - department-wise (other than construction related staff) - 8 months		
	а	Administration (e.g. Receptionist, Office assistant)	66,000	0.19%
	b	Sales (e.g. Sales Executive)	1,60,000	0.45%
	С	Accounts (e.g. Junior Accountant)	66,000	0.19%
	J	Estimated construction related expenses		
/	1	Estimated fees of consultants (e.g. architect, electrical consultant, services consultant, structural consultant, certified copy expenses etc.)	2,30,000	0.65%
	2	Estimated statutory expenses (e.g. Document collection - Liaison, Statutory charges of local authority like demarcation related, Overheads, plan sanctioning related, drainage connection related, road development charges, plot handing over, property tax, N. A. tax etc.)	10,00,000	2.82%

J	Estimated construction related expenses contd		
3	Estimated cost of preliminary infrastructure set-up (e.g. land survey, bore-well, pump along with the accessories and piping for bore-well, water tanker, electricity related charges, construction meter, deposit with electricity supplying organisation etc.)	1,55,333	0.44%
4	Estimated cost of staff salary - department-wise (Construction related staff of builder / owners)		
a	Estimation and Billing (e.g. Assistant Manager)	1,05,600	0.30%
/			
k	Purchase (e.g. Store - keeper etc.)	39,600	0.11%
C	Quality Control (e.g. Senior Engineer)	1,32,000	0.37%
c	Site Execution (e.g. Senior Engineer, Site Supervisor)	4,96,000	1.40%

J	Estimated construction related expenses contd		
5	Estimated cost of allied expenses (e.g. Insurance charges like building under construction, labourers, staff, visitors, head office premises, medical assistance or 'Doctor-on-call' services for site, telephone bills, petrol expenses of staff or conveyance charges, charges related to staff for outstation, housekeeping charges of head office premises, monthly electricity bills of head office, head office taxes)	1,92,826	0.54%
6	Estimated cost of security agency	92,000	0.26%
7	Estimated cost of watchman salaries	72,000	0.20%
8	Estimated cost of material testing charges (e.g. Water analysis test, Strata test, Fine aggregate, coarse aggregate, Cement testing, Steel etc.)		0.18%

	J	Estimated construction related expenses contd		
	9	Estimated cost of 'Temporary Infrastructure' set-up (e.g. temporary compound, gate, site office, name boards, facilities for labour, furniture, stationery for maintaining records, tools equipments, machinery, stores, safety equipments etc.)	4,79,600	1.35%
	10	Estimated expenses related to electricity meters (e.g. single phase meter, three phase meter)	25,600	0.07%
/				
	11	Estimated cost of 'Temporary Infrastructure' winding up and 'Handing Over' process	25,000	0.07%
	K	Estimated cost of construction	1,46,78,129	41.36%
	L	Estimated fees of constructor (e.g. Contract with constructor, fees of constructor, VAT or service tax))		
	L			

M	Estimated charges related to 'Conveyance'		
1	In case of 'Apartment Condominium' formation (e.g. Documentation charges, Stamp duty for Deed of Declaration, Registration charges of Deed of Declaration and paging, Overheads, Documentation charges of Deed of Apartment, Stamp duty, Registration charges, overheads, furniture for society office set-up)	69,600	0.20%
	Estimated commence for modified changes in International		
N	Estimated expenses for making changes in 'Statutory Records' as per conveyance (e.g. expenses to put / add name of Apartment Condominium or Society on property card / 7-12 extract, Expenses to put / add name of flat owners in the record of electricity board, Expenses to put / add name of flat owners in the record of municipal property tax department)	·	0.13%
0	Estimated cost of overheads	10,00,000	2.82%

- The role of a CA is carved out in Section 4(2)(l)(D) and Rule 5. Both (and circular no. 7) specify that the certification should be with reference to % of completion of a project
- Form 3 withdrawal certificate is based on cost incurred / total estimated cost of the project
- Form 5 annual audit report requires certification that withdrawals are in proportion of % of completion of a project
- of completion of a project need not match with cost incurred to total estimated cost...?
- Withdrawals in case of part booking...

- Explanation I to Rule 5(ii) definition of land cost includes marketing cost which is redundant
- Rule 5 expl. 3 excludes "interest paid on loans raised for land or TDR. But Form 3 Land cost as well as circular no 7, includes interest on loan taken to purchase land..??
- Form 5 Annual audit report requires certification by CA that he / she has examined "prescribed registers" which are not defined in the Act, Rules or Regulations

- Circular no 7 defines "fair market value of land means **indexed cost of land** (on the lines of Income Tax Act....
- The Act/Rules/Regulations do not contain any reference to fair market value. So it is to be seen how and where to use this explanation
- Rules define land cost in cases of inheritance or gift or will as ASR value on the date of the registration of the project
- Whether circular no 7 overrides the Rules???

- Section 4(2)(l)(D) requires a promoter to file a declaration with an affidavit that the amounts withdrawn from the RERA bank account are used only for the purpose of cost of construction and land cost
- Circular 7 says— "The Authority recommends that the amount withdrawn should **preferably be utilised** for the purpose of completion of the project and there is **no end use restriction.** Can circular override the Act???
- Form 5 requires a clear mention by statutory auditor that money withdrawn from specified bank account is used only for that project....?

## RESTRUCTURING OF ACCOUNTING WORKING PAPERS

- Revenue, expenses, assets and liability accounts should be re-structured per RERA registration no. All supporting documents should bear RERA registration no. or allocation thereof in case the cost is to be apportioned
- Obtaining invoices from suppliers and contractors and recording the same in the books ASAP is very important for cost certification. Payment of advances without recording invoices won't help

### RESTRUCTURING OF ACCOUNTING WORKING PAPERS

- <u>Data</u> should be generated per RERA registration no. on cumulative basis <u>YTD</u> basis which will ease the process of certification
- Preserve <u>authenticated</u> Trial balances for YTD
- Obtain Management Representation Letters in case of technical matters / estimations
- Obtain <u>written opinions</u> from Legal Experts, Architects and Engineers of the Project
- Add <u>notes / assumptions</u> to the certificates and audit reports wherever required

# Standards on Audit and Assurance Engagements (SAE)

- Please follow Standards on Assurance Engagements (SAE) 3000 – 3399 (form 3) for withdrawal certification
- Please follow Standards on Audit (SA 200-800) for issuing annual audit report (form 5) under RERA

### Opportunities and Responsibilities

- Section 4 of the Central Act empowers <u>a CA (who is not auditor)</u> to issue withdrawal certificate
- Opportunity = registered real estate projects going on (21K) \* no of withdrawals from registration stage to completion (say 12) p. a.
- Section 4 empowers <u>statutory auditor</u> to issue annual audit report form 5 (Company v/s others)
- Opportunity = registered real estate projects going on (21K) \* no of years from registration to completion (say 3 to 4)
- Responsibilities = Huge. Say "no " when you want to say "no"
- **Fees....??**

### THANK YOU!!

### **NATU & PATHAK**

**Chartered Accountants**