



KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION

62
CELEBRATING
YEARS
1957-2018

CA Raghavendra Shetty
President

CA Kumar S Jigajinni
Secretary

To,

Date: September 24, 2018

The Interim Real Estate Regulatory Authority - Karnataka
2nd Floor, Silver Jubli Block
Unity Building, CSI Compound
3rd Cross, Misson Road
Bengaluru – 560 027

Dear Sir,

Sub: Request for clarifications and extension of filing timeline for audit under Section 4 of the Real Estate (Regulation and Development) Act 2016 ("RERA")

The Karnataka State Chartered Accountants Association (R) (in short '**KSCAA**') is an association of Chartered Accountants, registered under the Karnataka Societies Registration Act, in the year 1957. KSCAA is primarily formed for the welfare of Chartered Accountants and represents before various regulatory authorities to resolve the professional problems faced by chartered accountants and business community.

We have written to regulators and administrative bodies many a times populating issues and possible solutions. Herein, we are presenting before your good selves the difficulties and hardship faced by the trade sector and consultants at large in the domain of RERA implementation. We herein seek your redressal mechanism to alleviate the concerns and seek a reasonable extension of due date for furnishing audit certificate. Additionally, we request your good selves to provide us an opportunity to meet in person to present our views on the matter.

The objective of submitting this memorandum is to appraise your goodself of the pressing issues faced by the professionals with respect to audit stipulated under RERA and seek your valuable opinions to resolve the same. At the outset, we have reproduced below the extracts of Section 4 of RERA with respect to the requirement of annual audit, which reads as below:

"Provided also that the promoter shall get his accounts audited within six months after the end of every financial year by a chartered accountant in practice, and shall produce a statement of accounts duly certified and signed by such chartered accountant and it shall be verified during the audit that the amounts collected for a particular project have been utilized for the project and the withdrawal has been in compliance with the proportion to the percentage of completion of the project."

In the ensuing paragraphs, we have outlined the issues and our recommendations.

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A. Format of audit certificate yet to be notified

As your good-self may be aware, the format of audit certificate has not been notified yet by the interim Real Estate Regulatory Authority in Karnataka. As far as the present going is concerned, this is causing a significant hardship to the professionals. Considering that the due date (ie September 30, 2018) is approaching fast and the professionals are left with a very short window of 6 days to complete the audit and issue certificate, we would appreciate if the format of audit certificate is notified immediately to avoid ambiguities at a later stage, resulting from varied formats being used by professionals in the absence of any notified template. In addition to this, the formats for certificates related to quarterly updates of registered projects and withdrawal of sums from 70 percent project designated account should also be notified soon.

B. Audit certificate to be issued by a Chartered Accountant in practice

The draft template of audit certificate (draft template enclosed as **Annexure - A**) which was placed temporarily on the portal of the RERA authorities in Karnataka under the Downloads section (<https://rera.karnataka.gov.in/downloadPage>) indicated that the audit report is to be issued by the Statutory Auditor of the promoter entity. In this respect and in line with the requirement under Section 4 of RERA, we would request that the requirement be relaxed to the effect that such audit certificate could be issued by any Chartered Accountant in practice (and holding valid certificate of practice required under the regulations of the ICAI) and not necessarily restricted to the statutory auditors of the promoter entity.

C. Online mechanism for the filing of audit certificate

Currently, the mechanism for furnishing quarterly updates (as required under Section 11 of RERA read with Rule 15(D) of Karnataka RERA Rules) with respect to registered projects has not been activated on the Karnataka RERA portal. As such, we are of the view that there should an online mechanism for the filing of audit certificate at least, as promoters outside the capital city of Bengaluru (where the office of the interim RERA authorities is situated), may find it tough to physically send the audit certificate within the stipulated timeline of September 30, 2018. Alternatively, it could be clarified that such audit certificate can also be e-mailed to the RERA authorities and such approach would be a valid compliance of furnishing audit certificate.

D. Clarifications with respect to technical positions

Considering that RERA is a newly enacted legislation and this is the first year of audit under RERA, there are possible divergent views on various technical issues such as:

- Whether land cost is to be considered for the purposes of calculating percentage of completion of a project?

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- In case of inconsistencies in the percentage of completion of a project due to different set of rules applied by an Engineer, Architect and a Chartered Accountant, what would be the right approach for certifying percentage of completion in RERA audit?
- Whether audit under Section 4 of RERA required for projects registered with the authorities in the state of Karnataka on or after April 1, 2018 (with corresponding due date of September 30, 2018)?
- In case of registration as a single project, for a project comprising of landowner and developer share (area sharing joint development agreement) and where RERA auditor for the landowner share and the developer share are not the same, what should be the approach for certification under RERA audit?

In the interest of the stakeholders, we request your goodself that such issues be clarified by way of a detailed FAQ notes. KSCAA would be glad to work with your goodself to collate such technical issues identified by professionals with respect to audit under RERA and various other interpretational issues.

In view of these practical difficulties, proper justice does not seem to be made to RERA audit compliance and hence we would additionally request for an extension of due date for furnishing audit certificate.

We hope that our suggestions would be favorably considered. We also request you to involve us in deliberations in this regard.

Thanking you,

Yours sincerely,

For **Karnataka State Chartered Accountants Association** ®

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