



Registered Office:
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OVER STATEMENT OF BALANCE SHEET & CAPITAL PROJECT REVIEW

As per the Hon Treasurers report at the 53rd AGM of Oshwal Association of the UK on 28th April 2024, we reported that we are reviewing the Capital Expenditure stated in the Balance Sheet. We stated that there may be a further write-off of at least £800K in respect of the expenditure incurred prior to April 2022.

Capital Projects

Significant works were undertaken by the prior trustees of OAUk during the period from 2016 to March 2022. These included:

1. Oshwal Ekta Centre Refurbishment
2. Oshwal Centre Derasar Canopy Project
3. Oshwal House Extension
4. Oshwal Vision Project

The over runs on all the projects were as follows:

Project Name	Budgets Presented to Members	Total Cost	Over Runs
Oshwal Ekta Centre*	£750,000	£1,210,043	£460,043
Derasar Canopy	£500,000	£1,961,604	£1,461,604
Oshwal House Extension**	£350,000	£1,242,381	£892,381
Oshwal Vision	£250,000	£401,844	£151,844
TOTAL	£1,850,000	£4,815,872	£2,965,872

We have reviewed the EC minutes between 2016 to 2022 but cannot find any approvals relating to the over runs on all the projects.

** Although the total cost of **Oshwal Ekta Centre** was £1,210,043 the architect signed off the project at £670K. The balance comprised of additional expenditure which was not budgeted for.*

*** Whilst there has been a significant over-run on the **Oshwal House Extension**, we have been advised that the external finishing is not part of the original budget.*

Capital Expenditure and Balance Sheet Inflation

Based on the information that we currently hold; we believe that the fixed assets shown on the balance sheet are overstated.

Impact of inflating a charity's balance sheet can be just as severe, and potentially even more damaging, due to the strict regulatory environment governing charities. The UK has specific laws and regulatory bodies that oversee the financial conduct of charities, and inflating financial statements can result in significant consequences for the charity and its stakeholders. Here's a breakdown of the potential impacts of inflating a balance sheet in a UK charity:





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1. Legal and Regulatory Consequences	2. Potential loss of Charitable Status
3. Financial and Operational Consequences	4. Auditor and Audit Risks
5. Trustee Responsibilities and Liabilities	6. Impact on Funding and Grants

Scenarios where OAUk Balance Sheet is inflated:

- **Oshwal Vision - £401K** – Written off in **YE 31 Dec 2022**
- **Windmill Road - £327K** – Written off in **YE 31 Dec 2023**
- **Derasar Canopy - £1.095M** (all related to the **Derasar Dome Repair Work** which should have been correctly classified as repairs and shown in the Profit and Loss Statement and NOT in the Balance Sheet)

The result of this is that the balance sheet has been **overstated by some £1.8m**. The current auditors have suggested that £1.095m should be shown as a prior year adjustment in accounts for the Year Ending 31 Dec 2025 and are going to **emphasize this matter in their audit opinion** for the YE 31 Dec 2024, as they cannot verify the fixed assets for the expenditure incurred prior to 2022. The current auditors have requested OAUk to obtain confirmation from the **previous auditors, Lubbock Fine**, as to why they have not correctly shown the expenditure. To date we have not had satisfactory responses from the **previous auditors** and the **previous treasurer** as to why they have allowed such large amounts to be added to the balance sheet from capital projects that have been carried out between 2016 and 2022.

Lubbock Fine have been our auditors for 20 years prior to YE 2023. During this period major capital projects were undertaken by the Executive Committee from 2016 – 2022.

- **Oshwal Vision**, a project to develop the grounds beyond the Derasar was worked on in 2014 and then brought to the members in 2017 for an approval, initially sought for £250K. However, various pre-planning applications have racked fees from the Architect and the costs stood at £401K before the AGM in April 2022. Discussions with the council confirmed in July 2022 that the greenbelt land chosen for development will next be up for review in 2036 and recommended that the Charity not waste any further money on pre-planning fees towards the project. Based on this we felt it prudent to write off the £401K in the year ended 31 Dec 2022.
- **Windmill Road Property**, Croydon, South London. In 2018, the then Executive committee Trustees presented the Windmill Road Property to the OAUk members, at a members meeting, held at Oshwal Ekta Centre. Following the presentation the attending members were informed that **no member approval** was needed for the purchase of this property, in **direct contravention of our Constitution**. In 2019, the architect, Saloria Architects, were awarded the contract by the then Executive committee at an agreed fee of £6.5k. Whilst no construction or development had taken place at this property, the association had paid Saloria Architect £158K which was calculated at 8% of the construction costs of £1.5 million. Additionally, the Association had





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incurred £112K of abortive costs in relation to the planning applications. While reviewing some of the council notes on the application, we discovered, that planning for change of use for the property was refused. Going against the accounting principles all the above costs totalling £327K was capitalised on the balance sheet as part of the fixed assets. These should have been correctly expensed through the Profit and Loss account. Of the £327K, £270K was written off in YE 31 Dec 2023. The present-day valuation of this property on the market is £2.2M and therefore to correctly state the value in the balance sheet we are writing off a further £57K in the YE 31 Dec 2024.

- **Derasar Canopy Project**, Oshwal Centre. The Derasar canopy project was brought to the members for approval in 2018. The members had approved the budgeted cost of £500K for this project. This would create a Canopy at the front of the Derasar and cover the Stairs, the disabled lift and the shoe racks. The project completed just prior to the beginning of the Covid-19 lockdown 2020. **The project cost when completed stood at £1.9 million. No further approvals** were sought from the members for this overspend. On reviewing the expenditure some £1.095M have been spent on the repairs to the dome of the temple. This should have been part of the repairs and maintenance of the building and hence should be expensed and shown on the profit and loss account. During our review of the expenditure, we have also identified that costs for the following:
 - **Food** for labourers working on the Derasar Project
 - **Travel costs** – taxi, etc.
 - **Visa costs including legal fees**have all been **included in the fixed assets** when they should have been shown in the profit and loss statement of the year these were incurred.

Missing Documents and Contracts Related to Large Capex Projects Undertaken Between 2016 And 2022.

Issue: During 2016 and 2022 significant works were undertaken by the prior trustees of OAUk. These included:

1. Oshwal Ekta Centre Refurbishment
2. Oshwal Centre Derasar Canopy Project
3. Oshwal House Extension
4. Oshwal South London Windmill Road Property
5. Oshwal Vision Project

When documents relating to works done for OAUk properties are missing or have not been handed over to the current trustees, it can have serious consequences for the charity's operations, governance, and legal standing. Here's a breakdown of the potential **impacts** and how the situation can be **mitigated**:





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1. Legal and Regulatory Compliance Issues	2. Financial Implications <ul style="list-style-type: none">• Inability to Assess Property Value and Condition• Costly Repairs or Liabilities• Guarantees & Warranties
3. Governance Challenges <ul style="list-style-type: none">• Loss of Accountability• Inability to Make Informed Decisions• Disputes with Suppliers	4. Risk of Fraud or Mismanagement <ul style="list-style-type: none">• Potential for Fraudulent Activities• Proof of Ownership or Rights
5. Impact on Insurance and Liabilities <ul style="list-style-type: none">• Insurance Claims• Health and Safety Compliance	6. Reputation and Stakeholder Confidence <ul style="list-style-type: none">• Loss of Stakeholder Confidence• Damage to Public Trust

Conclusion

The total costs of the above-mentioned capital projects were expended over several years and the unfortunate effect of the over-runs and the misrepresentation of the fixed assets have never been fully explained to the members.

The current Trustees have undertaken a thorough review of the charity's existing records to identify which documents are missing. Payment schedules and physical document review was done at Oshwal Centre and Oshwal Ekta Centre to identify the missing documents. Members were informed of this through the e-new letter and at the AGM in 2023.

We have contacted the previous Office Bearers and PMC leads for this. Only the prior Hon. Secretary from 2020-22 term assisted, but we were unable to locate the documentation. Requests to the other Office Bearers and PMC Lead were ignored.

We also contacted prior contractors but to date, we have not been able to get satisfactory responses from them. The Association has recently incurred considerable cost to obtain some of the missing documentation from Saloria Architects. The review of these documents is currently underway.

Meena Shah (Hon. Treasurer)

3rd April 2025

