

No. 2742(33)/VI(I)62/99(Part-VI)Audit-8-Dated: 7.5.2009

To

The Secretaries of all Central Coop.Banks/  
Urban Coop. Banks.Sub: Re-valuation of Land and building  
-Creation of Reserve.

Sir,

Though as per Circular instructions, no depreciation is to be charged on "Land" and in fact, the value of Landed property is fast increasing, it is observed that the Coop. institutions, mostly Central Coop. Banks are charging depreciation on their "Land" considering it a part of "premises". This is because both "Land and Building" appears under a single head "premises" in balance sheet. Similarly even though the buildings of the institutions were constructed years back when the cost of materials used and Labour overheads was much less than the present rate, which resulted in the value of buildings at much lesser cost than the present rate, the institutions have taken necessary steps at periodical intervals to maintain these buildings in proper condition and for their renovation. Therefore, most of the buildings are quite well maintained. But after allowing depreciation on such buildings, their book value has now gone down considerably than their present market value. Even though in Circular No.14702 dt.20.5.83, the R.C.S., Orissa impressed on the Coops. to create "Depreciation Reserve" to be utilised for renovation of buildings, the same is not put to action. As a result of allowing depreciation on Land and not taking steps for re-valuation of buildings, the Balance Sheet of Coop. Banks as on 31.3.2003 has reflected much lesser value of their premises (Land & Building) than the present face value. Even though it is the duty of Auditor to value assets as per provisions u/s 62(2)(d) of the O.C.S. Act, they are accepting this book value after depreciation in absence of above steps by Banks. For example, the audit reports of the following C.C.Banks for 2002-03 is showing the value of their "Land and Building" i.e. premises, as below, which is abnormally less than their present face value.

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|-----------------------------|---|-----------------|
| 1. Nayagarh                 | - | Rs. 2.11 Lakhs. |
| 2. United Puri-Nimapara CCB | - | Rs. 3.18 Lakhs. |
| 3. Banki                    | - | Rs. 3.57 Lakhs. |
| 4. Boudh                    | - | Rs. 4.74 Lakhs. |
| 5. Bhawanipatna             | - | Rs. 6.49 Lakhs. |
| 6. Balasore                 | - | Rs. 6.18 Lakhs. |
| 7. Mayurbhanj               | - | Rs. 7.85 Lakhs. |

Allowing depreciation on this value, there will be further fall in value of premises year after year & it may become "Zero" after some years.


To reflect proper value of assets in the financial statements, you are requested to take immediate steps for revaluation of "Land and Buildings" owned by your Bank. The Land is to be revalued at the rate fixed by the G.A. Department of the local Sub-Registrar's Office, the Local Tahsildar/Revenue Authorities. The Buildings should be revalued through Local Engineers of Works Deptt. or through a registered qualified valuer to be selected for the purpose in consultation with the D.R.C.S. of concerned Division/A.R.C.S. of the Circles or the concerned Competent Administrative authority.

The difference between present value of premises i.e. Land and Building appearing in the Balance Sheet and the value of premises arrived after revaluation shall not be considered as profit of the Bank. This differential amount should be kept as "Revaluation of Premises Reserve" under the head "Other Reserves" and a separate note to this effect kept in the "Notes on Accounts" and mentioned "below the line" in the Balance Sheet.

However, normal depreciation is to be allowed on the re-valued assets to be appearing in Balance Sheet as per prescribed rate.

This exercise of re-valuation of "Land and Building" is to be carried out at the interval of each five years from the date of first re-valuation in the above manner.

Yours faithfully,

  
Auditor General, 615/84  
Coop. Societies, Orissa.

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Memo No. 2743 (16) /Dt. 7.5.2004 Generals  
Copy forwarded to all Asst. Auditor of Coop. Societies of Circles for information and necessary action. They are requested to Circulate the Circular amongst the auditors of their Circle for their guidance.

Joint Auditor General of C.S.(O).

Memo No. 2744 (6) /Dt. 7.5.2004  
Copy forwarded to the Registrar of Coop. Societies, Orissa/Director of Textiles & Handlooms, Orissa/Director of Fisheries, Orissa, Cuttack/Director of Industries, Orissa, Cuttack/Director of Handicrafts & Cottage Industries, Orissa/Director of A.H.&V.S., Orissa for information and necessary action. They are requested to instruct all the Coop. Institutions functioning under their control including Apex Coops. to take similar action on valuation of their fixed assets. Action taken may please be reported to this office early.

Joint Auditor General of C.S.(O).

Memo No. 2745 (21) /Dt. 7.5.2004  
Copy forwarded to Managing Directors of all Apex Coop. Institutions for information and similar action.

Joint Auditor General of C.S.(O).

Memo No. 2746 (13) /Dt. 7.5.2004  
Copy forwarded to the D.R.C.S. of All Divisions for information and necessary action.

Joint Auditor General of C.S.(O).

Memo No. 2747 /Dt. 7.5.2004  
Copy submitted to the Commissioner-cum-Secretary to Govt. of Orissa, Cooperation Deptt. for favour of kind information.

Joint Auditor General of C.S.(O).

Memo No. 2748 /Dt. 7.5.2004  
Copy to G.F./Audit-I-Seat/All Auditors of Apex Coop. Institutions including C.As/ 30 Spare copies.

Joint Auditor General of C.S.(O).

M.M/-4.5.2004.

