

DIRECTORATE OF COOPERATIVE AUDIT, ORISSA, BHUBANESWAR. 54

No. 2862(16) AVI(10)34/2001 - Audit - 4 - Dated: 14/11/2004

To

All Assistant Auditors General of
Coop. Societies of Circles.

Subj

Modus operandi for undertaking
Special Audit of Cooperative Institutions.

Ref:

This office letter No. 10745 (16) dt. 24.09.2001.
Letter No. 7902(16) dt. 28.06.2001 and letter
No. 10740(16) dt. 24.09.2001.

Sir,

Despite clear instructions in the referred letter, most of the special audit reports received in this office for issue are not upto the mark and not in the line of Circular instructions in regard to findings and fixation of responsibilities in clear terms. Most of the reports are found defective due to the following reasons:-

Spelling mistakes, incomplete sentences, Poor English, deficiencies in conclusion aspects, infirmities in fixing up accountability, inept drafting & presentation of facts, conclusions drawn without adequate evidence, incorrect fixation of responsibilities and improper inferences. After receiving such reports this office is encountering much difficulty in setting it right & get it fit for issue, without carrying embarrassment to the Directorate. Either this office is calling upon the concerned Special Auditor for explanation or communicating the defect sheets or queries for necessary compliance to the concerned Asst. A.G.C.S., which bring about delay in issue of such Special Audit Reports. Thus, surcharge actions are also getting delayed or completely missed out due to non-fixation of clear responsibilities and incorrect inferences/ conclusion. Thus, it is evident that respective Asst. A.G.C.S. of Audit Circles are simply forwarding the Special Audit reports to this Directorate like Carry forward Agents without exercising any checking at their level.

Hence, you are requested to cause proper checking of said reports in your office before sending to this office for issue, While despatching the Special Audit Reports to this office, you should tender your views in the forwarding letter that Auditor has covered all the salient points in his report as required in the earlier circular. You should also mention that you are seconding the conclusions so brought out, hold with the list of

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Persons responsible and at one with the summation of recoveries exhibited in the Spl. A.R.. If you differ with the findings of Special Auditor or if you find any deficiency, the concerned Auditor be asked to comply and after compliance the reports be submitted to this office, so that the findings in the Special Audit-Report will be more substantiated and the surcharge Proceedings drawn on the Spl. audit report can stand in eyes of law. It will also facilitate quick finalisation and issue of the reports from this end.

2. There are certain findings found in many Special Audit Report ~~xxx~~ pertaining to list of recoveries, Accountability and other pivotal annexure. Viz-Summons, Half Margin and other abstracts from records etc. Even Spl. Auditors are not mentioning the result of issuance of Half Margin Memos and Summons, in the body of the report. There are certain date lines fixed in the aforementioned letters cited under reference and also in subsequent letters for Spl. Audit. But it is found such deadlines are not observed in most cases. It is also observed that concerned Asstt. A.G.C.S. are submitting the Special Audit Report to this office after inordinate delay from actual date of receipt of Special Audit Reports/Special Reports from the concerned Special Auditor. So it is postulated that it is either due to inadvertency or ill intention of the office, which need to be curbed with immediate effect, otherwise stringent action will be contemplated.

3. It is seen that the Asst. A.G.C.S. are conducting Special Audit at their end without knowledge of this Directorate and merely submitting a copy of the said Special Audit Report to this office for reference and necessary action, after issuing such reports to other quarters, leaving no scope for this Directorate to remove the mistakes and incongruities. Hence with view to streamlining and bringing uniformity to the Special Audit it is impressed upon all Asst. A.G.C.S. to seek permission of the A.G.C.S. (O) with proper justification and exigency of taking up Special Audit and simultaneously they should also forward the copy of the allegation petition received from any source on which they contemplate Spl. audit. Besides this, they should also refer to the findings of Final Audit report vis-a-vis the alleged aspects. If the Final Audit of said institution has not been completed, you should bestow special attention towards allegation and

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Final Audit should be commenced on that alleged points with prior appraisal of the A.G.C.S. to this effect. In this case, you should submit only special report covering alleged aspect along with the allegation petition to that context. So that normal yardsticks will not be thwarted and mandays will not be hampered.

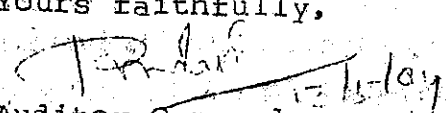
4. In many cases, some impropriety in transactions are coming to light by the Special Audit, where as Statutory Final Audit Report is mum in that aspects, though the incidents are same for all types of audit. This puts this Directorate in embarrassing situation in different forums. So all Auditors should desist from submitting cursory perfunctory Final Audit report hence forward so that need for special audit can be minimised and wastage of manpower can be saved.

5. Special Audit Reports are being drafted in an ununiformity manner though a Proforma Audit report has been set out for the purpose in respect of credit C.S. and H.B.C.S.. All should grapple to as a matter of consistency. All the Special Audit Report must depict the incumbency period of Secretary/Chief Executive and tenure of Committee of management coming under the scope of Special Audit, list of total recovery categorically along with name and responsibility fixed jointly & severally be earmarked with amount. The Asst. A.G.C.S. should be particular to this aspect of reporting before sending copies of special audit reports for issue at this level.

6. Since in the strategy for audit programme for 2004-05 there is no days earmarked for Special audit, even though each Circle is provided with auditors for Special audit, in case of necessity for special audit, the Services of Auditors in the field performing their duties as per annual audit programme should not be normally utilised. In such cases the services of SAAGCS (Office) and the SAAGCS kept in office audit compliance work should be utilised for Special Audit.

Yours faithfully,

Encl: 4 Pages.


Auditor General,

Coop. Societies, Orissa.

Copy to G.F./20 Spare Copies.

M.M/-10.5.2004.

Foot Note:-

This Circular instruction is also applicable to those C.S. under Special Audit, which report hasn't been despatched to the A.G.C.S.(O)Bhubaneswar as on date of receipt of this Circular.

A model proforma of special Audit Report enclosed herewith to bring about uniformity.

Another alike Circular also issued, vide letter No. 2498(16) dt.29.04.2004 (File No.VI(10)29/2002):

Findings of the Final Audit Report of the respective year of Spl.Audit on allegation points be enclosed in the A.G.C.S.(O) copy only.

Invariably 8 copies of Spl.Audit report to be submitted in the office of the A.G.C.S.(O)Bhubaneswar.

Special Audit report of C.S.Ltd.
for the period from to

- 1) Name of the C.S.:-
- 2) Proper Address of the C.S.:-
- 3) Regd.No. & Date :-
- 4) Date of Final Organisation of C.S.:-
(N.B:- If new C.S. & information is available)
- 5) Date of first General Body Meeting of C.S.:-
(N.B:- U/R-32)
- 6) Name of the ~~Present~~ President/
M.I.C./Administrator/Authorised Officer:-
- 7) Name of the ~~Present~~ Secretary/
Chief Executive :-
- 8) Name of the Auditor with designation
conducting Special Audit:-
- 9(a) Name of the Final Auditor with designation
under period of Spl. Audit :-
- 9) Name of the Committee of Management
including President/M.I.C./
Authorised Officer/Admn. Officer of the
Respective years of Spl. Audit :-
- (N.B:- Year-wise name with designation to be mentioned)
- 10) Year of Special Audit :-
- 11) Authority of Special Audit :-
- 12) Date of Commencement of Special Audit:-
- 13) Date of Completion of Special Audit:-
- 13(a) No. of days devoted:-
- 14) Aim & objects of the Society :-
- 15) Scope of Special Audit/
Terms of reference:-

(N.B:- Authorisation of Spl. Audit must be specific in respect of year/period of Special Audit as well as Accounts & allegation aspects. All Special Audit must cover both Administrative, Financial & Management Audit as a matter of Principle.)

16) Circumstance of Special Audit :-

(N.B:- Why the question of conducting Special Audit arose).

17) Verification :-

(N.B:-Cash, Stocks & other Valuable Assets etc.)

18) List of the Books Audited / maintenance of records.

(N.B:-If any records not available, what sorts of Lawful action and steps taken by the both Auditor & A.A.G.C.S. concerned also be mentioned more categorically. Whether non-availability of records affected the Spl. Audit or not?

If yes - who is responsible ?)

19) Allegation point/subject matter of Special Audit:-

N.B:- (a) Fact :-

(b) Findings :-

(c) Conclusion:-

(N.B:- All the recoveries must be established by issuing Half Margin memo, Summons & Written clarification from the persons connected with the alleged/impropriety of transaction. All matter should stand on documentary evidence).

(d) Suggestion :-

(N.B:- Besides other suggestion, Spl. Auditor must suggest for introduction of mechanism for improving the system.)

There are standing Circular on Special Audit of Credit C.S. & H.B.C.S.

20) Any other matters incidental to Special Audit:-

21) Any other matters/Points to be added by the Auditor or A.A.G.C.S. as per nature and kind of C.S.:-

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- 22) Summation of total recoveries
by name with amount :-

(N.B:- Sole and Joint responsibility with amount be
mentioned as: underly.)

- 23) Special remark, if any :-

- 24) Details list of Enclosures:-

(Highlights on Special Audit Reports to be
appended as per earlier Circular instructions
of A.G.C.S.(O)Bhubaneswar).

Signature of Special Auditor.

