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DIRECTORATE OF COOPERATIVE AUDIT:ORISSA:BHUBANESWAR.

No.VI(I)62/99-Part-I) 2190 /Audit-8/Dated:- 9.3.2006

C I R C U L A R .

Sub:- Audit/Special Audit of accounts of Cooperative Societies-adoption of principles of natural justice before suggesting for recoveries and punishment in the Audit Report-regarding.

A number of representations are being received from time to time at Government level, in the Department of Cooperation and State Cooperative Audit Directorate alleging that although Audit and Special Audit report in respect of some of the Cooperative Societies are showing/suggesting substantial amount of money to be recovered from or legal action for punishment to be initiated against such representationists, they were not asked to explain about such irregularities/lapses or mis-appropriation etc., by the Auditor concerned in course of audit. In case such allegations are true, then such denial of natural justice to the individual concerned against whom recovery or punishment is recommended not only becomes a cause for harassment of such persons, but also it helps such individuals to escape from legal action for enforcing such audit observations on the said ground, and in that case, not only the Society would ultimately suffer but also the Audit report would become unfructuous and useless for the purpose of setting things right in the Society.

In this connection, attention is drawn to the provisions of Section 62 of the Orissa Cooperative Societies Act, 1962 which provides enough powers to the Auditors to summon and enforce attendance of any person and to examine him on oath or affirmation and to compel for production of any Book, accounts, documents, securities, cash and other properties and the auditor can even issue summon for examining the witness as per

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the procedure prescribed in the Civil Procedure code 1908. Such person who is summoned by the Auditor is liable for punishment for the offence committed by him if he willfully or without any reasonable excuse disobeys the summon or requisition or law-ful written order of the Auditor under Section 115(3) of the Orissa Cooperative Societies Act, 1962.

It has therefore been a long and established practice for the Auditors to summon any person and seek his explanation in respect of any alleged misappropriation or serious irregularities, about which prima facie evidence is available, and after hearing such individuals and examining their explanation or documents furnished by them and taking into account the records of the Society the Auditor finally formulates his observations regarding audit recoveries or suggests for initiating legal action. In case of no response of a person who is summoned by Auditor apart from he being liable for punishment, the Auditor can take decisions exparte regarding the said misappropriation or lapses basing on records of the Society concerned.

It is however, being alleged that some officers of the Directorate and Auditors are not following the above practice on the plea that they have no scope to incur expenditure towards postages and costs for Special messengers etc., to summon/requisition attendance of individuals and production of records for which they were depending on the Chief Executive and other employees concerned of the particular Society to gather evidence to formulate their observations regarding audit recovery and initiation for punishment etc. But such plea is not acceptable, since the particular Society is responsible to provide all the facilities for effective conduct of Audit including afore-mentioned expenditures for issue of summon/requisition etc., as provided under Rule 58(3)

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of the Orissa Cooperative, Societies Act, 1965. If necessary the Auditors notice can also be published in news paper at the cost of the Society. After taking all such steps and after ensuring that the summon/ notice was sufficiently served on the person either directly or through the Coop. Societies audit recoveries and suggestion for punishment can be recorded in the Audit Report by the Auditor upon his satisfaction on the basis of the records of the Society and /or evidences/ witnesses that are produced before him. In some cases the Auditors are advising the officers of the particular Society to summon a particular individual to appear before the Auditor which is not lawful and proper because the Auditor himself have to sign the notice summoning the individual through the Society concerned or at the cost of such society and in that case the Auditor should retain the copies of such summon/ requisition and evidence that the same was served on the particular individual, so that, even if the copies of such summon/requisition kept at the Society level is lost or destroyed, such individuals can not escape from the legal actions on the ground that Audit report had wrongly shown recovery without giving him proper opportunity of hearing or for adducing evidence on their behalf.

It is therefore strictly directed to all concerned that to avoid re-audit which is costly and time consuming work and also not to provide scope to the offenders to escape from the punishment or recovery showing such lacuna in the audit procedure before the courts, the Auditor must issue summon or requisition or atleast show cause notice to the particular individual against whom Audit Report would show recovery or recommend for punishment against such person. The Auditors who would not follow this practice/procedure would be subject to exemplary disciplinary action in

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such cases where it would be established that the Auditor had deliberately avoided such procedure and it would be presumed that he had connived with the culprits who caused loss and mis-appropriation of funds and other serious irregularities in the Society by preparing a defective Audit Report, providing scope to the culprits to escape from legal actions for recovery and punishment.

*P. Dash*  
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Auditor General of C.S., Orissa.

Memo No. 2191 (129) / Dated:- 9.3.2006

Copy to All Auditors of Cooperative Societies/  
Sub-Asst. A.G.C.S. under Directorate of Cooperative Audit/  
All the Asst. Auditor General of C.S. in charge of Audit &  
Circles in the State/Chief Executive of all APEX Coop.  
Societies/Central Cooperative Banks/All Urban Cooperative  
Banks for information and necessary action.

*P. Dash*  
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Auditor General of C.S., Orissa.

Memo No. 2192 / Dated:- 9.3.2006

Copy forwarded to the Registrar of Cooperative  
Societies, Orissa, Bhubaneswar for information and necessary action.

Memo No. 2193 (5) / Dated:- 9.3.2006  
Auditor General of C.S. (0)

Copy forwarded to Addl. A.G.C.S. (0)/Deputy  
A.G.C.S. (0)/Central Audit/ Asst. Law Officer/G.F. for  
information.

*P. Dash*  
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Auditor General of C.S. (0)

20 Spare Copies.

*m*  
Dash, 9.3.2006.