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**DIRECTORATE OF COOPERATIVE AUDIT: ODISHA: BHUBANESWAR**

Circular No. : 37.89/VI(I) 44/2009-Audit-8

Date : 3.8.12

In the aftermath of recapitalisation, several reform measures have been initiated as per recommendation of the Vaidynathan committee to revitalise the STCCS with a bottom up approach. Meanwhile, financial assistance has been provided to 2528 PACS by Government of India and Government of Odisha for their financial restructuring and achieving a CRAR of 7 percent initially. It was expected that recapitalisation measures would bring a turnaround of the PACS and improve their financial position to achieve sustainable viability within a definite time frame. With a view to ensuring that the PACS function as a strong, vibrant medium to meet the financial needs of members, particularly small and marginal farmers and the benefits of the revival package provided are not squandered by way of unplanned, unnecessary expenditure and misappropriation of money of the stake holders, more thrust is being given to conduct of audit of such societies properly to depict a true and fair view of the accounts.

However, on review of the financial position of PACS, it is observed that in most cases, the affairs of PACS are not conducted in a manner, envisaged in the reformation. The Committee of Management of PACS are not serious about their responsibilities entrusted to them, as a result of which the expected resultant effect of the reform measures is not observed in most of the societies. On review of the key financial parameters, the following deficiencies are observed in the functioning of PACS.

1. CRAR is not maintained within the prescribed limit of 7 percent even after infusion of financial assistance.
2. Rapid growth of imbalance year after year.
3. Revenue expenditure especially Interest paid A/C is on higher side.

All these fallouts in the functioning of the societies are attributable to lack of proper monitoring and supervision of the PACS by Departmental Officer and the field machineries of the DCCBs. It has been observed that the sensitive functional area in PACS suffer from non reconciliation of accounts there by giving scope for commission of fraud, misappropriation etc. As unreconciled account /statement of account shall not depict true and fair view of the accounts, audit has to see that all accounts at the close of the period of audit is reconciled to ascertain whether the financial statements i.e., Profit & Loss Account and Balance Sheet reflect true and correct financial health of the society. Audit has a responsibility and without reconciled financial statements, cannot certify that fraud, misappropriation has not occurred. Though the financial aspects of PACS are covered under annual audit, it is observed that the aspect such as Interest Paid and Payable account has not been properly checked or reconciled to detect fraud, misappropriation committed by way of manipulation of accounts. As fraud, misappropriation are detected at a later stage, the auditors need be very vigilant on this score while auditing the accounts of PACS so as to arrest the leakage of the income of the societies.



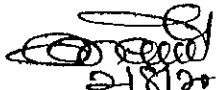
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Since it is improper to certify the financial statements without detailed checking of the transactions with relevant books of accounts, the Assistant A.G.C.S. of Circles are hereby impressed upon to issue suitable instructions to the auditors under their circle to conduct detailed checking of the transactions involved in Interest paid payable A/C & received receivable A/C to arrest the income leakage if any and ensure that a statement showing detailed transactions on this aspect as prescribed herewith is submitted by the auditor in his audit report. The Asst. A.G.C.S. is to see that the reconciliation statement and Balance confirmation certificate as on the date of Balance sheet is attached to the audit report or else audit certificate should not be issued. Any irregularity noticed in the audit should be reported in the audit report along with fixation of responsibility. The columns of certificate issue register is accordingly modified. Hence forth the figures should be submitted in the enclosed proforma.

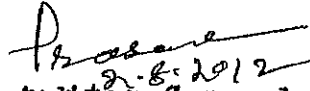
The instructions contained in this circular shall be followed meticulously and in case of any deviation takes place, the concerned auditor and the Asst. A.G.C.S. are to be squarely held responsible for the lapses and shall be proceeded against.

It should be circulated among all auditors forth with under intimation to this Directorate.

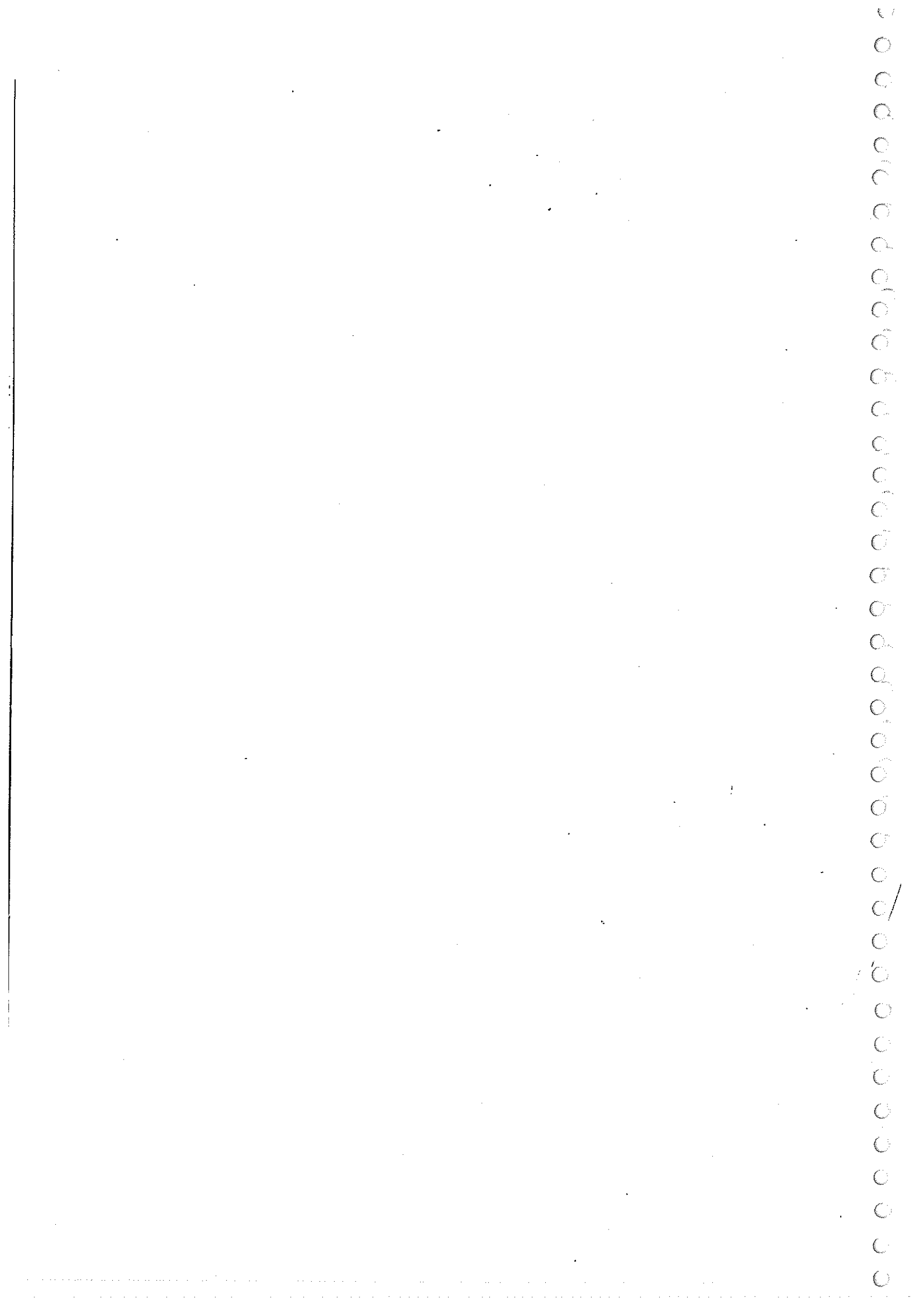
  
Sri B.N. Mallick, OAS (SAG)  
Auditor General  
Cooperative Societies,  
Odisha

Memo No. 3790 (16) / Dated:- 3.8.2012

Copy to all A.G.C.S. of Circles for information and necessary action.

  
Joint Auditor General  
Coop. Societies, Odisha

Copy to Guardfile  
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Statement showing detailed transaction on interest received and receivable and interest paid & payable for the year ..  
( To be enclosed to the Audit Report of PACS)

| Interest Received before closing entry |            |               |  | Interest Received after closing entry |            |               |  | Total Interest Received |            |               |  | Interest Receivable |            |               |  | Interest Paid before closing entries |    |            |            |
|--|------------|---------------|--|---------------------------------------|------------|---------------|--|-------------------------|------------|---------------|--|---------------------|------------|---------------|--|--------------------------------------|----|------------|------------|
| On Loan & Advances                     |            | On Investment |  | On Loan & Advances                    |            | On Investment |  | On Loan & Advances      |            | On Investment |  | On Loans & Advances |            | On Investment |  | On Deposit                           |    | Borrowings |            |
| Agril.                                 | Non Agril. |               |  | Agril.                                | Non Agril. |               |  | Agril.                  | Non Agril. |               |  | Agril.              | Non Agril. |               |  | SBD                                  | FD | Agril.     | Non Agril. |

| Interest Paid after closing entries |    |            |            | Total Interest Paid |            |            |    | Interest Payable |    |            |            |
|-------------------------------------|----|------------|------------|---------------------|------------|------------|----|------------------|----|------------|------------|
| On Deposit                          |    | Borrowings |            | On Deposit          |            | Borrowings |    | Deposit          |    | Borrowings |            |
| SBD                                 | FD | Agril.     | Non Agril. | Agril.              | Non Agril. | SBD        | FD | SBD              | FD | Agril.     | Non Agril. |

# PROFORMA FOR AUDIT CERTIFICATE ISSUE REGISTER

| Name of the Circle. | Name of the DCCB to which it is affiliated. | Name of the District | Name of the Block | Name of the Society (Category wise) | Year of audit | Membershi<br>ip position<br>as on | Total paid<br>up share<br>capital | Governme<br>nt share<br>capital out<br>of total<br>paid up<br>share<br>capital | Percentage<br>of<br>Governmen<br>t share<br>capital to<br>total paid<br>up share<br>capital. | Amount of Deposit |    |                        |    |
|---------------------|---|----------------------|-------------------|-------------------------------------|---------------|-----------------------------------|-----------------------------------|--|--|-------------------|----|------------------------|----|
|                     |   |                      |                   |                                     |               |                                   |                                   |  |  | During the year   |    | At the end of the year |    |
|                     |   |                      |                   |                                     |               |                                   |                                   |  |  | SBD               | FD | SBD                    | FD |
| 1                   | 2   | 3                    | 4                 | 5                                   | 6             | 7                                 | 8                                 | 9  | 10   | 11                |    |                        |    |
|                     |   |                      |                   |                                     |               |                                   |                                   |  |  | (A)               |    | (B)                    |    |

| Borrowings      |            |                        | Loans and Advances |        |                        | Demand and Collection |                          |                 |                          |
|-----------------|------------|------------------------|--------------------|--------|------------------------|-----------------------|--------------------------|-----------------|--------------------------|
| During the year |            | At the end of the year | During the year    |        | At the end of the year | Principal Demand      | Percentage of Collection | Interest Demand | Percentage of Collection |
| Agril.          | Non Agril. | Agril.                 | Non Agril.         | Agril. | Non Agril.             |                       |                          | Agril.          | Non Agril.               |
| (A)             | (B)        | (A)                    | (B)                | (A)    | (B)                    | (A)                   | (A1)                     | (B)             | (B1)                     |
| 12              |            | 13                     |                    | 14     |                        |                       |                          |                 |                          |

| NPA/Bad & Doubtful Assets |                          | Provision required to be made against NPA/Bad Assets | Provision made against NPA/Bad Assets. | Other Investments |                        | Interest received before closing entry |                          | Interest received after closing entry |                          |
|---------------------------|--------------------------|--|--|-------------------|------------------------|--|--------------------------|---------------------------------------|--------------------------|
| Amount                    | Percentage to total loan |  |  | During the Year   | At the end of the year | On Loan & Advances Agril.              | On investment Non Agril. | On Loan & Advances Agril.             | On investment Non Agril. |
| (A)                       | (B)                      |  |  | (A)               | (B)                    | (A)                                    | (B)                      | (A)                                   | (B)                      |
| 15                        | 16                       | 17   | 18                                     | 19                | 20                     | 21                                     |                          |                                       |                          |

| Total Interest Received |            |               |     | Interest receivable |            |               |     | Interest Paid before closing entry |     |            |            | Interest Paid after closing entry |     |            |            |
|-------------------------|------------|---------------|-----|---------------------|------------|---------------|-----|------------------------------------|-----|------------|------------|-----------------------------------|-----|------------|------------|
| On Loan & Advances      |            | On investment |     | On Loan & Advances  |            | On investment |     | Deposit                            |     | Borrowings |            | Deposit                           |     | Borrowings |            |
| Agril.                  | Non Agril. |               |     | Agril.              | Non Agril. |               |     | SBD                                | FD  | Agril.     | Non Agril. | SBD                               | FD  | Agril.     | Non Agril. |
| (A)                     | (B)        | (A)           | (B) | (A)                 | (B)        | (B)           | (B) | (A)                                | (A) | (B)        | (B)        | (A)                               | (A) | (B)        | (B)        |
| 22                      |            |               |     | 23                  |            |               |     | 24                                 |     |            |            | 25                                |     |            |            |

| Total Interest Paid |     |            | Interest Payable |     |            |        | Working Capital |     | Working Fund |     | Cost of Management |     | Percentage of Cost of Management to working capital |
|---------------------|-----|------------|------------------|-----|------------|--------|-----------------|-----|--------------|-----|--------------------|-----|---|
| Deposit             |     | Borrowings | Deposit          |     | Borrowings |        |                 |     |              |     |                    |     |   |
| SBD                 | FD  | Agril.     | Non Agril.       | SBD | FD         | Agril. | Non Agril.      |     |              |     |                    |     |   |
| (A)                 | (B) | (B)        | (A)              | (A) | (A)        | (B)    | (B)             | (A) | (B)          | (A) | (A)                | (B) |   |
| 26                  |     |            | 27               |     |            |        | 28              |     | 29           |     |                    |     |   |

| Cost of establishment | Total Income  |    | Percentage of cost of establishment income |    | Percentage of cost of management income |    | Amount of Profit / Loss for the year |    | Amount of Accumulated loss/UPD at the end of the year |    | Amount of reserve at the end of the year |  | Amount of Building fund at the end of the year |  | Amount of Dividend Declared |  | Net worth |  | Percentage of CRAR maintained (for PACS & DCCBs) |  | Audit classification |  |
|-----------------------|---|----|--|----|---|----|--------------------------------------|----|---|----|--|--|--|--|-----------------------------|--|-----------|--|--|--|----------------------|--|
|                       | (Interest received + Misc. Income - Interest paid (for PACS & DCCBs)) |    |  |    |   |    |                                      |    |   |    |  |  |  |  |                             |  |           |  |  |  |                      |  |
| 30                    | 31  | 32 | 33   | 34 | 35                                      | 36 | 37                                   | 38 | 39  | 40 | 41                                       |  |  |  |                             |  |           |  |  |  |                      |  |

| Amount of fraud/ misappropriation/ embezzlement etc. during the year. | Amount realised | Amount of fraud/ misappropriation/ embezzlement etc. at the end of the year. | Surcharge proceeds initiated on misappropriation embezzlement etc. | Initial of Assistant A.G.C.S |
|---|-----------------|--|--|------------------------------|
| 42  | 43              | 44   | 45   | 46                           |