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DIRECTORATE OF COOPERATIVE AUDIT : ODISHA : BHUBANESWAR

CIRCULAR No: 905

Date: 18.02.2013

VI(I) 62/99 (P-V) Audit-8

Sub : Test Audit of Cooperative Societies.

In the changing scenario of business complexity and accounting procedure of cooperative societies in the state due to implementation of various schemes sponsored by State and Central Government, the account needs up to date audit for presentation of actual financial status in the Audit Report. To cope with the requirements of audit of these societies, various circulars and instructions have already been issued on qualitative presentation of Audit Reports. The form of Audit Reports of different societies have also been standardised to meet the requirements with due adherence to the guidelines. The departmental auditors are in the process of gaining proper knowledge and experience in audit which requires constant goading and guidance by the seniors to produce qualitative audit reports. In this on-going process, test audit plays a vital role to find out deficiencies and defects in the Audit Report and lapses on the part of the auditor. It is intended to test the quality of audit and to be satisfied that the auditor has carried out all the prescribed procedure and norms and has applied due test specified in the standard forms of Audit Reports. This also immensely helps the auditors to rectify their errors in auditing. The instructions issued earlier are not followed scrupulously in the field despite repeated correspondence.

In supersession of all the previous circulars and instructions on this score, it is now decided that the Asst. A.G.C.S. of Circles are to conduct test audit of Mini Banks, PACS having highest transactions under their jurisdiction at least 8 (eight) societies every month hence forth. Each SAAGCS (Office) and SAAGCS in the field are to conduct test audit 2 (Two) society every month.

While conducting test audit, the test auditor should conduct at least 5 % checking of recordings in the books of accounts and subsidiaries. He should see that the auditor has conducted cent percent checking of all transactions recorded in the main and subsidiaries books of accounts along with journals, vouchers and receipts etc and Bank transactions. The test auditor should also comment on management aspects, accuracy on creation of adequate provisions and Reserve by audit, preparation of financial statements, shortage of stock, misappropriation and other Recoverable as furnished in the Audit Report by the auditor in the test audit report. Test audit should be conducted in presence of original auditor so that lapses and deficiencies could be explained to him. He should make suggestion for improving the

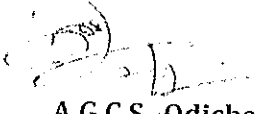
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efficiencies of auditors. If any additional defects, irregularities and misappropriations are detected in course of test audit, the same should be communicated through a special report. On the basis of the finding of the test audit report, the audit reports are to be rectified before issue of audit certificate and the test auditor should be held solely responsible if any lapses are found later on. 1 (one) day can be devoted for the test audit of 1 one) society. The Proforma for submission of test audit reports are enclosed herewith for reference.

The test audit reports of Asst. AGCS of Circles are to be sent to this office by 5th of the succeeding month and test audit reports of Sub Asst. AGCS are to be disposed of by the Asst. AGCS concerned.

The programme of test audit is to be drawn up in the monthly staff meeting and the copies of monthly progress report are to be sent to this office by 10th of each succeeding month positively.

This shall come into force from the date of issue of this circular.


A.G.C.S., Odisha

Memo No : 906 (16)

Date : 18.02.2013

Copy forwarded to all the Asst A.G.C.S. of Circles for information and necessary action.
The circular should be circulated among all SAGCS/ACS under intimation to this Directorate.

Joint A.G.C.S., Odisha

Copy to Audit-6 & 3 seats of Central Audit Section/G.F./10 spare copies.

PROFORMA OF TEST AUDIT REPORT :

1. Name of the Society :
2. Regd. No & Date . :
3. Name of the Auditor. :
4. Period of original audit. :
5. Days taken for original audit. :
6. Name of the test auditor. :
7. Date of test audit. :
8. Classification of the Society. :
9. Verification of Cash balance & Security by test auditor. :
10. Comments of test audit. :
 - (a) Cent percent checking. :
 - (b) Reconciliation of A/Cs & bank accounts. :
 - (c) Checking of Bank Transactions. :
 - (d) Creation of adequate provisions. :
 - (e) Shortage, Misappropriations if any. :
 - (f) Preparation of Financial Statements. :
11. Defects, deficiencies and lapses of original auditor. :
12. Comment on observation of Act, Rules, guidelines of AGCS/RCS and other higher quarters. :
13. Comments on correctness of financial statements . :
 - (a) Audit Ratings. :
 - (b) Preparation of report. :
 - (c) MIS or financial analysis. :
14. Additional defects and irregularities detected in course of test audit and matters of administrative action. :
15. Whether all the required Bank Statements/Schedules/Annexures attached or not.

Signature of Test Auditor

