

No. 2057 /VI(I)1/97-Audit-8-Dated: 6/4/2004

Circular.

Sub: Provisioning norm for net debit balances of inter branch accounts of Central Coop. Banks and State Coop. Bank and other types of Coops.

In this Directorate Circular No.8931-Audit-8 dt.4.8.2001, it has been stipulated to make adequate provisions against un-reconciled accounts and fix responsibility on the concerned officials of the Bank responsible for such non-reconciliation. It is stipulated there-in that in the following manner the un-reconciled amount be identified since in such cases loss or erosion of assets might have taken place.

1. When the figures shown in Balance Register is showing less than the general ledger figure of an account in asset side.

(It implies that either the concerned asset is mis-utilised or misappropriated or there is accounting error).

2. When the Balances of personal ledger or the Balance Register is showing more than the General Ledger figure, in Liability side.

(It implies that the concerned payable account is either inflated or manipulated or there is accounting error which may lead to allowing overdraft in deposit accounts etc.)

In the said Circular instructions it was stipulated that the amount un-reconciled accounts is to be computed on the above basis and 100% provision is to be made against this amount in Balance sheet with identical amount recoverable in Asset side as contra. This Circular instruction was having no effect on P/L account.

In addition to this, now R.B.I. vide their Circular No.RPCD.RF.BC.No.59/07.37.02/2003-04 dt.5.1.2004 have advised the State and Central Coop. Banks to make 100% provision on net debit balances Outstanding in their inter branch accounts in a phased manner. For this purpose, the Banks are to segregate the debit and credit entries in Inter Branch Account Maintained in different categories and arrive at a net position for provisioning. The net debit position in one category must not be utilised for setting-off net credit in another category.

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Even though the R.B.I. have mentioned in this Circular instruction to arrive the net debit position as on 31.3.2004 which is outstanding for reconciliation in Inter Branch Account pertaining to period upto 31.3.2001, in this office referred Circular the Banks have been impressed since 4.8.2001 to take necessary steps for timely reconciliation of accounts. In fact, to put more pressures on Banks, Surcharge action has been initiated in many cases for non-reconciliation of accounts. Hence there appears no apparant reason to allow the relaxation suggested in R.B.I. Circular in case of Coops. in our State.

It is, therefore, decided that in addition to the norm for assessment of un-reconciled accounts in terms of this Directorate Circular referred above, on the net debit balances outstanding in Inter Branch Accounts at the close of each financial year adequate provision is to be made.

For the year ending 31.3.2004, the Banks should identify the un-reconciled amount accordingly and make provisions in following manner,

<u>Year Ending.</u>	<u>Provisioning.</u>
31.3.2004	10 %
31.3.2005	40 %
31.3.2006	50 %

On the above basis 100% provisioning of un-reconciled amount as on 31.3.2004 is to be made by 31.3.2006. In case of fresh net debit position in Inter Branch Accounts and as per this office referred Circular arrived in Subsequent Years (after 31.3.2004), the same is to be fully provided for at the end of concerned year.

In this office Circular No.8931 dt.4.8.2001 it was stipulated to make contra provision in Balance sheet on un-reconciled amount i.e. provision in liability side and recoverable in Asset side without affecting P/L account. Now as per above suggestion of R.B.I., this provisioning against un-reconciled amount is to be made by charging profit and Loss account. Accordingly the following accounting entries are to be made: (a) Provision for un-reconciled A/c- P/L Account to be debited.
(b) Provision against Un-reconciled A/c - to be credited.

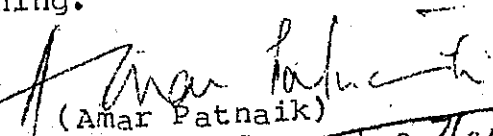
In the narrative part of Audit report the Auditor has to insert a separate chapter (just before General Remarks) on

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reconciliation of accounts and fix responsibility on persons responsible for non-reconciliation with their designation for initiating surcharge action against them.

This office Circular No.8931 dt.4.8.2001 now stands modified to the above extent and to be made applicable to all Coops. in the State including State Coop. Bank, Central Coop.Banks and Urban Coop. Banks.

It is expected that the reconciliation exercise should be pursued vigorously by Coop. Institutions in the State in order to arrest loss through this provisioning.


(Amar Patnaik)
Auditor General, 27/3/2004
Coop. Societies, Orissa.

Memo No. 2058 (18) /Dt. 6/4/2004

Copy forwarded to the Managing Director, Orissa State Coop. Bank Ltd., Bhubaneswar/Secretaries of all Central Coop. Banks and Urban Coop. Banks for information and necessary action.


Memo No. 2059 (16) /Dt. 6/4/2004
Joint Auditor General of C.S.(O).

Copy forwarded to ~~the~~ all Asst. Auditor General of Coop. Societies of Circles for information and necessary action. They are requested to Circulate this Circular amongst all Auditors of the Circle for their guidance and strict examination of instructions during audit.

In this narrative part of Audit report the Auditor has to insert a separate Chapter (just before General Remarks) on reconciliation of accounts and fix responsibility on persons responsible for non-reconciliation with their designation for initiating Surcharge action against them.

Memo No. 2060 (7) /Dt. 6/4/2004
Joint Auditor General of C.S.(O).

Copy forwarded to Registrar of Coop. Societies, Orissa/ Director of Textiles, Orissa/Director of A.H.&V.S., Orissa, Cuttack/ Director of Industries, Orissa, Cuttack/Director of Fisheries, Orissa, Cuttack/Director of Handicrafts and Cottage Industries/Director of Agriculture & Food Production for information and Circulation amongst Coop. institutions functioning under their administrative Control.


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

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Memo No.

2061 (257) /Dt. 6/4/2004

Copy to Managing Director of all Apex Coop. Institutions/ D.R.C.S. of All Divisions for information and necessary action.

Memo No.

2062 /Dt. 6/4/2004

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

Copy submitted to Commissioner-cum-Secretary to Govt. of Orissa, Cooperation Deptt. for favour of information.

Memo No.

2063 /Dt. 6/4/2004

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

Copy forwarded to Chief General Manager, Reserve Bank of India, Rural Planning and Credit Deptt., Central Office, Central Office Building, 13th Floor, Mumbai-400001 for information.

Memo No.

2064 /Dt. 6/4/2004

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

Copy forwarded to General Manager, NABARD, Bhubaneswar for information.

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

Copy to:-

1. All Auditor of Central Audit.
2. Legal Section.
3. Audit-I.
4. Guard file.
5. 30 Spare copies.

M.M/-2.4.2004.