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DIRECTORATE OF COOPERATIVE AUDIT:ORISSA:BHUBANESWAR.

No. 3407 (16) /VI(I)49/03-Audit-8-Dated: 1/6/2004
To

The all Asst. Auditor General of
Coop. Societies of Circles.

Sub: Concurrent Audit of Banks for the
year 2003-04 and onwards.

Sir,

Your attention is invited to this Directorate Circular No.2773/Audit-2dt.24.5.2003 in which, it is mentioned in clear terms in the said Circular that these monthly Concurrent Audit reports alongwith the compliance, if any, by the Bank/branches shall form the basis for drafting & submission of the final interim audit report of branches positively by 30th April of the Subsequent Year. This one month time after close of the year is allowed for checking of branch NFA statement, test checking of the year-end interest calculation, checking of balance registers with G.L. balances, checking of adjustment entries, checking of branch trial balance and P/L account, drafting of audit report & submission of the same to Asst. A.G.C.S.. It also, interalia, means that through day to day/periodical concurrent audit, transaction audit for the year is to be completed by end of 1st. week of April. The format for branch audit reports of C.C. Banks & U.C. Banks have been prescribed vide this office Circular No.7509 dt.11.5.99 and No.5265 dt.15.3.94 respectively. It is, therefore, necessary that the pattern of presentation of monthly concurrent audit reports should be in line with the formats of branch audit reports so that at the end of the year there will be no difficulty in consolidating the same for eventual preparation of the branch audit reports basing on the findings of such Concurrent audit reports. But it is observed that most of Concurrent audit reports received from various Circles are not in the line of requirement of format for branch audit reports. Secondly, the completion of audit for a certain period by a Concurrent Auditor implies checking of all aspects of the transactions for that period including checking with respect to entries in Day Book and Subsidiaries and Ledgers. But it is observed from some Concurrent Audit reports that the auditor has completed Vouching only. In some cases it is mentioned that vouching is completed upto a certain date and checking of Ledgers

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on such transactions is completed upto another date. This haphazard audit can not be termed as completion of Conc. audit for the period in question. This practice should be stopped forthwith. Neither is Concurrent audit merely vouching nor is it to be done in stages as being done in case of interim audit. Concurrent audit is not the same as interim audit. While interim audit is done at the end of the year, Concurrent audit is done at the end of the day or the next day or at most within that month. Hence, doing only vouching has no meaning in Concurrent audit system. It is again reiterated that completion of Concurrent audit upto any period means completion of thread-bare checking of all transactions recorded in all books of accounts and connecting records for that period in its entirety. Keeping this in view and requirements of the prescription for presentation of branch audit reports (as prescribed earlier) and to maintain uniformity for all Circles the following format for presentation of monthly Concurrent audit reports is now prescribed.

Format:-

1. Name of the Bank.
2. Name of the Branch.
3. Name & designation of Auditor.
4. i) Days taken for audit.
ii) Period covered under this Conc. Audit.
5. Name and designation of Branch Manager & other Staff during period covered under audit.
6. Persons with designation appointed during the period covered under audit, whether their appointment legally & regularly made (vide Circular on illegal appointments.)
7. Verification of Cash Balance at the commencement of periodical Conc. Audit or any time in between & Results of such verification. The auditor should also offer his comments/observations whether the cash retention is within limit fixed by Bank, there is adequate insurance cover, whether under double lock and whether during the period covered by audit the cash balance of any day was verified by the Bank Supervising Officers.

8. Verification of Current and shortterm deposits with other Banks and check the same with certified balance, if available.
(absence of certified balance should itself be an audit comment and responsibility be fixed on the branch manager for the same)
9. Loans & advances.
- i) Total (type-wise) Loans & advances disbursed during the period covered under audit.
 - ii) Whether loans applied in proper form.
 - iii) Whether there was proper credit appraisal as per norms prescribed by the Bank. What you observed as major deficiencies in Credit appraisal (Give case-wise detailed in brief).
 - iv) Whether any credit facility extended beyond the power & jurisdiction of Branch Manager. Give details, if any.
 - v) have you come across cases of illegal finance where amounts disbursed without complying terms and conditions of sanction & without proper documentation & without adequate security. Give details, if any.
 - vi) Whether overdrafts, overdrawals allowed in cash credit. Give case wise details.
 - vii) Collection of NPA Loan & advances during the period covered under Conc. Audit.
 - viii) Monthly calculation of interest of loan accounts & checking such interest calculation.
(as per latest RBI guidelines, interest has to be ~~xx~~ calculated on monthly rest basis from 2003-04 accounts).
10. Whether advances allowed to staff or Directors during the period covered under audit. If so, for which purpose and whether any advance allowed without liquidating previous advance.
11. Whether there was any un-authorised expenditure noticed during audit. If so, give details.
12. Deposits.
- (1) Types.
 - (2) Calculation of monthly interest.
 - (3) S.G.R. & C.R.R. violating.
 - (4) Extent of deployment of funds.

13. Submit particulars of frauds, misappropriation etc., if any, committed during the period covered under audit.
14. Accounting errors found during audit, whether complied during audit and if not what are the un-complied observations. Any other serious Lacunas/deficiencies noticed.
15. Balancing & Reconciliation:-

Whether all subsidiaries and ledgers balanced at the end of the previous month and all accounts reconciled with Day Book & Ledgers and subsidiaries. If not, responsibility be fixed.

Signature.

With the Concurrent audit report of each branch in the above format, the auditor has to also submit the audited receipt & expenditure statement for the period covered under periodical concurrent audit (at least upto the previous month without fail) duly signed by the concerned Branch Manager & Accountant (who has prepared such account) & the Auditor. If possible, monthly Profit and Loss Account of the Branch should also be given. Where Concurrent audit is continuously done without break, the auditor is to submit monthly R/E Statement. This statement need be signed both by the Auditor and the Branch Manager and the Accountant of the Branch.

Some of the Audit Circles have forwarded concurrent audit reports alongwith R/E Statements. But Circles like Bargarh, Balasore, Keonjhar, Dhenkanal etc. have not submitted R/E Statements with the Conc. Audit reports. Those auditors who have not submitted the audited R/E statements be instructed to submit their audited R/E Statements from 1.4.2003 to the date upto which Conc. Audit to be done during September '2003 in a single Statement alongwith the monthly Conc. Audit report for Sept. '2003 & thereafter, should submit R/E Statements for period covered during the month alongwith monthly reports. There shall be no deviation from this in future.

2. In this office Circular No. 2773/Audit-2 dt. 24.5.03 it was stipulated that the Conc. Auditors engaged in audit of C.C. Banks & U.C. Banks are to submit their monthly Conc. Audit reports for the period covered to the Chief Executive of the concerned Banks, the Asst. A.G.C.S. of Circles and to this office

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within 7 days of expiry of each month. But it is observed that the time limit fixed is not adhered in most cases. Besides, as the Conc. Audit Reports are to be treated as basis for annual Statutory audit of Banks and as such annual audit reports are issued by the Asst. A.G.C.S. of Circles, the Asst. A.G.C.S. should examine the Conc. Audit Reports at his level, before making it basis for final audit. But this is not being done. It is, therefore, decided that besides submission of reports to the Chief Executives of the Banks, the concerned Conc. Auditors are to submit their Monthly Conc. Audit reports to the concerned Asst. A.G.C.S. of Circles in two copies. The Asst. A.G.C.S. are to examine the same in their offices and submit consolidated reports of all branches to this office along with their examination reports highlighting Conc. Audit findings of each branch along with their comments/observations. Such consolidated reports should reach this office by 7th of each month unfailingly. Henceforth the Conc. Auditors are not to submit their reports directly to this office.

Any incidence of irregularity/illegality/fraud/mis-appropriation leading to deficiency in assets of the Bank, if reported in these monthly Concurrent audit reports, should immediately invite initiation of surcharge proceedings u/s 67 of the O.C.S. Act., without waiting for the final audit report stage as such a prompt action is permissible under the provisions of Section 67 of the O.C.S. Act..

These instructions should be scrupulously followed and in case of any deviation, the concerned Concurrent Auditor and the Asst. A.G.C.S. shall be held squarely responsible.

Yours faithfully,

T.R. Saha
Auditor General,
Coop. Societies, Orissa.

Memo No. 3408 /Dated: 1/6/2004

Copy submitted to the Commissioner-cum-Secretary to Govt. of Orissa, Cooperation Department, Bhubaneswar for favour of kind information.

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31/5/2004
Joint Auditor General of C.S.(O).

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Memo No. 3409 (14) /Dated: 1/6/2004

Copy forwarded to the Registrar of Coop. Societies, Orissa, Bhubaneswar/All Deputy Registrars of Coop. Societies of Divisions for information and necessary action.

Memo No. 3410 (35) /Dated: 1/6/2004 Joint Auditor General of C.S.(O).

Copy forwarded to all Secretaries of Central Coop. Banks/ Urban Coop. Banks for information and necessary action. They are requested to instruct the branches to prepare monthly R/E Statement & Profit & Loss Account now onwards and submit the same to the Concurrent auditor for verification and audit and submission of the same to the Asst. A.G.C.S. and the office of the A.G.C.S. alongwith their monthly Concurrent audit reports. The Secretaries are requested to personally ensure submission of such monthly financing statements on time so that concurrent audit reports become complete and informative.

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

30 Spare copies/G.F.

M.M/-17.5.2004.