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DIRECTORATE OF COOPERATIVE AUDIT : ORISSA : BHUBANESWAR.

No. 2772(16) / Dated 24/5/2003
MC/62/49/Audit-8.

To

The Assistant Auditor General of
Cooperative Societies of Circles (All).

Sub:- Separate deployment of staff specifically
for the purpose of surcharge proceedings
and for monitoring follow-up action on
audit reports/ Special audit reports -
provision on the Annual Audit Programme.

Sir,

It has been repeatedly brought to your attention that the new Directorate of Cooperative Audit was created by the Government with the avowed objective of improving follow-up action on audit reports/special audit reports and fixation of responsibilities on the basis of audit reports/ special audit reports. The Cabinet Resolution seeking creation of the new Directorate clearly spells out this aspect of effective monitoring of follow-up action on audit reports/special audit reports and ensuring appropriate action under the O.C.S. Act and Rules in the form of surcharge proceedings and execution proceedings on the basis of such audit reports. It is to be clearly understood that audit was going on even before the creation of the new Directorate of Cooperative Audit. However, adequate follow-up action and surcharge proceedings were not being initiated promptly. The new Directorate of Co-op. Audit was to remedy this deficiency in the audit process, besides continuing with the conduct of regular audits of Co-op. Societies as was taking place earlier.

But, even after 4 years of separate and independent functioning of the new Directorate little has been done in respect of follow up action on audit reports and surcharge proceedings, although significant improvement has taken place to achieve timeliness in conduct of audit & ensuring quality of audit reportings etc. The percentage of audit progress has now reached 75% approximately despite continuing non-filling of vacancies in the cadre of audit caused by retirement, death, resignation etc.

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Temporarily, the power to initiate execution proceedings have been allowed to continue to remain with the R.C.S., Orissa by invocation of the provisions under section 123 of the O.C.S. Act by the State Govt. Required number of Sale Officers numbering 71 ~~when~~ who were to be transferred on the basis of the said Cabinet Resolution for taking case of execution proceedings have similarly not been transferred to the Directorate of Coop. Audit from that of the Directorate of Registrar of Co-op. Societies, Orissa. However, the onus of improvement in monitoring mechanism of follow-up action on audit reports, their rectification and initiation of surcharge proceedings under section 67 of the O.C.S. Act have been bestowed on the new Directorate of Cooperative Audit.

While surcharge proceedings have been initiated to a great extent and their disposal is slowly improving, the achievement is yet to take off in most of the Circles as their disposal rate is below even the 50% mark. In this Directorate Circular No. 1491 dt. 15.2.2001 regarding prompt initiation and disposal of surcharge proceedings, it was emphasized that each S.A.A.G.C.S. was to dispose off atleast 2 surcharge cases per month in addition to his audit duties so as to clear atleast 24 cases per year per Auditor. During the Quarterly Review Meeting of Assistant Auditor Generals of Cooperative Societies, it was revealed that the desired progress is not being achieved under this arrangement. There is also loss of accountability due to the same Auditor being also simultaneously given the responsibility of improving audit progress as well as improvement in pace of disposal of surcharge proceedings. Sometimes, shortfall ~~in~~ in achievement in one sector is tried to be explained by unforeseen circumstances requiring more time in the other sector. Since this is a significant work of the new Directorate, significant number of mandays should be devoted for both initiating surcharge cases as well as early disposal of the same. It is also to be remembered that there is a time bar of 4 years since the audit findings, for initiation of surcharge proceedings.

Similar poor performance on monitoring follow-up action on audit reports is noticed despite repeated discussion on the subject through a separate ^{agenda} in all the Quarterly Review Meeting held so far and despite clear instructions issued in Circular No. 6079 Dt. 29.10.2002. The Assistant Auditor General of ~~Co~~ Cooperative Societies of Circles have not attached due importance to the matter & have also not made adequate provision of man days for monitoring the same in the annual audit programmes being prepared by them for every year. In the last meeting of all Assistant Auditor General of Cooperative Societies, it was disheartening to note that none of the Circles had bothered to implement the instructions contained in the above circular.

In view of such poor performance in both the spheres - surcharge proceedings & follow-up action on Audit Reports, it is decided that while making annual audit programme for 2003-2004 and onwards, it is to be ensured that :-

(1) Besides 4 Auditors given to each Circle for different office works, i.e. 1 S.A.A.G.C.S. (Office), 1 A.C.S. for progress report, reports and returns and issue of Audit reports. 1 A.C.S. for correspondence & 1 A.C.S. extra for surcharge proceedings and follow-up action on audit findings in the Circular on fixation of yardstick/norms etc. vide No. 7709/Audit-III- dated 18.6.2001, minimum 2 more S.A.A.G.C.S. be now detained in the headquarters only ^{for} going through Audit Reports ~~on a regular/daily basis~~ for the purpose of ~~for~~ initiating and hearing of surcharge cases on a regular/daily basis, excluding the S.A.A.G.C.S. (Office) depending on the size of circle and number of surcharge cases to be initiated and disposed. For smaller Circles, only one extra S.A.A.G.C.S. may be deployed for surcharge proceedings. Targets for initiating surcharge cases and their disposal should be fixed (which should be much more than the 24 cases per SAAGCS per year fixed for the S.A.A.G.C.S. of Circles) depending on the number of man days available to them, so that their performance can be monitored at regular intervals in the review meeting of Circles, taken by the Asst. A.G.C.S. of Circles as well as in the review meeting of all Assistant Auditor General of Cooperative Societies at the state level. In such case, accountability can

automatically be fixed for any lapses. These S.A.A.G.C.S. should ordinarily be posted at the Headquarters of the Circle for the whole year; but they may be rotated only in case of emergency. One Auditor of Cooperative Societies given extra in the yardstick should assist them to the fullest extent in monitoring dates, issuing notices & orders etc. Full stenographical support should be given to the S.A.A.G.C.Ss. exclusively in charge of surcharge proceedings. While fixing the targets for them, it must be ensured that all the surchargeable cases facing limitation of time bar of 4 years are immediately covered within a fixed time frame and one certificate to this effect be furnished by the Assistant Auditor General of Cooperative Societies of Circles in the Annual Audit Programme every year.

(2) For initiating the surcharge proceedings on fresh Audit Reports as well as on the basis of Audit reports issued in the past, it would be necessary to carefully examine the earlier Audit reports in the Circle. This situation would be mitigated to a large extent if instructions contained in Circulars No. 7897 dt. 6.12.99 and No. 6079 dt. 29.10.2002 are scrupulously followed where-in all the Auditors have been asked to furnish the statement of surcharge proceedings and statement of audit defects (required under the O.C.S. Act and Rules). Also this would help in taking other kinds of follow-up action on each and every Audit report, at least the major ones like that of C.C.Bs., Central Societies etc. It is expected that by now this system should have in place since issue of the circulars referred above. However, in order to rectify the situation, besides the above if the same has not been done so far, 2 S.A.A.G.C.S. exclusively for surcharge proceedings (1 S.A.A.G.C.S. for smaller Circles) at least 2 more Auditors (One S.A.A.G.C.S. and One Auditor of Cooperative Societies) have to be detained extra in the office for the purpose of monitoring & initiating appropriate follow-up action on the audit reports particularly for Central Cooperative Banks, Urban Cooperative Banks, Weavers Cooperative Societies and other Central priority working societies. This may, however, include

S. A. A. G. C. S. (Office), which is to be determined by the Assistant Auditor General of Cooperative Societies depending on the work load of the Circle and number of Societies & Audit Reports to be checked and monitored for follow-up action. Follow-up action does not necessarily mean initiation of surcharge cases, but also initiating regular correspondences with the concerned Cooperative Societies for every major paras/objections mentioned in the Audit Report besides calling the concerned officers of the Society to the Office of Asst. A. G. C. S. in this regard for being satisfied on the compliance given by these societies on these paras. They are also free to visit the concerned institutions at any time and call for records under section 62(4) of the O. C. S. Act for examining the genuineness of the compliances so made, as and when such need arises.

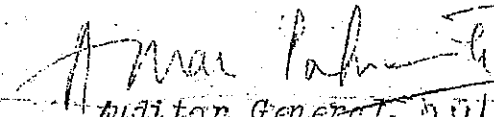
(3) Since audit progress is now becoming more or less satisfactory with the issue of the circular on the yard-stick in Circular No. 7709/Audit-III dated 18.6.2001 of the Directorate of Cooperative Audit, Orissa, Assistant Auditor General of Cooperative Societies of Circles are now expected to devote much more time of their time on these two aspects of surcharge proceedings & follow-up action on Audit Reports. It may now be taken that besides audit progress, the performance of Assistant Auditor General of Cooperative Societies shall also be judged on the basis of their performance in these two parameters. Hence, instead of wasting time on conducting a large number of test audits or wasting time in monthly audit allotment, Assistant Auditor General of Cooperative Societies of Circles should clearly give more time on the matter of surcharge proceedings and follow-up action on audit reports. As it is, all the cases of surcharge proceedings whose money value is more than Rs. 1 lakh has to be necessarily disposed by them. Hence, they shall be held personally responsible for the same.

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It is also be ensured that there is regular meeting of All Assistant Auditor General of Cooperative Societies with that of the Principal Officer of the circle to monitor the initiation of execution proceedings on final decree/order/pronounced on surcharge cases and in case adequate action has not been taken, regular monthly reports should be sent to the Auditor General of C.S., Orissa/Registrar of Coop. Societies, Orissa/Government/others to bring out this fact as such power now vests with the designated Sale Officers of R.C.S., Orissa.

While finally bringing up the Annual Audit Programme of the Circles for 2003-2004, the above directions/~~or~~ guide-lines for deployment of Auditors should be kept in view besides instructions contained in earlier direction vide this office letter No. 2143(16) Dt. 3.5.2003 for finalisation of the ~~sa~~ said programmes. These instructions shall also continue to be observed during drawal ^{of} Annual Audit Programme for every subsequent year which should be submitted before 15th. of April every year without fail.

Yours faithfully,


Auditor General, 20/5/04
Co-operative Societies, Orissa.

G.F.
10 Spare Copies.

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