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DIRECTORATE OF COOPERATIVE AUDIT:ORISSA:BHUBANESWAR.

Circular No. 8285 /VI(I)44/09 Dated:- 8.10.09  
~~Audit - 8~~

Sub:- Expenditure norms prescribed by NABARD  
Guidance for auditors.

For revival of STCC and LTCC structure reforms as envisaged in the MOU have been implemented in the State to bring the Cooperatives to an acceptable level of health through financial restructuring alongwith legal and institutional reforms to ensure that the Cooperatives function as strong, vibrant medium to meet the financial needs of rural India, particularly small and marginal farmers NABARD has issued guidelines on establishment expenses and it is observed that.

- I. In most of the loss making PACS expenditure on Cost of Management and staff expenditure (Cost of Establishment) are on higher side and not related to its income.
- II. Many PACS were incurring losses due to non-credit business as they had undertaken such business without making assessment on profitability of that business.
- III. Adoption of austerity measures in respect of expenditure was not ensured to restrict the same within the real income of the PACS.

COST OF MANAGEMENT.

The Primary Credit Societies are required to limit their Cost of Management to an acceptable level so as to earn profit after providing for necessary provisions and reserves. Therefore, the PACS may ensure to restrict the Cost of Management within the range of 40% to 50% of the total income (net interest income plus other income i.e. real income).

STAFF COST:-

Staff cost of PACS should be kept ~~should be kept~~ in the range of 20% to 30% of total income (net interest income plus other income i.e. real income).

Terminology.

- A) Net interest income (Total interest earned) - (Total interest paid)
- B) Total Income = (Net Interest Income) + (Other income excluding reverse of provision)

P.T.O.

C) Other Income (Trading Profit if any) + (Fees, Commission etc, collected).

In course of audit, the auditor has to examine all the receivables, payables, incomes, expenditures along with quantum of provision/reserve required meticulously and record his findings in the Audit Report. The lapses in detection of irregularity in this respect in the Audit Report of PACS by the auditor will attract disciplinary action along with the Checking Officer and certifying Officer.

28/10/09

Memo No. 8286 (16) Auditor General of C.S., Orissa.  
/Dated:- 8.10.09  
Copy forwarded to the AAGCS of Circles for information and necessary action. They are requested to circulate the above guidelines amongst the auditors for its implementation in the field at the time of audit.

28/10/09

Memo No. 8287 Auditor General of C.S., Orissa.  
/Dated:- 8.10.09  
Copy submitted to the Commissioner Cum-Secretary to Govt. of Orissa Cooperation Deptt. for favour of kind information.

28/10/09

Memo No. 8288 (3) Auditor General of C.S.(O).  
/Dated:- 8.10.09  
Copy forwarded to the R.C.S. Orissa, BBSR/M.D. O SCB Ltd Bhubaneswar/C.G.M. NABARD, Regional Office, BBSR for information.

28/10/09

Memo No. 8289 (30) Auditor General of C.S.(O).  
/Dated:- 8.10.09  
Copy forwarded to the D.R.C.S. of Divisions/ Secretaries of all CCBs for information and necessary action. They are requested to transmit a copy of the said circular to all Circle Office/PACS under their jurisdiction for necessary implementation at their level.

S.S.C.  
Dash.6.10.

28/10/09  
Auditor General of C.S., Orissa.