

DIRECTORATE OF COOPERATIVE AUDIT: ODISHA: BHUBANESWAR.

Letter No.VI (4) 30/2014 2018 / Audit-2 Dated. 07/04/18

To

The Chief Executive Officers of Balasore UCB/
Berhampur UCB/ Cuttack UCB/ Jeypore UCB/
Kendrapara UCB/ Rourkela UCB/ Paralakhemundi UCB/
Puri UCB/ Utkal Cooperative Bank / Baripada UCB.

Sub: Inclusion of additional statements in the Statutory Audit Report of
UCBs in the State from 2017-18 & onwards.

Sir/ Madam,

In view of suggestion by Reserve Bank of India for making the Statutory Audit Report of UCBs in the State more fair and transparent, the statutory Audit Reports must contain four statements like statement-a (Independent Auditor's Report), Statement-b (Significant Accounting Policies), Statement-c (Notes on Accounts) and statement-d (cash flow) duly filled up and signed by Auditor/ Chartered Accountant, conducting statutory audit of your Bank. Illustrative examples from statement a to c are annexed herewith for reference & cash flow statement is to be prepared by Bank & signed by concerned Chartered Accountant/ Statutory Auditor.

So, you are requested to ensure for inclusion of said statements in statutory Audit Report of your Bank after LFAR from the year 2017-18 and onwards for needful action.

Please treat this as "IMPORTANT".

Yours faithfully

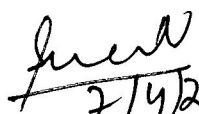

Auditor General

Cooperative Societies, Odisha.

Dated. 07/04/18

Memo No. 2019 (16)

Copy alongwith enclosures (statement a,b,c & d) to the Assistant
A.G.C.S of all circles for information and necessary action.


Deputy Auditor General of
Cooperative Societies, Odisha.

Memo No. 2020 /

Dated. 24/11/18 /

^{along with enclosures}
Copy forwarded to the DGM, RBI (UBD), Bhubaneswar for information and necessary action.

[Signature]
24/12/18
Deputy Auditor General of
Cooperative Societies, Odisha.

Memo No. 2021 /

Dated. 24/11/18 /

^{along with enclosures}
Copy submitted to the RCS(O), Bhubaneswar for kind information and necessary action.

[Signature]
24/12/18
Deputy Auditor General of
Cooperative Societies, Odisha.

copy to WEBSITE

AKS.06.04.2018.

Statement-a
INDEPENDENT AUDITOR'S REPORT

To,
The Members

The _____ Urban Co-operative Bank Ltd.

Address

Ref. :- Appointment Letter Reference No.----- Dated -----

Report on the Financial Statements as a Statutory Auditor

1. We have audited the accompanying financial statements of the Urban Co-operative Bank Ltd., which comprise the Balance Sheet as at 31st March 20..... and the Profit and Loss Account and Cash flow statement for the year ended 31st March 20....., and a summary of significant accounting policies and other explanatory information. The returns of Branches including head office audited by Chartered Accountants / Departmental Auditors are incorporated in these financial statements.

Managements Responsibilities for the financial statements.

2. Management is responsible for the preparation of these financial statements in accordance with Odisha Co-operative societies Act, 1962, Odisha Cooperative Societies Rules 1965, Banking Regulation Act, 1949 (A.A.C.S.) and RBI/ RCS/ AGCS Guidelines and generally accepted accounting principles in India so far as applicable to the bank. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by The Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether
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due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements together with the Notes thereon give the information required by the Banking Regulation Act, 1949 (A.A.C.S.) as well as the Odisha Co-operative societies Act, 1962, Odisha Cooperative Societies Rules 1965 and the guidelines issued by RBI/ RCS(O)/ AGCS(O), in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 20.....

(ii) in the case of the Statement of profit and loss, of the profit/loss for the year ended on that date; and

(iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Matters

7. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with provisions of the Odisha Co-operative societies Act, 1962 & Odisha Cooperative Societies Rules 1965.

8. We report that:

(a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.

(b) In our opinion, proper books of accounts as required by law have been kept by the bank so far as it appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches/ head office of the bank.

(c) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.

(d) The balance sheet and profit & loss account dealt with by this report, are in agreement with the books of accounts and returns.

(e) The accounting standards adopted by the bank are consistent with those laid down by accounting principles generally accepted in India so far as applicable to bank.

9. The details as required by section -62(2) of Odisha Cooperative Societies Act, 1962 and rule 59 of the Odisha Cooperative Societies Rules, 1965 are given in the audit memorandum separately.

or

As per the information and explanation given to us and based on our examination of the books of accounts and other records, we have not come across material instances in respect of the details mentioned in Section -62(2) of Odisha Cooperative Societies Act, 1962 and Rule 59 of Odisha Cooperative Societies Rules, 1965.

10. We further report that for the year under audit, the Bank has been awarded "....."Classification.

Place:-
Date:-

For.....

Chartered Accountants

Firm Registration Number-.....

Signature,

Name of the Member
Signing the Audit Report:
(Designation):
Membership Number:

Statement-b
Significant Accounting Policies.

1) ACCOUNTING CONVENTION:

The financial statements are prepared and presented under the historical cost convention on going concern basis following the accrual concept of accounting, unless otherwise stated. The financial statements comply with generally accepted accounting principles, statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India (RBI) from time to time, Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) and current practices prevailing within the banking industry in India.

2) INVESTMENTS:

(a) Classification:

For the purpose of disclosure in the Balance Sheet, Investments are classified under four groups as required under RBI guidelines – Government Securities, Other Approved Securities, Shares with Co-operative Institutions and Other Investments.

(b) Valuation:

- i. Investments are carried at their acquisition cost.
- ii. Any premium on acquisition of investment is mortised over the balance period to maturity.
- iii. Interest accrued up to the date of acquisition of securities (i.e. broken period interest) is excluded from the acquisition cost and debited to interest on investments income.
- iv. Brokerage, Commission, CCIL charges etc. pertaining to investments paid at the time of acquisition are charged as expenditure.
- v. Upfront incentives received on subscription to securities are recognized as income.
- vi. Diminution other than temporary, if any, in the value of other investments is provided for by debiting Profit & Loss Account reducing the value of Investments. Diminution, if any, in the value of Government Securities & other approved securities is not accounted for.
- vii. Appreciation in the value of investments except to the extent of cost price, where there has been a diminution earlier, is not accounted for.

(c) Profit/Loss on Sale:

- i. Profit in respect of investments sold is included in profit & loss account as profit on sale of investments.
- ii. Loss, if any, on sale of investments is charged to profit & loss account as loss on sale of investments.

3) ADVANCES:

(a) Advances are classified into Standard, Sub-Standard, Doubtful and Loss Assets and provisions are made in accordance with the prudential norm prescribed by RBI.

(b) The overdue interest in respect of non-performing advances is derecognized and is provided separately under "Overdue Interest Reserve" as per the directives issued by RBI.

4) FIXED ASSETS & DEPRECIATION:

Depreciation on different fixed Assets is provided as rates specified by Auditor General of Co-operative Societies vide his circular No-2828/VI (I) 62/99-(P-VI) Audit-8 dt-12.05.2004, No-3704 dt-27.06.2011 and No-1731 dt- 28.04.2012. Depreciation on fixed assets have been provided at the following rates:-

Sl.	Assets	Rate
1	Land	No depreciation
2	Building (for office purpose)	10%
3	Building (for residential purpose)	5%
4	Furniture's & Fixtures	15%
5	Library	20%
6	Plant & machinery	25%
7	Computers including software's	33.33%
8	Vehicle	20%
9	Electrical installation and electrical equipments	25%

5) RECOGNITION OF INCOME/EXPENDITURE:

(a) Items of Income & Expenditure are recognized on an accrual basis except for leave encashment, gratuity & other retirement benefits which are being accounted for on cash basis.

(b) Income from non-performing assets are recognized to the extent realized, as per the directives issued by RBI.

(c) Interest on Government Securities, Debentures and other fixed income securities are recognized on accrual basis.

(d) Dividend income is accounted on accrual basis when the right to receive payment is established.

6) EMPLOYEE BENEFITS:

(a) The bank contributes to Provident Fund which is administered by a duly constituted and approved independent trust. Contribution to Provident Fund is accounted on accrual basis with corresponding contribution to recognized fund.

(b) Bank's contributions to Pension Fund are accounted for on the basis of contribution to the Fund.

(c) The bank contributes to Approved Gratuity Scheme administered by independent trustees and the bank's contribution to the scheme as well as the amount of gratuity paid to employees in excess of the amount receivable from LIC as per the scheme are accounted for as gratuity expenses.

(d) Leave encashment paid to employees as per bank's policy are accounted for on cash basis.

(e) No actuarial valuation of the liability towards employee benefits such as Gratuity, Leave Encashment, Staff Pension etc. are done.

7) PROVISIONS:

A provision is recognized when the bank has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

8) TAXATION:

Tax expenses comprise of Income Tax. Income Tax is provided for in accordance with the applicable provisions of the Income Tax Act, 1961 and Rules framed there under.

9) CONTINGENT LIABILITIES AND ASSETS:

Contingent Liabilities are not recognised as expenditure. These are, however, disclosed by way of Notes.

A disclosure of contingent liability is made when there is:

- i. A possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non occurrence of one or more uncertain future events not within the control of the bank ; or
- ii. A present obligation arising from a past event which is not recognized as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognized in the financial statements.

10) EARNING PER SHARE:

Earnings per share (EPS) reported is computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year.

Place:-

For.....

Date:-

Chartered Accountants

Firm Registration Number-.....

Signature,

Name of the Member
Signing the Audit Report:
(Designation):
Membership Number:

Statement-c
NOTES ON ACCOUNTS:

- 1) Share Suspense of _____ relates to partial amounts Collected against Share Capital due to increase in the nominal value of each share from ___ to ___ or for other reasons.
- 2) Out of total Advances of _____ Lacs, total NPA is/ _____ Lacs consisting of Short Term, Medium Term & Long Term NPA of _____ Lacs, _____ Lacs & _____ Lacs respectively.
- 3) Gross NPA of the bank has been increased / decreased from _____% to _____%. However, Net NPA has increased/ decreased from _____% to _____% of total advances and total NPA has increased/ decreased by _____% from _____ lakhs to _____ lakhs.
- 4) Amounts "considered to be bad and doubtful of recovery" (as shown in the Schedule _____ Advances" of the Balance Sheet) reflects the total amount of loss assets and doubtful assets as per prudential norms issued by RBI.
- 5) Income Tax Suspense of Rs. _____ includes Rs. _____ relating to Financial Year _____ and Rs. _____ relating to the financial year _____.
- 6) Gratuity expenditure includes Rs _____ crores paid to _____ Cooperative Bank Employees' Group Gratuity Scheme.
- 7) Insurance expenditure includes Deposit Insurance Premium of Rs. _____ paid to Deposit Insurance & Credit Guarantee Corporation.
- 8) During the year RBI has imposed/ not imposed any penalty/fine on the bank (if imposed amount to be mentioned). However, Income Tax Department has imposed /not imposed penalty of _____ during the year.
- 9) Calculation of E.P.S.

PARTICULARS	As on 31.03._ (current year)	As on 31.03._ (previous year)
a) Net Profit after tax ()		
b) Weighted Average number of Equity Shares		
c) Earnings Per Share (a/b)		

- 10) Following additional disclosures are made:

(Rs. in Lakhs)

Particulars	As on 31.03._ (current year)	As on 31.03._ (previous year)
A : Capital to Risk Assets Ratio (CRAR)		
(i) Total Capital Funds		

<p>(ii) Risk Weighted Assets (iii) CRAR</p> <p>B : Investments (i) Book Value (ii) Face Value (iii) Market Value</p> <p>C : Advances against (i) Real Estate (ii) Construction business (iii) Housing</p> <p>D: Advances against shares & debentures</p> <p>E :Advances to directors, their relatives, companies/firms in which they are interested:</p> <p>(i) Fund based (ii) Non-Fund based</p> <p>F: Average cost of deposits</p> <p>G : NPAs (i) Gross NPAs (ii) Net NPAs</p> <p>H : Movement in NPAs (i) Gross NPAs Opening Balance Add : Additions during the year Less : Reduction during the year Closing Balances</p>		
<p>I Profitability : (Annualized basis) i) Interest income as a percentage of working funds</p> <p>(ii) Non-interest income as a percentage of working funds</p> <p>(iii) Operating profit as a percentage of working funds</p> <p>(iv) Return on average Assets (v) Business (Deposits + Advances) per employee</p> <p>(vi) Operating profit per employee</p> <p>J Provisions made towards (i) NPAs (ii) Depreciation in investments towards</p>		

revaluation K Movement in Provisions (i) Towards NPAs Opening Balance Add : Additions during the year Less : Reduction during the year Closing Balance (ii) Towards Standard Assets Opening Balance Add : Additions during the year Less : Reduction during the year Closing Balance		
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Place:-
Date:-

For.....

Chartered Accountants

Firm Registration Number-.....

Signature,

Name of the Member
Signing the Audit Report:
(Designation):
Membership Number:

Statement-d

Cash Flow Statement: