

Circular No. 2773 / Dated 24/5/2003
VI(4)42/03. Audit-2.

Subject :- Concurrent Audit of Banks for the
year 2003-2004 & onwards from
Dt. 1.4.2003.

Section 31 of the Banking Regulation Act, 1949 stipulates that the Cooperative Banks coming under purview of the said Act are to submit three published copies of profit & loss account and Balance Sheets together with the Auditor's report and the audit certificate issued thereon to the Reserve Bank of India within 6 months of close of the year. It implies that audit of all Coop. Banks coming under the purview of the said Act has to be completed by 30th. September each year. Since financial statements are the essential pre-requisites of audit, responsibility on preparation of such statements and their presentation before audit in time is fixed on the Committee of Management of the Banks vide Section 29(1) of B.R. Act, 1949 (AACS) and Section 28(1)(b)(ii)(d) of O.C.S. Act, 1962. But in practice, it was observed that most of the Coop. Banks, which are banking institutions & where financial discipline is most expected, did not bother to ~~maintain~~ maintain their books of accounts in a timely & ^{orderly} fashion. Even important works like interest calculation at the close of the year, maintenance of balance register, NPA register, reconciliation of accounts etc. which are essential for preparation of financial statements were habitually being taken up only after the auditor starts the audit ~~with~~ as if these statement/works were required only for :

audit purpose & not as a matter of routine Management information at the end of the year for policy-making on different development action points/areas of the Bank like investment plan, credit policy, recovery plan etc. of the Bank for all of which such completed financial statements are required in time that is before end of April of the subsequent year & not mid-way through the subsequent year, i.e. in September/October of the/because by that time half of the year would already be over & no worthwhile policy can be made at that time. In most cases, the financial statements were being prepared with the help of auditors. This resulted in not only unethical mingling of audit with accounts functioning which should always be separate, but also in the process, the competency of officers & staff of the Banks to handle accounting matters & prepare their own financial statements at their level suffered to a great extent over the years.

In order to check this erroneous & self-defeating practice, ⁱⁿ this office Circular No. 7729 dt. 19.6.2001, ^{it} was decided that from the year 2001-2002 the audit of Central Coop. Banks and Urban Coop. Banks & their branches is to be taken up only after receipt of financial statements duly signed by the officials & officers of the Banks from the Bank & after intimation from them regarding complete maintenance of books of accounts & other records in proper form. Even though this circular instructions was implemented by Audit Directorate in audit of Banks for the year 2001-2002, the Banks could not shed their age-old practice of non-maintenance of accounts in time. As a result, barring 2 to 3 Banks, none of the CCBs & UCBs could complete their books

of accounts for 2001-2002 in time & consequently could not submit their financial statements for audit even before 30.9.2002, the stipulated date of completion of audit as a whole, under B.R. Act. It transpires from experience in audit of C.C.Bs. & U.C.Bs. during the year 2001-2002 that if books of accounts of branches are maintained in time and on day to day basis like other Commercial Banks, the branch trial balance & Profit & Loss accounts can be prepared within 15 days of close of the year & the Bank can consolidate the same & present the financial statements for audit maximum by 31st. May. If so happens, the audit of the Banks can be completed well before 30th. September.

In order to ensure, this timely maintenance of accounts & timely completion of audit is is now decided that from 1.4.2003, onwards the audit of all branches of C.C.Bs. & U.C.Bs. in the State shall be conducted on a concurrent basis starting with the accounts year, conducted 2003-2004. The

branches of banks are now ^{to} ensure recording of the daily transactions in their books of accounts & other records on the same day itself after close of banking hours & present the same for Concurrent audit on same day or the very next day. In this way, concurrent audit of big branches is to be conducted on day-to-day basis by Concurrent Auditors/as is presently being done in case of O.S.C.B. In case where sufficient no. of Conc. Auditors/no Concurrent auditors are there, in such cases adequate no. of departmental auditors shall be engaged for Concurrent audit of big branches. For smaller branches having lesser transactions & where daily transactions do not justify

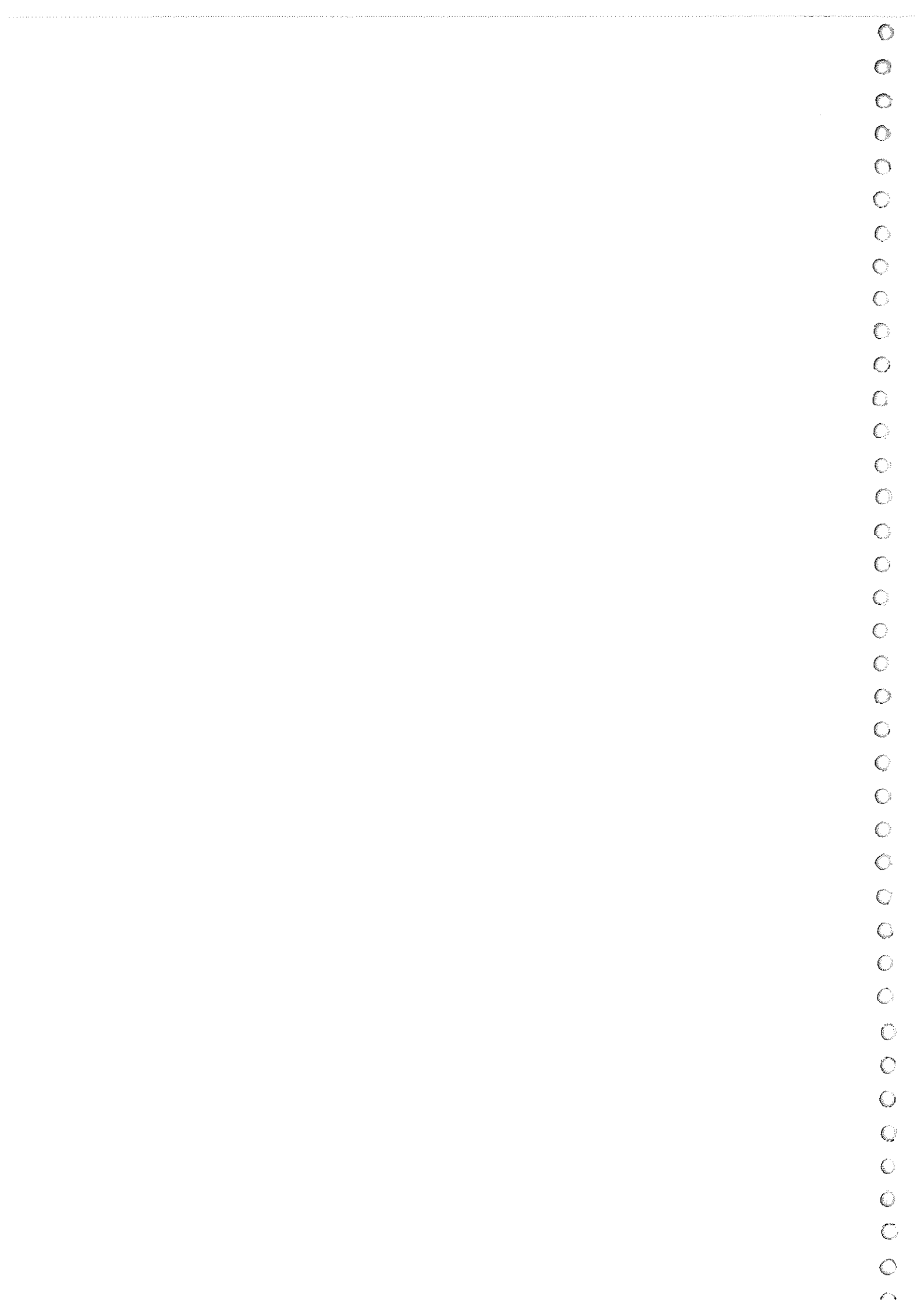
full day engagement of an auditor, in such branches Departmental auditors shall conduct concurrent audit of 2 to 3 or more branches on rotation basis at short periodical intervals, maintaining however the overall discipline of completing audit of a month's transactions by the end of the same month itself.

The Concurrent Auditors shall submit the gist of important findings of Concurrent audit of branches allotted to them at the end of each month in their monthly concurrent audit report alongwith period of accounts of the branches checked during the month, no. of days devoted for checking etc. to the Chief Executive of concerned Bank, A.A.G.C.S. of Circle and to this Directorate. Such monthly performance reports should reach all the above addressees by 7th of each succeeding month positively. These monthly concurrent audit reports alongwith their compliances, if any, by the Bank/branches shall form the basis for drafting the final interim audit of the branches positively by the 30th. April of the subsequent year.:

~~ready to submit~~. Similarly, the Bank should make its final financial statements alongwith P/L Account, Balance Sheet & all other associated statements required to be annexed to the final Audit Report after due consolidation of the branch financial statements by 31st. May positively. Once the ^{same is ready} Final Audit Report of the Bank should also be ready by the end of May including drafting, typing etc.

The Concurrent audit of all branches for 2003-2004 i.e. from 1.4.2003 is to start immediately and to be completed for the whole year by 15.4.2004 including checking of branch financial statements. The concerned auditors are to submit their branch audit reports in the prescribed format for branches (vide Circular No.7509 dt.11.5.99 for C.C.Bs. & Circular No.5265 dt.15.3.94 for U.C.Bs.) alongwith branch trial balance, P/L accounts, NPA statement etc. to the concerned A.A.G.C.S. of Circles by 25.4.2004 who in turn is to scrutinise the same in his office and forward a copy of the same to the concerned Banks by 30th. April' 2004. On receipt of such branch audit reports, the Head Office of the Bank is to consolidate the same & submit the consolidated financial statement of the Bank for the year 2003-2004 alongwith required schedules, statements, annexures etc. as per prescription to the concerned A.A.G.C.S. of Circle by 31st. May at the latest, so that the final audit of Banks can start in first week of June & can be completed well before 31st. July' 2004 since the branch audit of Main Branch & Head Office should have also been completed by the end of April, 2004 and the month of May' 2004 can be utilised for consolidation of the financial statements. and other annexure, statements & schedules.

The contents of this circular should be strictly followed at all concerned quarters henceforth for Concurrent audit of 2003-2004 & onwards.



This circular instruction, however, does not supercede the contents of Circular No. 7729 dtd. 19.6.2001 relating to yardstick/norms fixed for taking up final audit of Banks only after the completed financial statements duly signed by all concerned are submitted to the Final Auditor and also the maximum number of days that should be taken by the Final Auditor to complete the Final Audit which is now 2 months. These restrictions shall continue to be applicable in the audit from 2003-2004 onwards, though the same becomes concurrent audit oriented at the branch level.

Amar Patnaik
Amar Patnaik
Auditor General, W/S/ NW 3
Co-op. Societies, Orissa.

Memo No. 2774 (17) / Dated 24/5/2003

Copy forwarded to the Secretaries of all Central Co-op. Banks/Urban Co-op. Banks for information & necessary action. They are requested to issue immediate instruction to their Branch Managers for maintenance of their accounts daily after banking hours & present the same before concurrent auditors for audit on same day for audit. The copy of the instruction so conveyed should be supplied to this Directorate & the local A.A.G.C.S. of Circle immediately. Immediate disciplinary action be also taken on errant officials of the branches in case of their failure to maintain their books of accounts daily i.e. non-adherence of instructions of the Head Office.

Amar Patnaik
Amar Patnaik
Auditor General, W/S/ NW 3
Co-op. Societies, Orissa.

Memo No. 2775 (16) / Dated 24/5/2003

Copy forwarded to all Assistant Auditor General of Co-op. Societies of Circles for information & immediate necessary action. They are requested to issue immediate authorisation as per their approved annual programme and deploy the auditors for concurrent audit of branches of CCBs & UCBs under their jurisdiction with direction to start Concurrent Audit with effect from 1.4.2003 immediately & report compliance. The postage cost for monthly concurrent audit reports on concurrent audit of different branches

to be submitted to the Chief Executive of the Bank besides other authorities/quarters is to be borne by the concerned branch.

Amar Patra
Auditor General,
Co-op. Societies, Orissa. 24/5/2003

Memo No. 2776 /Dated 24/5/2003

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

Amar Patra
Auditor General,
Co-op. Societies, Orissa. 24/5/2003

Memo No. 2772 /Dated 24/5/2003

Copy forwarded to the General Manager, Urban Banks Department, Reserve Bank of India, Bhubaneswar/ Chief General Manager, NABARD, Bhubaneswar/ Managing Director, Orissa State Co-operative Bank Ltd., Bhubaneswar for information & necessary action.

Amar Patra
Auditor General,
Co-op. Societies, Orissa. 24/5/2003

Memo No. 2778 /Dated 24/5/2003

Copy forwarded to the Registrar of Co-operative Societies, Orissa, Bhubaneswar for information and necessary action.

Amar Patra
Auditor General,
Co-op. Societies, Orissa. 24/5/2003

Copy to G.F.
10 Spare Copies.

G.23/5.