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DIRECTORATE OF COOPERATIVE AUDIT: ODISHA: BHUBANESWAR.

Circular No.VI(I) 39/10 1265 / Audit-8 Dated. 25/2/16

Sub: Reporting of fraud, misappropriation and other major irregularities in the Audit Report of PACS.

In view of expansion of business of primary Agricultural Cooperative Societies and inflow of huge funds for infrastructural development, diversification of business activities, autonomy provided to the management etc; the scope of committing irregularities and illegalities of financial and administrative nature by the society(s) personnel has been increased. It has been noticed through audit, special audit that defects and irregularities, illegalities, fraud, misappropriation, embezzlement of funds are occurred in these societies year after year. As internal checking and close supervision of accounts keeping are lacking, there is wide spread financial irregularities, fraud/misappropriation of funds in the PACS, resulting in serious setback to the recapitalisation measures taken for strengthening these organisation. Hence, audit has to play an important role to detect fraud, misappropriation and other irregularities of administrative and financial nature so as to safeguard the funds invested by Government under various schemes. The Audit Reports should reveal all the facts of misappropriation, misutilisation of funds, action of management and employees causing loss of assets alongwith supporting documents, which would act as evidence/ exhibit in the case, so that immediate civil/ criminal action can be taken against the delinquents.

For the above purpose, it has been stipulated at point 43(PART-A-1) of the Audit Report format for PACS prescribed vide this Directorate circular No.8999 dtd.28.12.2015 that detailed findings on defects and irregularities noticed in audit is to be furnished under different heads VIZ Accounting, Financial, Administrative. But Since fraud, misappropriation, embezzlement etc. are different from the defects and irregularities of minor nature not involving policy and major issues, it is felt necessary that these aspects should be reported distinctly by the auditors in the audit report of the concerned PACS. It is, therefore, decided that there should be two heads such as 43(A)- 'Major irregularities, fraud, misappropriation etc' and 43(B)- 'Defects and Irregularities (Accounting/ Financial/ Administrative) for reporting of defects and irregularities by the auditors in the Audit report of PACS. While major defects and irregularities, frauds, misappropriation/ misutilisation of funds are to be reported at point-43(A), the defects and irregularities of minor nature are to be dealt in the Audit Report under different heads at Sl. No. 43(B) of PART-(A-1) of the format, as prescribed earlier. Detailed narration alongwith fixation of responsibility should be spelt out in clear terms and action be proposed by following the instructions contained in this Directorate Circular No.7396 dtd.28.10.2015. Supporting documents be attached to conclusively prove the findings.

ALL Assistant A.G.C.S of circles are impressed upon to issue suitable instructions to the auditors under their control to strictly adhere to the instruction contained in this circular and ensure that the Audit Report of PACS should contain

detailed findings on this aspect in the respective Chapter, in case of defects/irregularities found in audit, so that the essence of the illegalities and irregularities is brought out clearly for action against the delinquents.

[Signature]
23.2.16.
Auditor General

Cooperative Societies, Odisha.

Memo No. 1266 /

Dated. 25/2/16 /

Copy forwarded to the Assistant A.G.C.S of circles for information and necessary action.

[Signature]
23/2/2016

Deputy Auditor General of
Cooperative Societies, Odisha.

Memo No. 1267 /

Dated. 25/2/16 /

Copy forwarded to the Secretaries of DCCBs for information and necessary action.

[Signature]
23/2/2016

Deputy Auditor General of
Cooperative Societies, Odisha.

Memo No. 1268 /

Dated. 25/2/16 /

Copy forwarded to the Managing Director, OSCB Ltd. for information and necessary action.

[Signature]
23/2/2016

Deputy Auditor General of
Cooperative Societies, Odisha.

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AKS.22.02.2016.