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DIRECTORATE OF COOPERATIVE AUDIT, ODISHA, BHUBANESWAR

Circular No.: 6394 **/ VI(I)-39/2010-Audit 8** **Date:** 10.12.12.

Sub: Standard of Audit Classification of Primary Agricultural Credit Societies (PACS)

The norm for Audit Classification of Primary Agricultural Credit Societies was being adopted as per the prescriptions made in this Directorate Circular No. 6425/ 09.09.2010. Now, in view of changing complexity of business of these PACS, NABARD has suggested further refinement of the norms for Audit Classification of PACS giving due weightage in both Management and Financial Aspects. The revised norm for Audit Classification of PACS as prescribed by NABRD is enclosed herewith. This norm will now be applicable for audit of above institutions.

The Classification of PACS should be made by awarding marks on the basis of their achievement in comparison to previous year and after making a detailed analysis of the financial status as per the norms. The total mark is 100 and the parameters will carry marks as follows:

Sl.	Parameters	Marks
1.	Statutory/ Administrative Compliances	10
2.	Effective Internal Controls & efficient MIS	15
3.	Capital Structure & Capital Adequacy	10
4.	Profit earning capacity	5
5.	Liquidity, Credit and Financial Stability	40
6.	Productivity & General Business	20
	Total	**100**

PACS should be classified into 4 groups, namely, A, B, C & D in each year based on the aggregate of marks secured by the Society as per the prescribed norm.

Sl.	Marks Secured	Audit Classification
1.	70 & above	**A Class**
2.	50 and above but below 70	**B Class**
3.	35 & above but below 50	**C Class**
4.	Below 35	**D Class**

The Statement of marks allotted under each point with total marks secured alongwith Audit Classification shall be appended to the Audit Report. At the time of issue of Audit Certificate, correctness of the Classification Statement need be examined as per the norms prescribed herewith.

This Circular shall have effect from 01.04.2013 irrespective of the year of audit.

10/12/2012

Auditor General of
Cooperative Societies
Odisha, Bhubaneswar

Memo No.: 6395 (C16) **Date:** 10.12.12.

Copy with copy of enclosure forwarded to the Assistant AGCS of Circles for information and necessary action. They are requested to circulate the above guidelines amongst the Auditors for their guidance and to implement the same at the time of audit.

10/12/2012

Auditor General of
Cooperative Societies
Odisha, Bhubaneswar

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Memo No.: 6396 (30)

Date: 10.12.12.

Copy alongwith copy of enclosure forwarded to the DRCS of Divisions/ Secretaries of CCBs for information and necessary action. They are requested to transmit a copy of the Circular to all Circle Offices/ PACS under their jurisdiction for necessary implementation at their level.

Auditor General of
Cooperative Societies
Odisha, Bhubaneswar

Memo No.: 6397 (2)

Date: 10.12.12.

Copy with copy of enclosures forwarded to the Registrar of Cooperative SOcieties, Odisha, Bhubaneswar/ the Managing Director, OSCB Ltd., Bhubaneswar for information and necessary action.

Auditor General of
Cooperative Societies
Odisha, Bhubaneswar

Memo No.: 6398

Date: 10.12.12.

Copy with copy of enclosure forwarded to the Chief General Manager, NABARD (R.O.), Bhubaneswar for information and necessary action.

Auditor General of
Cooperative Societies
Odisha, Bhubaneswar

Memo No.: 6399

Date: 10.12.12.

Copy with copy of enclosures submitted to the Commissioner cum Secretary to Government, Cooperation Department, Bhubaneswar for favour of kind information.

Auditor General of
Cooperative Societies
Odisha, Bhubaneswar

Guard File/ 20 Spare Copies

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AUDIT CLASSIFICATION OF PACS

Sl. No.	Main criteria for audit rating		Sub criteria for audit rating	Maximum Marks	Total Marks
1.	**Statutory/ Administrative Compliances**	a.	Elections are held on time	2	**10**
		b.	General Body Meetings are held as per the Act & Byelaws	2	
		c.	Management Committee Meetings are held as per Byelaws	2	
		d.	Audit defects rectified in time	2	
		e.	Legal action taken against defaulters in time	2	
2.	**Effective Internal Control & Efficient MIS**	a.	Segregation of duties is effective	2	**15**
		b.	Internal checks and balances are adequate	2	
		c.	Expenditure is properly authorised and approved prior to its accounting	2	
		d.	Prescribed Accounting Books and records are maintained	2	
		e.	No errors in ledger balancing	2	
		f.	Controls on assets of PACS are adequate	2	
		g.	MIS as recommended by NABARD is implemented	3	
3.	**Capital Structure & Capital Adequacy**	a.	Capital adequacy ratio is in accordance with NABARD Rules	5	**10**
		b.	Growth in Share Capital & Reserves is at least 10%	5	
4.	**Profit Earning Capacity**	a.	PACS incurred operating loss for the year	0	**5**
		b.	PACS incurred operating profit but not adequate to make necessary provisions and transfer to Statutory Reserves	1	
		c.	Profits are adequate to make provisions and transfer to Statutory Reserves	3	
		d.	Profits are adequate to declare dividend	5	
5.	**Liquidity, Credit & Financial Stability**	a.	Recovery of loans greater than 95% of Demand (dues)	5	**40**
		b.	Recovery of loans is between 65%-94% of Demand (Dues)	3	
		c.	Recovery of loans less than 65% of Demand (Dues)	0	
		d.	Percentage of NPA greater than 5%	0	
		e.	Percentage of NPA less than 5%	5	
		f.	Owned Funds + Deposits cover at least 50% of loans	3	
		g.	Owned Funds are at least 10% of	3	

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Sl. No.	Main criteria for audit rating		Sub criteria for audit rating	Maximum Marks	Total Marks
			total assets		
		h.	Owned Funds + Liabilities with maturity of greater than one year cover assets with maturity of greater than one year	3	
		i.	Loans to Deposits ratio at least 1:1	3	
		j.	Growth in Deposits is at least 10%	3	
		k.	Growth in loans is at least 15%	3	
		l.	Bad Debts written off fully covered by Reserves	3	
		m.	Average loan per member repayable to DCCB always less than average loan per member	3	
		n.	Return on total assets is greater than 1	3	
		o.	Interest on loans is higher by at least 1% than interest on borrowings	3	
6.	**Productivity & General Business Parameters**	a.	Increase in total deposit per employee	5	**20**
		b.	Increase in total loans per employee	5	
		c.	Decrease in Transaction Cost	5	
		d.	Increase in Net Margin	5	

Sent through e-mail on dt. 13.12.12 (concept DRCS of Division)