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**DIRECTORATE OF COOPERATIVE AUDIT, ODISHA, BHUBANESWAR**

Circular No.: 3785 /VI(1)62/99-Part-V-Audit 8

Date: 3. 8. 2012

In terms of Rule-59 (h) & (i) of the OCS Rules 1965, the auditors of a Cooperative Society shall submit the Audit Report together with the Statements of Accounts audited and his Report shall include his statements as to whether or not in his opinion the Balance Sheet, and Profit & Loss Accounts referred to in the Report are drawn up in conformity with the Act & Rules, whether or not such Balance Sheet exhibits true and correct account of the state of the cooperative institution's affairs according to the best of his information and explanation given to him as shown by the books and accounts of the institution. The real intention behind the clauses of Rule-59 of the OCS Rules is to ascertain through audit whether the Financial Statements, i.e., Profit & Loss Account and Balance Sheet reflect true and correct financial position of the cooperative society. For this purpose, reconciliation of all accounts at the close of period of audit is most essential as unreconciled account or statement of account shall not depict the true and fair view of the accounts.

But, it has been experienced that this sensitive functional area in bigger cooperative institutions like Central Cooperative Banks suffer from the weakness and difficulties due to failure on the part of the management to take appropriate steps in this regard, with the resultant exposure to the possibilities of occurrence of fraud, misappropriation, embezzlement etc. Audit has a responsibility and without reconciled statements, cannot certify that such fraud or misappropriation has not occurred. Though Concurrent Audit was introduced in the Cooperative Banks, it is observed that the aspects such as inter branch transactions and interest received, receivable & paid, payable accounts have not been properly checked or reconciled to detect fraud, misappropriation etc. committed by way of manipulation of accounts. As fraud, misappropriation etc was detected at a later stage, the Concurrent Auditors need be very vigilant on this score while conducting Concurrent Audit on day to day basis so as to arrest the leakage of income of the institutions and put an end to such types of fraud to recur in future. It is also observed that the Audit Reports submitted by the Concurrent Auditors do not contain statements showing detailed transactions involved in the Branch Adjustment Account and Interest Account. It is to be submitted in the prescribed proforma alongwith the Audit Report.

Since it is fool hardy to certify the Financial Statements without reconciling the accounts, the Assistant AGCS of Circles are hereby impressed upon to issue suitable instructions to the Concurrent Auditors and other Auditors under their administrative control to conduct detailed checking of the transactions involved in Branch Adjustment Account and Interest Account and ensure that the required statements containing detailed transactions on these aspects are submitted by the Auditor in his Interim Audit Report/ Final Audit Report. Any deviation to this score shall be viewed seriously and the concerned Auditor and the Assistant AGCS are to be squarely held responsible for the lapses and shall be proceeded against.

2) It has also come to the notice that in almost all the branch banks of CCBs, the entries relating to a transaction occurred on a particular date are passed in the Books of Accounts on a back date, which may help concealment or misappropriation/ frauds etc. Since possibilities of occurrence of fraud, misappropriation etc. by way of passing back dated entries cannot be ruled out, it is felt necessary to issue this Circular instruction to all the CCBs that the entries are to be given effect on the date of the occurrence of the transaction and not on a later date. In case of unavoidable circumstances, such back dated entries may be passed by obtaining prior permission of the Chief Executive and duly certified by the Auditor with detailed narration thereon for passing of such

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entries. As regards passing of Closing Entries, intimation be given to the Head Office by the Branch Banks and on receipt of such intimation the Chief Executive has to take steps for verifying such entries and pass orders as to whether such entries are to be recorded or not. Any lapses in adoption of the above procedure by any cooperative institution should be brought to the notice through audit by fixing up responsibility on the errant Officers/ Officials. The Audit Report must be enclosed with the reconciliation statement and Balance Confirmation Certificate as on the date of Balance Sheet. The Auditor must ensure that the back dated entries and Closing Entries have got the sanction of the Chief Executive. If such entries are passed by the auditor without the approval of the Head Office, he will be held responsible. If the Report is submitted without a Statement on such entries, it should not be passed. The Assistant AGCS shall also be squarely responsible for the lapses.

The instructions contained in this Circular shall take immediate effect from the date of issue & circulated among the auditors under intimation to this Directorate.

  
(B.N. Mallick, OAS (SAG))  
Auditor General of  
Cooperative Societies  
Odisha, Bhubaneswar

E-Mail

Memo No: 3786

(16)

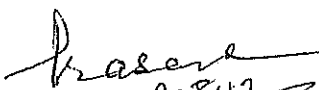
Date: 3. 8. 2012.

Copy forwarded to all Assistant AGCS of Circles for information and immediate compliance.

E-Mail

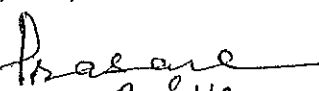
Memo No:

3787 (17)

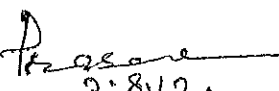
  
Joint AGCS 2.8.12  
Odisha  
Date: 3. 8. 2012

Copy forwarded to the Secretaries of CCBs for information and necessary compliance.

Memo No: 3788 (2)

  
Joint AGCS 2.8.12  
Odisha  
Date: 3. 8. 2012

Copy forwarded to the Commissioner cum RCS, Odisha, Bhubaneswar/ Managing Director, OSCB Ltd., Bhubaneswar for information and necessary action.

  
Joint AGCS 2.8.12  
Odisha

Copy to Audit-I & 2  
10 S.C.

E-mailed on 7. 8. 12  
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Statement showing detailed transaction on interest received and receivable and interest paid & payable for the year ..

| Interest Received  |            |               | Interest Receivable |            |               | Interest Paid |    |            | Interest Payable |    |            |
|--------------------|------------|---------------|---------------------|------------|---------------|---------------|----|------------|------------------|----|------------|
| On Loan & Advances |            | On Investment | On Loans & Advances |            | On Investment | On Deposit    |    | Borrowings | Deposit          |    | Borrowings |
| Agril.             | Non Agril. |               | Agril.              | Non Agril. |               | SBD           | FD | Agril.     | SBD              | FD | Non Agril. |

Statement of Balance in Branch Adjustment A/C as on .....

Name of the Branch :

|         |             | O.B. as on ..... |        | During the year |        | Balance as on ..... |        |
|---------|-------------|------------------|--------|-----------------|--------|---------------------|--------|
| Sl. No. | Particulars | Debit            | Credit | Debit           | Credit | Debit               | Credit |
| 1       | 2           | 3                | 4      | 5               | 6      | 7                   | 8      |

TOTAL:

Net Balance :