140

DIRECTORATE OF COOP[illegible]TIVE AUDIT:ORISSA:BHUBANESWAR.

3172 /VI(I)62/[illegible]-V)Dated: 22.5.2004

Audit -8

Circ[illegible]r.

Sub: Scrutiny of Audit reports for issue of Audit Certificate.

Audit reports of [illegible]. institutions are required to [illegible] properly scrutinised before consideration of issue of audit Certificates thereon so that the lacuna and shortcomings in the reports submitted by Auditors can be identified and complied and quality reports can be issued. Since Cooperative audit covers both management and financial aspects, proper reflection of activities in both these essential aspects need to be incorporated in audit reports, On these aspects, besides the provisions in the O.C.S. Act. & Rules like duties and responsibilities of committee of management, Chief Executive, regulation of business activities etc., a number of Circular instructions have also been issued for qualitative presentation of audit reports. Standard forms for presentation of audit reports of O.S.C.B., C.C.Bs & U.C.Bs, and for Primary Coop. institutions and the concerned Auditors are submitting their audit reports in said formats. However, while submitting the same, there may be adherence to prescribed format in reporting qualitative an[illegible]s of loss/mis-management is often not found. The situation is [illegible]e in respect of other types of Cooperatives including Apex [illegible]s. Where no such standard form is prescribed.

However, a detailed Circular in the form of a questionnaire has been issued vide Circular No.16623 dt.31.5.1984 captioned as "Qualitative presentation of Audit Reports-Guidelines for Auditor" for presentation of all Audit Reports. But it is observed that many of the audit reports of bigger and important Coop. institutions, mostly the Apex & State level Coop. institutions at both the Central Audit & Circle levels, are not being submitted by the Auditors in the proper manner. They lack critical analysis of managerial and business activities. In almost all such cases, huge losses are shown but responsibility is not fixed for the loss on any authority. Even the period during which such losses occurred is not mentioned clearly. Primary reasons for losses are not indicated. For clear cases of misappropriation, neither the period during which this occurred is mentioned nor the Expenditure

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41

for such misappropriation fixed.Most of the time detailed evidence based on which such responsibility for loss/mis-appropriation is fixed is not mentioned in detail in the Audit Report nor attached to the main Audit Report Surcharge statements are not prepared and given alongwith the Audit Report as required vide Circular instruction No.7897 dt.6.12.99 of the Directorate of Coop.Audit.Unreconciled amounts are not being provided for and shown as recoverable from the concerned Branch heads as ordered in Circular instruction No.2057 dt.6.4.2004 of the Directorate, As a result, it is not possible to replenish the losses through surcharge proceedings,By pr per scrutiny of audit reports of these important Societies, ... defects of Auditors in their reports can be identified a ... omplied by invoking persons u/s 62(3) of the O.C.S. Act ... re issue of the Audit Certificate It is, therefore now decid... t:-

Central Audit.

(1) Like proceed... adopted for C.C.Bs and U.C.Bs, the auditors of Apex & State level Coop.institutions are to first submit only one copy of the draft audit report in typed form to the office/instead of six copies at a time as is being done now.

(2) There shall be two or/more experienced and competent S.A.A.G.C.S. who shall be earmarked for scrutiny of such draft audit reports,They shall form the "Scrutiny Cell".

(3) On receipt of one copy of audit report from Auditor,the report is to be referred to the Scrutiny Cell for detailed examination/based on the Circular instructions issued by Govt./A.G.C.S./R.C.S.(C) from time to time.The Srutiniser may ask the concerned Auditor,Concerned official of the institution or visit the concerned institution to comply the scrutiny observations and to bring the report to proper order. He can see/requistion records of the institution at any time during the scrutiny by invoking powers under section 62(4) of the O.C.S. Act.

(4) After bringi... e report to order, the report is to be placed by the Cell ... re the authorities for pre-approval/approval with scrut... observations and recommendations for any incorporation/Change... n pursuance of Section 62(3) of O.C.S. Act. or the report is in order for issue of Certificate.

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14

(5) If there is order of authorities for any changes/ incorporation etc, in the scrutinised report, the scrutiny cell is to get the same order complied and resubmit the report for pre-approval/approval.

(6) After pre-approval, the report is to be returned to the concerned Section. On receipt of the same, the concerned Section is to take steps for preparation of required number of revised Computorisedcopies. If the concerned institution is having Computer, it may be copied out there, Otherwise, Computorisation be privately made and the concerned institution be asked to pay the printing cost. After getting required copies, file is to be placed before authorities for issue of audit Certificate.

Audit Circles.

Similar proceedure like Central Audit is to be adopted for important societies of Circles, except C.C.Banks and U.C.Banks of which one copy of the report is submitted to this Directorate for scrutiny and pre-approval of the undersigned.

Hence-forward, audit reports of C.C.Banks and U.C.Banks are to be computerised by/ at the cost of concerned Banks.

This Circular shall have immediate effect.

Sd/- R.N. Dash.

Auditor General,
Coop. Societies, Orissa,

Memo No. 3173 /Dt. 22/5/2004

Copy forwarded to All Asst.Auditor General of Coop. Societies of Circles/All Auditor of Central Audit including Chartered Accountants allotted with audit of Apex & State level Coops. for information and necessary action.

22.5.04
For Joint Auditor General of C.S.(O)

Memo No. 3174 /Dt. 22/5/2004

Copy forwarded to Managing Directors of All Apex and State Level Coops. for information & necessary action.

22.5.04
For Joint Auditor General of C.S.(O).

Memo No. 3175 /Dt. 22/5/2004

Copy to Audit-I/G.F./20 Spare copies.

22.5.04
For Joint Auditor General of C.S.(O).