

DIRECTORATE OF COOPERATIVE AUDIT: ODISHA: BHUBANESWAR.

Circular No. VI(I) 62/99 (P-II) 7396 / Audit-8 Dated. 28/10/15

Sub: Audit suggestion for Specific action to be initiated by appropriate authority. In case of misappropriation, fraud, Breach of trust and wilful negligence etc.

Rule-59 of OCS Rules, 1965 provides that the auditor is required to submit a report alongwith statement of accounts audited, which inter-alia shall contain full particulars on the following aspects.

1. The amount of deficiency or loss, which appears to have been incurred by breach of trust, wilful negligence or misappropriation or fraudulent retention of money or property by any person.
2. Any irregularities incurred in terms of Act, Rules and Bye-Laws discovered in constitution, functioning of committee of Management and business affecting financial position or otherwise of the society.

Hence, it is mandatory on the part of the auditor to clearly mention in his report where instances of violation of provision of Act, Rules, Bye-laws etc. are noticed and on illegal transactions alongwith fixation of responsibility on the officers, officials and employees responsible and suggest specific action by the appropriate authority as per mandated provisions of various laws. But it is observed in many cases that though the auditors are suggesting recovery of illegal payments, misappropriation, fraud etc. from the officers and office bearers in the Audit report, the provisions of the OCS Act, Rules or Bye-Laws of the society which has been violated and for which the auditor consider it as illegal are not quoted. Due to such deficiencies, the concerned institutions/ administrative authorities are finding it difficult to take timely action on the audit reports.

It is pertinent to enlighten that Audit becomes meaningless if defects and irregularities are not complied timely and properly and quick action on audit findings are not taken. Importance and necessity for proper reporting in Audit report need no reiteration, which not only facilitate the management to take corrective measures but also help the administrative authorities to take instant action to bring managerial and financial discipline in Cooperative organisations.

It is, therefore, impressed upon all auditors of this Directorate to strictly follow the provisions of OCS ACT, Rules and Circular instructions thereon for submitting the Audit reports of Cooperative institutions in proper manner. Since it has been provided under section-67 of OCS Act, 1962 that the money/ property belonging to the society misappropriated or fraudulently or un-authorisedly retained shall be recovered and replenished to the society concerned, the auditor is bound to quote the provisions of OCS Act, Rules or Bye-laws so violated and propose specific action to be taken by the appropriate authority. As irregularities/ illegalities committed in violation of provisions of other laws will not attract scope of section-67 of OCS Act, the auditor has to suggest for disciplinary action by competent

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authority in that case. If large scale irregularities, huge misappropriation or misutilisation of funds or properties of the societies are detected in audit, the auditor has to submit a special report in this regard proposing criminal action by the appropriate administrative authority besides proceedings U/S 116(3) of OCS Act, 1962 for offence committed U/S-115 of OCS Act against the officers/ officials/ office bearers by fixing clear responsibility on them apart from suggesting surcharge action U/S-67 of OCS Act, 1962. In case of officials/ employees/ office bearers of the cooperative organisations are made responsible for fraudulent activities and recovery shown in the Audit report, disciplinary action should also be proposed in the Audit report to the appropriate disciplinary authority by referring the staff service Rules of the society. And if the officers of Government Departments/ financing agencies, who have been kept in charge of administration of different societies as MIC/ Chief Executive/ Administrator, are found indulged in fraudulent activities or committed illegalities/ irregularities in audit, the concerned Department or financing bank shall be recommended for initiating disciplinary action in that case besides proposing action under OCS Act, Rules and other Laws.

The contents of the circular should be meticulously followed in respect of issue of audit reports of all the Coop. Organisations. Any deviation noticed shall be seriously viewed and necessary action shall be initiated against the persons defying the circular instructions contained herewith.

Prasanna
Auditor General 28.10.2015

Cooperative Societies, Odisha.

Memo No. 7397 /

Dated. 28/10/15 /

Copy forwarded to the Assistant A.G.C.S of circles for information and necessary action. They are impressed upon to discuss the concept and view points of the circular in the monthly review meeting of the auditors and circulate the same amongst them for strict compliance.

Prasanna
Auditor General 28.10.2015

Cooperative Societies, Odisha.

Memo No. 7398 /

Dated. 28/10/15 /

Copy to all SAAGCS/ ACS of Central Audit/ Audit-1/ Audit-2/Audit-6 for information and guidance.

Prasanna
Auditor General 28.10.2015

Cooperative Societies, Odisha.

Ten Spare Copies.

AKS
AKS.26.10.2015.