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DIRECTORATE OF COOPERATIVE AUDIT: ODISHA: BHUBANESWAR.

Circular No.VI(I)62/99(P-V) 397 /Audit-8 Dated: 16/01/17

Subject: Introduction of Internal Checking System in Audit Circles.

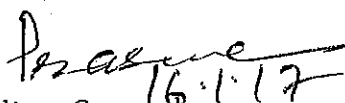
It is needless to reiterate that the scope of audit of Cooperative institutions is not confined to examination of accounts. It covers examination of both management and financial aspects of the institution. Hence, it is the responsibility of the auditors to critically analyse both management functions and financial/ business transactions during the period under audit and produce reports on the basis of examination of accounts and managerial activities alongwith suggestion for improvement of business activities of the organisation. In order to facilitate the audit work, a number of guidance circulars/ instructions have already been issued since creation of Directorate of Cooperative Audit. The whole purpose of these circulars is for facilitating critically analysis in audit and qualitative presentation of Audit reports. Despite such, it is observed that due weightage is not being given either for audit or preparation of Audit report.

When it is an established principle in audit that the reporting in audit report should be limited to facts based on records and the audit findings recorded precisely as per the same based on plausible and rational conclusions, in some cases it is observed that the auditors are not performing duties as per these principles and presenting audit reports in erratic manner. When the auditors have been given all powers to properly conduct audit and to submit their reports covering all aspects laid down under Rule-59 of OCS Rules, 1965, it is observed with much displeasure that in many cases, the audit report are not revealing many illegalities and irregularities which are subsequently coming to light through special audit or enquiry. Such type of improper auditing and presentation of audit reports by some auditors affects the credibility of the Directorate and also puts all in embarrassing situation. It is also observed that in some cases, it is done with deliberate negligence and malafied intention. Similarly, due care is not given at the time of scrutiny of audit reports before certification of the same in spite of circular instructions issued from this Directorate, as a result of which number of complaints/ allegations are being received from different quarters.

After realising the above deficiencies, it has been contemplated to form squad to verify the correctness of audit after submission of Audit reports by the auditors and issue of audit certificates. The squad will be formed as and when required and the members of the squad will be decided by the AGCS(O). It will consist of group of experienced auditors of different audit circles in the rank of SAAGCS and ACS having sound knowledge in audit of different type of Cooperative Societies. The AAGCS of Circles may also be included in the squad. The squad will

scrutinise the relevant records at field level with reference to the Audit reports to ascertain the veracity of the report and improve the quality of audit as well. The checking of audit reports submitted by the auditors of a particular audit circle will be made by the squad consisting of auditors of different audit circles and the auditors of the circle of which audit reports are to be scrutinised will not be included as members of that squad. However, this does not mean that the Audit reports submitted by the auditors are to be kept pending for issue. The AAGCS of circles are to issue the Audit reports as is being done at present.

In view of the above, all AAGCS of circles are incumbent upon to issue strict instructions to the auditors under their administrative control to take due care for audit of Cooperative Societies and preparation of audit reports by observing the circular instructions/ guidelines issued by this Directorate. Any auditor found lacking should be adequately cautioned and the audit reports be scrutinised properly before issue of Audit Certificates. If any deficiency in audit report is established by the checking squad, then the auditors concerned alongwith the checking officer & Assistant AGCS shall be held liable for the lapses.

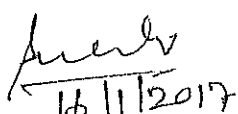

Auditor General

Cooperative Societies, Odisha.

Memo No. 398 /

Dated. 16/01/17 /

Copy forwarded to the Assistant A.G.C.S of Circles for information and immediate compliance.


Deputy Auditor General of
Cooperative Societies, Odisha.

10 S.C/ Computer Cell.

AKS.07.01.2017.