

(78)

DIRECTORATE OF COOPERATIVE AUDIT: ODISHA: BHUBANESWAR.

Letter No.VI(9)03/17 4207 /Audit-3 Dated: 20/06/17

To

The Assistant Auditor General of Cooperative Societies of Circles.

Subject: Engagement of Chartered Accountants for audit of PACS.

Madam/ Sir,

In order to ensure that the PACS function in a proper manner, emphasis is given by various stakeholders for up-to-date audit of such Societies, as the same is essential for generation of data on different financial parameters for review and monitoring of the activities and policy intervention. Besides, a pioneering project for computerisation of PACS is being taken up by the state Government. Hence, it becomes necessary that the legacy data is audited to ensure its correctness for shifting to the on-line system of maintenance of accounts.

Since there is a huge arrear in audit of PACS at present and the Cooperative Audit Directorate is functioning with deficient strength of auditors, Government vide Cooperation Department Order No.5002/Coop dt.7.6.2017 have decided to engage required number of Chartered Accountants to supplement the work of the Departmental auditors for updating audit of such Societies.

In view of this, it is now decided that the chartered Accountants will be engaged in audit of PACS from the year 2017-18. The C.A. firms who are empanelled with CAG will be engaged in PACS audit and authorisation in their favour will be made centrally.

The Asst. A.G.C.S. of Circles are to observe the following procedure for the purpose of allotment of audit of PACS to the Chartered Accountants.

1. The PACS whose audit is to be entrusted to C.A firms should be identified. If it is assured that the PACS only of which audit can be completed and report submitted by the Departmental auditors within the time line stipulated under the statute, the same should be allotted to them.
2. The statutory audit of PACS where Concurrent audit is conducted and/or being conducted is to be allotted to the Departmental auditors.
3. The Annual audit programme for the year 2017-18 is to be prepared covering arrear years of all the PACS due for audit.
4. Allotment of audit is to be made in the manner so as to ensure that the same or another C.A firm shall not audit the accounts of the same PACS consecutively. In other words, the PACS audited by a C.A firm will not be conducted by the C.A firm next year. The Auditor of the Circle is to conduct

5. Test audit of PACS audited by a C.A firm, is to be conducted by a separate Chartered Accountant firm in the selected PACS, to ensure quality of audit, rectification of errors etc.
6. Allotment of audit is to be made in favour of C.A firms in compact areas i.e. within the jurisdiction of the concerned branch bank unfailingly.
7. Days to be allotted for audit of each year of accounts of PACS by C.A firm are to be determined by the Assistant A.G.C.S as per yardstick prescribed in D.C.A (O) Circular No.5241 dt.26.08.2016 and the same be mentioned against each PACS in the Annual Audit Programme.
8. The C.A Firm allotted with audit of PACS for a particular year should be provided with the Audit report format of PACS along with the Audit report for the previous year. For this purpose, the AAGCS concerned is to collect the pending reports from the concerned auditors forthwith. In case of failure, the concerned auditor(s) is to be ordered to proceed on compulsory leave.
9. The Assistant A.G.C.S of circles are to supervise and monitor the audit work of the Chartered Accountants regularly.
10. The performance of the C.A firms is to be reviewed by the concerned Assistant A.G.C.S Circles in the staff meeting held every month.
11. The Assistant A.G.C.S of circles will issue Audit Report/Test audit report of PACS after due scrutiny at their level and compliance of audit defects found during scrutiny.
12. Allocation of Test audit of PACS to Chartered Accountant Firm will be done centrally by the Directorate. Such audit is to be conducted as per instructions issued in DCA(O) Circular No.905 dtd.18.02.2013, under close supervision of the Assistant AGCS of Circles. The concerned C.A Firm is to submit Test Audit Report in the form prescribed in the above circular. It may be imperative to note that the test audit is to be conducted before issue of statutory audit report.
13. Audit fee will be levied on time spent basis as per fee structure prescribed by Government vide Cooperation Department office order No.5015/Coop dt.07.06.2017, communicated in DCA(O) memo No.4023/VI(9)2012/Audit-6/ Dated.12.06.2017.

The procedure to be followed by Chartered Accountant Firms for audit of PACS alongwith their duties and responsibilities are as under.

The authorised C.A firms will conduct statutory audit of accounts of PACS U/S-62(I) of OCS Act, 1962 and Rule-59 of OCS Rules, 1965 on the following terms and conditions.

1. They shall conduct audit according to the provisions of OCS Act, Rules and By-laws and Circular instructions of AGCS, RCS and Regulators and shall include:
  - a) A verification of balance of the credit.

4. They should commence the audit of accounts of the society for the year of audit within 3 days from the date of receipt of the authorisation order and submit the commencement report to the Assistant AGCS of the circles by return of post.
5. They shall use Green Colour Pencil for checking the accounts of the society in course of statutory audit. Necessary clarifications regarding drafting of Audit report, preparation of financial statements as prescribed, circular instructions issued by various authorities in this connection etc. can be obtained from the concerned AAGCS of Circles.
6. They should also obtain the Annual verification reports relating to cash, stock and Bills and other documents etc. from the concerned society and enclose the same to the report.
7. They are to submit MPR on their performance of audit to the Assistant AGCS of concerned audit circle every month and attend the review meeting positively for review of performance.
8. They shall submit statutory Audit Report of PACS to the concerned AAGCS as per the format prescribed in Directorate of Cooperative Audit Circular No.8999 dtd.28.12.2015.
9. They have to comply the audit objections/ defects found, if any, during scrutiny before issue of Audit report to concerned quarters by the Assistant AGCS.

You are requested to revise the Annual Audit programme of your circle for 2017-18 by following the instructions contained in this letter meticulously and submit the same alongwith all the enclosures and abstracts as per this Directorate Letter No.1046 dt.09.02.2017 to this Directorate on or before 15<sup>th</sup> July, 2017 positively without fail alongwith separate list of PACS identified to be audited by C.A Firms with full name of PACS, Address of PACS, Block and District, year of audit and Days required for audit (year-wise).

*Yours faithfully,*

This is most IMPORTANT and URGENT.

*Prasanna*  
Auditor General 20-6-17

Cooperative Societies, Odisha.

Memo No. 4208

Dated. 20/06/17

Copy to Audit-6 for information and follow up action. He is to deal with the authorisation orders to C.A Firms for audit of PACS identified by the AAGCS of Circles. He is also <sup>to</sup> deal with the issue of authorisation orders to C.A firm for test audit of PACS audited by other C.A Firm.

*Prasanna*  
20/6/17  
Deputy Auditor General of  
Cooperative Societies, Odisha.

10 S.C

103.

the amount due from debtors of the society.

- c) An examination of overdue debts, if any.
- d) Valuation of the Assets and liabilities of the society.
- e) Examination of all transactions of the society.
- f) An examination of the statement of accounts including the Receipt & Expenditure statement, Trial balance, Manufacturing Account, Trading Account, Profit & Loss Account, Balance sheet alongwith statement of Net Profit available for distribution in accordance with the OCS Act, Rules and Bye-laws of the society for the year to be prepared alongwith other statements in connection with audit in the prescribed proforma.
- g) The Auditor should see that all the accounts are reconciled as on the date of Balance sheet. The details of bank transactions should be reconciled with the books of accounts of the society.
- h) A 'note of account' be prepared by the Auditor alongwith the Audit Report on the following points, if any:
  - i) Any transaction which appears to the auditor to be contrary to law and to the Rules or Bye-laws of the society.
  - ii) Any sum which ought to have been put has not been brought into the account.
  - iii) Any transaction which appears to him to require further investigation.
  - iv) The amount of deficiency or loss which appears to have been incurred by breach of trust, wilful negligence or misappropriation or fraudulent retention of any money or property by any person. A special report should be submitted on this during the course of audit and also with the audit report for initiating surcharge action.
  - v) Any asset which appears to be bad.
  - vi) Whether or not the Auditor has obtained all information and explanation which he requires.
  - vii) Whether or not such financial statements exhibits a true and correct amount on the state of affairs of the society according to the best of his information and the explanation given to him as given in the books of the society.
  - viii) Any other matter as directed by the AGCS, Odisha.
- 2. They shall conduct cent percent checking of Receipts and vouchers relating to both cash and non-cash transactions, subsidiary Registers, General Ledger, Balance Register and such other relevant records, documents, Books of accounts of the society as prescribed.
- 3. (1) A brief note on Highlights of Audit findings, (2) Auditor's verification certificate, (3) Surcharge statement, (4) list of Top twenty defaulters and all other required documents are to be attached to the Audit report at appropriate place.