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DIRECTORATE OF COOPERATIVE AUDIT:ORISSA:BHUBANESWAR.

Circular No. 7992 /VI(I)70/97-Audit-8-Dated: 2.7.2001

Sub: Procedure for writing off of Bad Assets.

Prior to notification of Orissa Cooperative Societies (Amendment) Rules, 1997, the R.C.S., Orissa was competent as per Rule 65 of O.C.S. Rules to issue directions for matters relating to writing off of bad assets. Accordingly, the R.C.S., Orissa vide his Circular No.11220 dt.6.6.96 prescribed the detailed procedure for processing the write off proposal and it's administrative approval.

Now as per O.C.S. (Amendment) Rules, 1997, which came into force with effect from 23.4.1997, the powers to issue any direction for writing off of assets of Coop. institutions has been vested with the Auditor General of Cooperative Societies instead of R.C.S., Orissa. The provisions of the said Rules is quoted hereunder.

"Rule 65- Writing off of bad assets:- Any asset considered bad and irrecoverable may be written off by the General Body of the Society subject to any direction of the Auditor General in this regard :

Provided that before taking any action to write off any asset considered bad, all possible steps shall be taken by the Committee in accordance with the provisions of the Act. and Rules for recovery of the said asset."

Hence, the R.C.S. Circular No.11220 dt.6.6.96 to this effect automatically becomes in-operative as it has now no legal base.

Therefore, in place of the above Circular of R.C.S., Orissa the following procedures are now prescribed U/R 65 of O.C.S. (Amendment) Rules, 1997 on writing off bad assets, which is to be binding on all Coop. institutions in the State.

As per previous provisions U/R 65 of O.C.S. Rules, 1965 (Prior to 23.4.97) the Committee of management of the Society was to take action for recovery of bad assets U/S 90, 91 and 103 of O.C.S. Act. and if failed to recover the amount through these legal actions, the General body of the Society was Competant to write off such asset subject to approval of financing Bank or R.C.S., Orissa, as may be directed.

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69 Even though Rule 65 of the O.C.S. (Amendment) Rules, 1962 does not expressly mention about taking action for recovery u/s 90, 91 & 103 of O.C.S. Act. In the Second paragraph of the said rule it is mentioned that the committee has to take all possible steps for recovery in pursuance of O.C.S. Act & Rules before taking any action for write off.

Hence, the assets considered as bad or Loss asset are to be identified first from the audit reports and all possible steps need be taken by the Committee of management i.e. through pursuance or through Legal actions as provided u/s 90, 91 and 103 of the O.C.S. Act, 1962. If required, action may also be taken under other Laws also. When all persuasive and Legal action fails for recovery, the Committee of management has to place the matter before the General body for consideration to send the proposal to write off such irrecoverable asset to the undersigned for pre-approval.

In case of stocks and other assets which are considered as damaged or un-tradable as reflected in audit report as bad or loss asset, the management should take all possible steps to dispose them. If despite taking all steps it is not possible to replenish the asset, the committee has also to place the matter before the General body for consideration to send the proposal to write off such asset for pre-approval of undersigned.

On favourable consideration by the General body on such proposal for write off, the management should send a proposal alongwith the recommendation of the General body to the undersigned for pre-approval. The proposal in respect of Primary and Central Societies should be routed through the concerned Local administrative authorities of different Directorate and for Apex and State level Societies through the concerned heads of Directorates alongwith their views on the proposal of the Society for writing off.

While recommending for pre-approval of the undersigned for writing off of any bad or loss asset, the recommending authority i.e. the concerned Society shall furnish the following informations alongwith the proposal:

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1. Details of assets stating particulars, quantum, amount, book value etc. required to be written off.
2. Whether such asset has been identified as a loss or bad asset in audit report. If so, extract of concerned portion of audit report be given.
3. Details of persuasive steps taken for amicable settlement, legal action taken in each case for realisation of such bad or irrecoverable asset required to be written off.
4. A copy of the relevant resolution of the Committee of Management and General Body meeting.
5. The recommendation of the financing Bank/ institution of the concerned Society if it has availed finance from the Bank/institution, as the case may be for the purpose of acquiring the asset on which writing off is proposed.

The decision of the undersigned, either approved or disapproved, shall be communicated to the concerned Society under intimation to local audit and administrative authorities.

On receipt of the pre-approved proposal for writing off of asset from the undersigned, the committee of management shall place the same before the General Body of the society for approval. Once it is approved by the General Body, the asset is to be considered as written off and to be reflected as such in books of accounts and other connected records of the Society.

Accounting Procedure.

If there is 'provision' in the Balance Sheet of the society against such bad asset, the value of the written off asset is to be adjusted against such provision. If there is no or inadequate provision, the amount is to be treated as loss in P/L account.

One Time settlement of over-due Loans.

Some Cooperative Banks are contemplating for one time settlement of overdue loans. In such cases also, the irrecoverable portion of Loan and interest thereon after this settlement is to be treated as irrecoverable asset or loss asset. For writing off this Loss asset, the above procedure should also be followed alongwith accounting principle given herein.

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This Circular shall have immediate effect and all the proposals for writing off assets pending with the concerned administrative authorities shall be disposed off in the manner prescribed in this Circular.

Amar Patnaik
(Amar Patnaik)
Auditor General,
Coop. Societies, Orissa.

Memo No. 7993(8) Dt. 2.7.2001

Copy forwarded to the Registrar of Coop. Societies, Orissa/Director of Textiles, Orissa/Director of A.H.&V.S., Orissa, Cuttack/Director of Handicrafts and Cottage Industries, Orissa/Director of Fisheries, Orissa, Cuttack/Director of Industries, Orissa, Cuttack/Director of Indian System of Medicines & Homoeopathy, Orissa/Managing Director, OMFED for information and necessary action. They are requested to circulate the contents of this Circular amongst the Cooperatives functioning under their administrative control.

Amar Patnaik
Joint Auditor General of C.S.(O).
Memo No. 7994(122) Dt. 2.7.2001

Copy forwarded to all Deputy Registrar of Coop. Societies of Divisions/Asst. Registrar of Coop. Societies of Circles/ All Asst. Directors of Textiles/All Asst. Directors of Sericultures/ District Fisheries Officers/ Dist. Cottage Industries Officers/ Chief District Veterinary Officers for information and necessary action. They are requested to Circulate this Circular amongst the Societies functioning under their operational jurisdiction.

Amar Patnaik
Auditor General of C.S.(O).
Memo No. 7995(16) Dt. 2.7.2001

Copy forwarded to all Asst. Auditor General of Coop. Societies of Circles for information & necessary action. They are requested to circulate this Circular amongst the auditors of the Circle for their guidance and examination during audit of Cooperatives.

Amar Patnaik
Joint Auditor General of C.S.(O).

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Memo No. 7996 (53)/Dt. 2-7-2001

Copy forwarded to Managing Directors of all Apex Coop. Institutions/Secretaries of all Central Coop. Banks/Secretaries of all Urban Coop. Banks for information and necessary action.

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

Memo No. 7997 /Dt. 2-7-2001

Copy forwarded to Secretary, Orissa State Coop. Union for publication in Samabaya Samachar.

Memo No. 7998 /Dt. 2-7-2001

Copy communicated to Commissioner-cum-Secretary to Govt. of Orissa, Cooperation Department, Bhubaneswar for information & necessary action.

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

Copy to G.F./All Auditors
of Central Audit/
30 Spare copies.

M.M/-29.6.2001.

