



Details
Please circulate among all Addl. Secy. its implementation. Prepared 22/8/15

GOVERNMENT OF ODISHA
COOPERATION DEPARTMENT

ORDER

NO. II - Legal / 13 / 2015

6120/2015 Date 20.08.2015

Legal / Jollyan...
Pl. page 1
A computer cell
22.8.2015
Plan page 4 First Par. relating to monitoring

Sub: Compliance on defects pointed out in audit report, initiation and disposal of Surcharge Proceeding and Execution Proceeding thereof and holding of Triangular Committee Meeting.

Audit is an important mechanism for ensuring accountability in the Co-operative Societies. It should be effectively used ~~for~~ to detect irregularities, illegalities, misappropriation fraud etc. committed by the management and/or the erring employees of the Co-operative Societies. The findings of these reports give rise to reasonable suspicion of wrongdoing and such reports should be communicated and complied to, in time, as per the provisions of Acts & Rules.

It has come to the notice of the Government that audits are not conducted timely and appropriate action on such audit reports is not being taken in a timely manner. Therefore, there is a need for reiterating the statutory provisions relating to audit and strengthening the monitoring mechanism.

1. As envisaged under Rule - 58 A (2) of O.C.S. Rules, 1965, the A.G.C.S. shall communicate copies of Audit Report containing Financial Statements duly Certified by him to the Society, the Financing bank to which it is affiliated and the R.C.S. or the person exercising the powers of the R.C.S. in respect of the society as the case may be.

On receipt of the audit report, the committee of the society shall consider and furnish compliance there to in the format prescribed vide Circular No. 6079 dated 29.02.2002 of AGCS, Odisha, to the AGCS/AAGCS as prescribed under Rule 58 (A)(3) of OCS Rules 1965 within one month from the date of receipt of the same or such further time as may be allowed by the AGCS/AAGCS and on its failure to furnish such compliance, the AGCS/AAGCS may place a requisition for taking action under

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the Act/Rule /Bye laws as he may deem proper with the R.C.S. or the person exercising the powers of RCS.

On receipt of such requisition, the RCS shall take such action as may be required therein and admissible for him under the Act/Rule which shall not be called in question by the RCS, as provided under Rule 58 A (4) of OCS Rules 1965.

On the other hand, the AAGCS has to maintain one Audit Compliance Register and ensure recording of objection paras for each society in the manner prescribed by the AGCS vide his Circular No. 7401 dated 21.09.2011.

It is observed that the societies are either not furnishing or submitting perfunctory compliance, as a result, the defects and irregularities are being committed year after year. It is therefore directed that on receipt of the compliance the AAGCS shall examine the compliance on each para, if found satisfactory, drop the same or call for further compliance, if it is found inadequate. The result of such examination of paras shall be communicated by the AAGCS to the society concerned. This should also be reviewed in the bimonthly Triangular Committee meeting.

If the society does not submit compliance within the time frame, requisitions shall be placed by the AGCS/AAGCS with the RCS or the person exercising the powers of the RCS in respect of the society for taking action under the Act/Rule/Bye laws as he may deem proper.

2. As provided U/S-67 of OCS Act, 1962, Surcharge proceeding can be initiated on the basis of Audit/Enquiry/Inspection/Liquidator's Report, if it is found that any officer/Office bearer/employee of the society has made any payment contrary to the Act/Rule/Byelaws or has caused any deficiency to the Assets of the society by breach of trust wilfull negligence or otherwise misappropriated, fraudulently retained any money or property of the society, the AGCS or the person authorised in that behalf, on his own motion or on application of a liquidator/the committee-or any creditor and dispose of the same in the manner prescribed.

It is therefore, mandatory that the RCS or person exercising the powers of RCS shall cause inspection of every Cooperative Society at least once in each Cooperative year and communicate copy thereof to the society/ financing bank/AGCS/AAGCS

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within one month from the date of commencement of such inspection as provided U/S-64 (1) of OCS Act, 1962.

When an enquiry U/S-65 of the Act is conducted by the RCS or the person exercising the powers of RCS, the copies of such inquiry report shall be communicated to the AGCS/AAGCS under Sub section 4(b) of Section 65 of OCS Act 1962..

Since Surcharge Proceeding can be initiated on the basis of the Liquidator's report, it is therefore mandatory that the liquidator shall submit copy of his report to the AGCS for taking surcharge action, if any.

The AGCS or the person authorised on that behalf on receipt of Inspection/ Enquiry/Liquidator's Report and Audit Report issued by him shall initiate surcharge proceedings on the basis of such report after one month, if the amount is not recovered or the case is not filed with him and dispose of in the manner prescribed.

Therefore, it is directed that

- i) The copies of such orders of surcharge shall be communicated to the parties, the principal officer and the financing bank by the AGCS/AAGCS.
- (ii) On receipt of the order, the society shall file EP case with the Principal Officer within one month.
- (iii) The Principal Officer on receipt of the application shall execute the order in the manner prescribed.
- (iv) After execution, the status of recovery of the amount shall be intimated by the Principal Officer to the AGCS or the AAGCS and the society as the case may be.
- (v) The society shall file further compliance for dropping of the para to this effect which shall be considered by the AGCS/AAGCS in the manner prescribed.
- (vi) In the event of the society not filing EP cases, the AGCS/AAGCS shall place request before the RCS/ARCS under Rule 58 A(3) for taking action against the society for non compliance of this objection para.
- (vii) On receipt of the requisition, the RCS or the person exercising the power of the RCS in respect of that society shall act up on the requisition of the AGCS/AAGCS as the case may be within one month of the receipt of the same.
- (viii) If the amount is recovered by the society after receipt of Surcharge Order or the Execution Proceeding, compliance to this effect shall be submitted to the AGCS/AAGCS, who in turn shall drop the para.
- (ix) The status and follow up action on surcharge proceedings and EP cases shall be reviewed in the bimonthly TC Meeting.

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- (x) The information on initiation and disposal of surcharge and EP prescribed here will be uploaded by the AAGCS/ARCS. The AAGCS shall fill up from column no 1 to 17 & 22 (except column 11) and column no 11 & 18 to 24 shall be filled up by the ARCS concerned. The data for each month should be uploaded by 15th of succeeding month. A computerised monitoring system is being put in place within one month containing information in the format enclosed. The data so uploaded shall be accessible to the Principal Officer /AAGCS and the DRCS in respect of his circle/ Division and the data for the entire state by the Principal Secretary to Government in Cooperation Department, AGCS, Odisha and RCS, Odisha.
- (xi) These issues pertaining to audit, meetings of TC, compliance, surcharge orders, execution proceedings and other related matters should also be reviewed, at least once in a quarter at the state level by RCS and AGCS jointly. AGCS shall be the convener of this meeting which will be chaired by the RCS.

3. The Triangular Committee at the Division level was constituted under the chairmanship of divisional DRCS vide Circular No 46033 dated 26.11.1980 of RCS, Odisha to review the rectification of Audit defects pointed out in the Audit Report. Subsequently the AGCS, Odisha vide Circular No. 2601 dated 05.05.2004 prescribed that Triangular Committee meeting should discuss the following matters:-

1. Review on audit progress with emphasis of audit of priority societies and equal weightage to be accorded to different Directorates.
2. Non-availability of records of audit. Steps for reconstruction of records search and seizure of missing records etc to be discussed with the representatives of different Directorates.
3. Non-maintenance and non production of records for audit.
4. Special audit where misappropriation is suspected.
5. Receipt of inspection and enquiry reports of societies from Administrative Authorities for initiation of surcharge proceedings.
6. Collection of audit fees.
7. Receipt of compliance report on audit findings under the meaning of Rule 58 A of OCS Rule 1965. No of audit reports sent to societies, no of compliance reports received during the period between two meetings, progress positions from beginning of the year.
8. Any other matter relating to audit.

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9. Along with the above, the Triangular Committee shall review matters relating to surcharge orders and execution proceeding.

It is observed that this Triangular Committee is not discharging the duties and responsibilities assigned to it. It has, therefore, directed that the meeting shall be held bimonthly and the proceedings thereof is to be communicated to all concerned including AGCS and RCS within 10th of succeeding month.

For monitoring of compliance on audit defects, initiation and disposal of Surcharge and EP and holding of TC meeting, the AGCS is to act as the Nodal Officer and review the performance of all concerned as aforesaid on a quarterly basis.

By order of the Principal Secretary to Govt.

P. K. Mishra
20/8/2015
(P. K. Mishra)
Deputy Secretary to Govt.

Memo No. 6121 /Coop Date 20.08.2015

Copy forwarded to the Director, Government Printing press, Cuttack with a request to publish this Order in the next issue of the Odisha Gazette and provide 100 copies of the same to the Co-operation Department.

P. K. Mishra
20/8/2015
Deputy Secretary to Govt.

Memo No. 6122 /Coop Date 20.08.2015

Copy to RCS, Odisha/AGCS, Odisha/ Director of Fisheries / Director of Handicraft & Cottage Industries, Odisha / Director of Textile & Handlooms, /Director, AH & VS, /Director of Sericulture / Director, OK & VI Board for information and necessary action.

P. K. Mishra
20/8/2015
Deputy Secretary to Govt.

Memo No. 6123 /Coop Date 20.08.2015

Copy to all the DRCS of Divisions/ all ARCS of Circles/all AAGCS of Circles for information and necessary action

P. K. Mishra
20/8/2015
Deputy Secretary to Govt.

STATEMENT ON INITIATION & DISPOSAL OF SURCHARGE & EXECUTION PROCEEDINGS

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Sl No	Name of the Audit Circle	Name of the Institution	Period of Audit/ Inspection/ Inquiry/ Report of the Liquidators	Number & Date of Issue of Audit/ Inspection/ Enquiry/ Report of Liquidators	Para No & year	Nature of Recovery, i.e., Misappropriation, Irregular finance etc	Name of the Delinquent with Designation	Amount involved	Date of compliance of Audit Report/ Inquiry Report/ Inspection Report	Action taken for non compliance	Amount realized on the basis of Reports	Criminal/ Disciplinary action taken with number and date.	S.P. Case Number & Date, if not realised	Date of Decree and Issue Number & Date

16	17	18	19	20	21	22	23	24	25	26	27
Amount waived/ dropped	Decrease in amount	Amount realised out of the decretal amount	Balance to be realised through EP	EP filed by the CS with the Principal Officer with date	EP Case Number & Date	Name of the Principal Officer, i.e., ARCS, Circle	Amount recovered through EP	Balance to be recovered	Cases stayed by Higher Forum with name	Action taken for non compliance	Remark