



GUIDELINES FOR THE STATUTORY AUDIT OF COOPERATIVES REGISTERED UNDER KARNATAKA SOUHARDA SAHAKARI ACT, 1997

These guidelines are issued for the Statutory Audit of the Cooperatives Registered under Karnataka Souharda Sahakari Act, 1997. The Chartered Accountants empanelled by the Karnataka State Souharda Federal Cooperative Ltd., U/s 53(7)(t) of the Karnataka Souharda Sahakari Act, 1997 shall follow these guidelines while conducting Statutory Audit of the Souharda Cooperatives for year ending 31st March 2008. These guidelines are issued under Section 53 (7) (a) of the Karnataka Souharda Cooperative Act, 1997.

PART 1 **General Instructions**

1. Auditors should complete the audit before 31st August 2009 and send a copy of the audit report directly to the Federal Cooperative by Registered Post Acknowledgement Due (RPAD) within 10 days from the date of completion of the Audit or before 10th September 2009, whichever is earlier.
2. The Auditors are requested to quote their empanelment number in all communications with federal Cooperative.
3. The federal Cooperative may seek additional information from the auditors if the report is not according to these guidelines.
4. The audit report must be in the prescribed format and with Long Form Audit Report (LFAR). Auditor shall submit all the annexures prescribed. Auditor shall not leave any information blank. He shall specifically mention NOT APPLICABLE if any of the information is not applicable to any cooperative.
5. The audit should be conducted as far as possible according to guidelines applicable for commercial establishments evolved by the Institute of Chartered Accountants of India and the report should confirm that these guidelines have been followed and the accounts represent true and fair financial position subject to such qualifications as may be clearly stated.
6. Also all points mentioned in Section 33(2) of the Karnataka Souharda Sahakari Act, 1997 should be followed and it should be confirmed that the accounts are in accordance with the said Act.
7. For Banks, the audit should be conducted according to the guidelines issued by the Reserve bank of India. The Balance sheet and Profit and loss Accounts must be as per the format prescribed by the RBI.

PART 2 **Basic Information required**

The auditors shall make comments on the following:

1. If deposits are accepted, proper maintenance of records and prompt servicing of such claims. Specific observations should be made about delays, non-payment of interests and complaints if any.



2. If the co-operative is having borrowings from other agencies, proper servicing of such borrowings and maintaining security offered as charge in good clearly identifiable condition.
3. Instances of undue delay in settlement of sundry creditors and stated reasons therefore.
4. Timely remittance of appropriated profits of the previous year to the agencies and shareholders in the form of dividend and satisfactory arrangements made for the same.
5. Arrangements for custody of cash and bank accounts and periodical verification of them. Also about the reconciliation of these accounts.
6. Valuation of stocks and measures to ensure reliability of their value and if obsolete stocks and non-salable of stocks such as stationery have been included the amount of such stocks.
7. Total amount of loans and advances. Out of them amount of secured and unsecured loans should be given separately.
8. Method, rates and adequacy of depreciation of assets.
9. Adequacy of provisions for expenses and other contingencies.
10. Method followed for accounting of income and expenditure, that is whether mercantile or cash basis or a combination thereof.
11. Compliance with requirements of different tax laws, such as commercial taxes, Income tax etc., in all aspects and any omission should be mentioned.
12. Any action taken or notice sent by federal Cooperative or any other authority such as bureau of weights and measures etc., and the status of the same.

PART 3 SPECIFIC INFORMATIONS

1. Any unusual features noticed by the auditors having a bearing on the future of the co-operative and which need immediate attention of the Federal Cooperative, the auditor should be sent such information to federal cooperative without making any delay and without waiting for the completion of the audit. All such observations are part of the audited accounts.
2. Any other special observations which are the part of the Audit report but needs special attention shall be on special color paper.
3. The auditor should make comment separately on the following things:
 - i. Whether procedure laid down in the bye laws for admission of members is followed and deviations if any are placed for ratification by the General Body.
 - ii. Whether Board meeting are held regularly and cover all areas of importance and the minutes are maintained properly.
 - iii. Whether there are any committees, if so their composition and scope of activity. In case of such committees, how their functioning is reported to and overseen by the Board.



- iv. Delegation of powers to Officials and employees and manner of oversight over the exercise of the same.
 - v. Approach used by the Board for business planning, a corrective measures to adjust for variations from the plan.
 - vi. Circulation of or otherwise notification of important information for the benefit of members and customers.
 - vii. If accounts and records are partly or fully computerized or any other device is used, security measures adopted and disaster recovery plan.
 - ix. Appropriation of profits according to Section 10 (2) (xxi) the Karnataka Souharda Sahakari Act, 1997 and correct computation thereof.
 - x. Any other aspect having a bearing on proper management of the society and its prospects.
 - xi. Suits filed against the co-operative including disputes raised under the Act.
 - xii. Suits filed by the Co-operative including disputed other than for recovery of loans. In case of cases, involving recovery of loans, the number and amount involved is sufficient.
4. Auditors are to make sure that the co-operative has sent the annual fees as prescribed by the Federal Co-operative for all the previous years since its inception/conversion under KSS Act, 1997 up to the current year. He shall also have to certify whether the calculation is correct or not.
 - 5) The auditor shall also verify whether the Co-operative has sent 1% of its net profit towards the Co-operative Education fund of the federal Co-operative all the previous years since its inception/conversion up to the year 2007-08. He shall also have to certify whether the profit appropriation is done as per Section 10 (2) (xxi) of the KSS Act, 1997.
 - 6) If any Co-operative has not paid the annual fees or the Education fund to Federal Cooperative, the Auditor shall fix the responsibility on the person who is liable to be punished under Section 68 of the Karnataka Souharda Sahakari Act, 1997.

PART 4

Duties and Powers of Co-operative Auditor

1. The main duties and responsibilities are the following:

- (1) It is the duty of the auditor to verify the cash balance and securities, examine the overdue debts, if any, value assets and liabilities of the society, verify balances at the credit of the depositors and creditors and the amount due by the cooperatives' debtors
- (2) The Auditor should satisfy himself that the Co-operative has kept all account books and registers in connection with the business and the functioning of the Cooperative as prescribed under Sec.32 of the KSS Act.
- (3) Verify whether the provisions of all the byelaws have been strictly observed and the byelaws are in accordance with the provisions of the Act and Rules framed there under.
- (4) Among other things he should verify for example:



- (i) In respect of Credit Cooperatives and Banks, whether loans have been sanctioned for proper objects and periods and on adequate security as per conditions applicable to grant of such loans to proper persons. He has also to examine the repayments in order to ascertain book adjustments, improper renewals etc., and examine whether prompt action has been taken for recovery of dues and over dues.
- (ii) In respect of other societies whether the business of the society has been conducted according to the Co-operative principles and sound business practices.
- (5) Verify genuineness and adequacy of securities, mortgage and other bonds, adequacy of provision made for depreciation of assets and other items of expenses including interest payable on borrowings and deposits.
- (6) (a) Conduct personal verification of members accounts.
(b) Verify whether investments of funds made are in accordance with provisions of Section 18 of K.S.S Act.
- (7) Analyze the reasons for losses incurred by the Cooperative and assess after careful examination, deficiency or loss, if any, arising out of negligence or misconduct on the part of any employee or member of the committee, or of the Cooperative and after giving due opportunity to the persons whose actions are likely to be adversely commented upon in the Audit Report to explain why responsibility should not be fixed on them for the said deficiency or loss.
- (8) Attending the Annual General Meeting of the cooperative, which he has audited.



2. The powers of the Auditor the following:

The Auditor shall have the following powers:

1. Auditor or the person authorized by him shall at all times have access to all the books, accounts, documents, papers, securities, cash and other properties belonging to, or in the custody of the cooperative and may summon any person in possession or responsible for the custody of any such books, accounts, documents, paper, securities, cash or other properties, to produce the same at any public office at the headquarters of the society or any branch thereof.
2. Every person who is or has at any time been an officer or employee of the society and every member and past member of the society shall furnish such information in regard to the transactions and working of the Cooperative Auditor or the person authorized by him may require. Failure of an officer/employee/member of a Co-operative in possession of any information, books or records to furnish such information or produce such books or records or to give assistance to the person authorized to audit the accounts of the cooperative is an offence and is punishable under Section 68 of the Act.
3. If the Auditor of a cooperative has reason to believe that any books or other property of the cooperative have been tampered with or are likely to be tampered with, if left with the cooperative with a view to eliminate or efface or change or manipulate any evidence which may be deemed necessary by such officer or person in connection with the proof of any defect or irregularities noticed by him during the course of audit, he shall have the power to seize and impound such books or property during the period of Audit. In such case, the Auditor shall take prior permission of the Federal Cooperative in writing.

Annual Fee payable to Federal cooperative from each cooperative:

Annual membership payable by each cooperative to the Federal Cooperative is as follows:

| So la no | Working Capital | Annual fees (in rupees) |
|-----------------|-------------------------------------|--------------------------------|
| 1 | Below 5 lakhs | 250.00 |
| 2 | Above 5 lakhs and below 10 lakhs | 500.00 |
| 3 | Above 10 lakhs and below 30 lakhs | 1000.00 |
| 4 | Above 30 lakhs and below 1 crore | 2000.00 |
| 5 | Above 1 crore and below 3 crores | 4000.00 |
| 6 | Above 3 crores and below 10 crores | 8000.00 |
| 7 | Above 10 crores and below 30 crores | 16000.00 |
| 8 | Above 30 crores and below 50 crores | 32000.00 |
| 9 | Above 50 crores | 50000.00 |

Working Capital = Paid up Share Capital+All types of deposits+All types of Reserves+ All types of borrowings



AUDIT REPORT OF SOUHARDA CO-OPERATIVE LTD;
YEAR : 2008-09

- 1-0 a. **Name of the Co-operative :**
b. Address :
c. Registration No./Date :
d. Registering Authority :
e. Area of Operation :

2-0 **Branches :**

| Sl. No. | Address of the Branch | Date of opening | Name of the Branch Incharge |
|---------|-----------------------|-----------------|-----------------------------|
| 1 | | | |
| 2 | | | |
| 3 | | | |

3-0 **Nature of Activity :**

4-0 **Names of Office-bearers:**

- a. President :
b. Vice - President :
c. Chief Executive :

5-0 **Names & designation of persons who provided necessary information and records for the purpose of audit :**

| Sl.No. | Office | Name of the Official/s | Designation |
|--------|--------------|------------------------|-------------|
| 1 | Head Office | | |
| 2 | Branch | | |
| 3 | Branch | | |

- 6-0 a. Name & Address of the previous year's Auditor :
b. Empanelment No. :
c. Period of Audit :

- 7-0. a. Name & Address of the Current year's Auditor :
b. Empanelment No. :
c. Ref.No./Date of appointment letter issued by the co-operative:
d. Date of commencement of audit :
e. Date of completion of audit :
f. No. of days taken for the audit :

8-0 **Whether Compliance Report for the defects (Give details) pointed out in the last year's audit report has been prepared and placed in the General Body :**

9-0 **Whether the Co-operative has maintained books and documents mentioned in Sec. 32 of the KSS Act ?**

- 9-1 **Violations of provisions of Bye-law, KSS Act,1997 and KSS Rules, 2004 by the co-operative as observed during the course of audit :**



Bye- law Nos. :
 K.S.S.Act, 1997 : Sec.
 K.S.S.Rules,2004 : Rule.

10-0. Membership :

| Sl.No. | Particulars | Current Year | Last Year |
|--------|---------------------------------|--------------|-----------|
| 1 | No. of members at the beginning | | |
| 2 | Admissions during the year | | |
| 3 | Exits during the year | | |
| 4 | No. of members at the end | | |

(Add columns for Associate membership wherever applicable)

10-1. Comments on Membership :

- a. Whether membership register has been properly maintained
- b. Whether identity cards have been issued to members
- c. Whether proper appraisal of minimum transaction of members as required under the bye-law has been made by the co-operative ?

11-0. Share Capital :

| Sl.No. | Particulars | Current Year | Last Year |
|--------|----------------------------|--------------|-----------|
| 1 | Opening balance | | |
| 2 | Collection during the year | | |
| 3 | Refunds during the year | | |
| 4 | Closing Balance | | |

11-1. Comments on Share capital :

- a. Authorised share capital as per bye-law
- b. Whether share certificates have been issued to members
- c. Increase/decrease in paid up share capital

12-0 Borrowings :

(Refer Audit Guidelines issued by the Federal Co-operative)

12-1 Outstanding balance of loans availed by the co-operative :

| Sl.No. | Name of the institution | O/s balance as on 31-03-2009 |
|----------------|-------------------------|------------------------------|
| 1 | | |
| 2 | | |
| 3 | | |
| TOTAL : | | |

(Add rows if required.)

12-2 Summary of Loans availed by the Co-operative :

| Sl.No. | Particulars | Commercial/ Nationalised Banks | Co-operative Banks |
|--------|-------------------------|--------------------------------------|-----------------------|
| 1 | Opening balance | | |
| 2 | Availed during the year | | |
| 3 | Repaid during the year | | |
| 4 | Closing Balance | | |



12-3 Loans availed by the Co-operative against its investments :

We observe that the co-operative has availed loans against its investments in Deposits and the balance outstanding as at the end of the year is given below:

| Sl.No. | Name of the institution | Amount (Rs.) | Rate of interest on borrowing |
|----------------|-------------------------|--------------|-------------------------------|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| TOTAL : | | | |

13-0 **Deposits :**

13-1 The various types of deposits collected by the co-operative as the end of the year under report stood at Rs. as detailed herebelow :

| Sl.No. | Type of Deposit | Current Year 31-03-2009 (Rs.) | Last Year 31-03-2008 (Rs.) |
|----------------|---|----------------------------------|-------------------------------|
| 1 | Fixed Deposits | | |
| 2 | Cash Certificates | | |
| 3 | Recurring Deposits | | |
| 4 | Pigmy/Daily Deposits | | |
| 5 | Savings Deposits | | |
| 6 | Current A/cs | | |
| 7 | Matured Deposits | | |
| 8 | <u>Security Deposits :</u> a) Staff b) Pigmy Agents | | |
| 9 | Staff Provident Fund | | |
| 10 | | | |
| TOTAL : | | | |

13-2 Comments on/analysis of all types of Deposits as to documentation, interest verification, repayment procedure, defects noticed if any, etc;

13-3 What is the amount of provision made by the co-operative for "Interest payable on deposits" for the year under report? Verify the provision and comment whether the provision is sufficient.

13-4 Whether the total deposits as at the year end is in agreement with the Balancing Ledger ?

14-0 **Contingent Liabilities :**

Brief note on the same.

15-0 **Fluid Resources :**

Refer Guidelines issued by the Federal Co-operative in this regard and comment on the correctness / sufficiency of fluid resources maintained by the co-operative.

16-0 **Cash verification :**



- 16-1 Whether the amounts of closing cash balance as at the end of the year at the H.O./Branches has been jointly verified by the concerned Officer In charge and one of the Office-bearers? Give details.
- 16-2 Cash retention limit fixed by the Board for H.O./Branches – Whether the specified limit invariably exceeded in any of the offices of the co-operative during the year under report – Comment.
- 16-3 Whether proper insurance coverage has been taken and in force ? Give details of the policies and risk covered.
- 16-4 Surprise Cash check (conducted by the auditor as part of the audit exercise):

| Sl.No. | Office | Date of cash check | Cash in hand (Rs.) / L.F. No. | Name of the Officials of the Co-op. present. |
|--------|--------------|--------------------|--------------------------------|--|
| 1 | Head Office | | | |
| 2 | Branch | | | |
| 3 | Branch | | | |
| 4 | | | | |

(Give details of the discrepancy if any noticed during the cash check.)

17-0 Bank Balances :

- 17-1 The various bank balances of the Co-operative in Current and S.B. A/cs as at the end of the year under report is given below :

| Sl.No. | Name of the institution/Place | A/c. No. | Amount (Rs.) |
|---------|-------------------------------|-----------|----------------|
| 1 | | S.B. | |
| 2 | | S.B..... | |
| 3 | | C.A..... | |
| 4 | | C.A..... | |
| Total : | | | |

- 17-2 Whether balance confirmation certificates have been obtained ?
- 17-3 Whether Bank Reconciliation is prepared on monthly basis and the Bank balances as at the year end tally after Reconciliation ?
- 18-0 **Cash credit loan if any availed from the Financing agency :**
Examine the terms of such CCL, whether the loan availed by the co-operative is supported by proper Board resolution, details of assets pledged for the loan, whether any second mortgage is created for the purpose of the loan, whether the repayment of the loan is regular, etc.
- 19-0 **Reserve Fund and Other reserves:**
The total of Reserve Fund and other reserves as at the end of the year under report stands at Rs..... as detailed below :

| Sl.No. | Type of Funds | Amount |
|--------|---------------|--------|
|--------|---------------|--------|



| | | Rs. | Ps. |
|---------|------------------------|-----|-----|
| 1 | Reserve Fund | | |
| 2 | Common Good Fund | | |
| 3 | Education Fund | | |
| 4 | Contingency Fund | | |
| 5 | Deficit Fund | | |
| 6 | Depreciation Fund | | |
| 7 | Bad Debts Reserve Fund | | |
| 8 | Members Welfare Fund | | |
| 9 | Fund | | |
| Total : | | | |

19-1 Give details of amount spent if any from any of the Funds during the year under report and your comments on the same.

19-2 Whether Reserve Fund has been invested outside the business in ear - marked funds as required under Rule 7(1) of KSS Rules, if yes give detail.

20-0 **Investments :**

The various investments of the co-operative as at the year end is detailed below :

(a) In Fixed Deposits :

| Sl.No. | Name of the institution /place | Amount | |
|---------|--------------------------------|--------|-----|
| | | Rs. | Ps. |
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| Total : | | | |

(b) In Ear-marked Funds :

| Sl. No. | Name of the institution/ place | Amount | | Type of Fund Invested |
|---------|--------------------------------|--------|-----|-----------------------|
| | | Rs. | Ps. | |
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| Total : | | | | |

(c) In shares and securities :

| Sl.No. | Name of the institution /place | Amount | |
|---------|--------------------------------|--------|-----|
| | | Rs. | Ps. |
| 1 | | | |
| 2 | | | |
| Total : | | | |

20-1 State whether confirmation certificates in respect of all the Aforementioned investments.

20-2 What is the amount of interest earned on investments by the co-operative during the year under report ? State whether interest receivable on investments was accounted for in the books by the co-operative.



20-3 Comment whether the investments of the co-operative are in conformity with Sec.18 of the KSS Act, 1997 and guidelines issued by the Federal Co-operative.

21 Loans and Advances :

21-1 The outstanding balance of various loans and advances of the co-operative as at the year end is detailed below along with comparative figures of previous year's outstanding balances :

| Sl.No. | Type of Loan | 31-03-2009 | | 31-03-2008 | |
|---------|------------------------|------------|-----|------------|-----|
| | | Rs. | Ps. | Rs. | Ps. |
| 1 | Personal/Surety Loans | | | | |
| 2 | Secured Loans | | | | |
| 3 | Vehicle Loans | | | | |
| 4 | Jewel Loans | | | | |
| 5 | Mortgage Loans | | | | |
| 6 | Loans against Deposits | | | | |
| 7 | Staff Loans | | | | |
| 8 | Loans | | | | |
| Total : | | | | | |

21-2 Overdue Loans :

The position of overdue loans of the co-operative as on 31-03-2009 is given below :

| Sl. No. | Type of Loan | Overdue Loans upto 1 year | | Overdue Loans between 1 year & 3 years. | |
|---------|----------------|---------------------------|----------------|---|----------------|
| | | No. of A/cs | Overdue Amount | No. of A/cs | Overdue Amount |
| 1 | Personal Loans | | | | |
| 2 | Mortgage Loans | | | | |
| 3 | Loans | | | | |
| Total : | | | | | |

21-3 Loans under Arbitration and E.P. :

The various loans and advances of the co-operative that were under Arbitration and Execution Proceedings as at the year end is detailed below

| Sl. No. | Type of Loan | Decreed Loans | | Loans under E.P. | |
|---------|----------------|---------------|----------------|------------------|-------------------|
| | | No. of A/cs | Decreed Amount | No. of A/cs | Amount under E.P. |
| 1 | Personal Loans | | | | |
| 2 | Mortgage Loans | | | | |
| 3 | Loans | | | | |
| Total : | | | | | |



- 21-4 Comments on Loans and Advances as to the irregularities / discrepancies noticed in documentation, sanctioning, recovery steps, etc; in respect of different types of loans.
- 21-5 Examine whether the co-operative is following the practice of debiting the interest receivable on loans to the loan accounts of members. State what is the total amount of interest receivable on loans accounted for by the co-operative as at the end of year under report.
- 21-6 Whether the outstanding balance of various types of loans and advances as at the end of the year agrees with the respective Balancing Ledger amounts ?

22-0 Loans and Advances to Directors :

22-1 Give details in the following format. This can be given in the form of an Annexure also.

| Sl. No. | Name of the Director | M.No. | Type of Loan | Loan A/c No | Amount of Loan | Date of sanction/ Release. | No.of Instalments |
|---------|----------------------|-------|--------------|-------------|----------------|----------------------------|-------------------|
| | | | | | | | |

| Outstanding Balance as on 31-3-2009 | No.of instalments defaulted | Amount in default | No.of Instalments |
|-------------------------------------|-----------------------------|-------------------|-------------------|
| | | | |

- 22-2 Examine whether the loans advanced to the Directors is in conformity with the circular issued by the Federal Co-operative.
- 22-3 Verify whether the directors have satisfied the minimum business criteria as stipulated in the bye-laws of the co-operative.
- 22-4 Examine whether any of the directors stood as surety/ co-obligant to any of the loans availed by any member/s. If so, report all such loans where three consecutive loan instalments are in arrears.

23-0 Internal Audit :

Examine by whom the internal audit is conducted, reporting on monthly or quarterly basis, the defects/irregularities pointed out in the report and whether the co-operative has rectified the mistakes and prepared compliance report. State whether any of the mistakes/ irregularities persistently recur in the co-operative.

24-0 Statutory payments to Federal Co-operative :

- 24-1 The co-operative has remitted Annual subscription fee of Rs. pertaining to the year 2008-09 (that is year under report) by D.D. No..... dated drawn onBank for which Receipt No. dated has been issued by the Federal Co-operative.
- 24-2 The co-operative has remitted the Education Fund fee of Rs. which was appropriated from the Net Profit for the year 2007-08 by D.D. No..... dated drawn onBank for which Receipt No. dated has been issued by the Federal Co-operative.



- 24-3 The Working Capital of the co-operative as at the end of the year under report (i.e. 2008-09) is Rs..... The co-operative is therefore, liable to remit an Annual Subscription Fee of Rs..... to the Federal Co-operative in respect of 2009-10 (i.e. current year) as per Bye-law No. 37 of the Federal Co-operative. We have advised the Chief Executive to remit the aforesaid sum immediately.
- 25-0 **Staff and administration :**
- 25-1 Brief note containing the names of the staff members, their designation, qualification, date of appointment, date of confirmation, Gross salary as at the year end (that is salary for March 2009) – This can be given as a Annexure also.
- 25-2 Verify whether applicable Profession tax has been deducted from the salary of the concerned staff and remitted to the Department.
- 25-3 Verify whether cadre strength/ pay-scale for the staff has been approved by the General Body.
- 25-4 Verify whether the Staff Service Rules has been framed by the Board and got approved by the General Body.
- 25-5 Amount spent for salary and wages to staff members during the year under report and its percentage on the working capital.
- 26-0 **Budget and Actual for the year under report :**
- 26-1 Verify and list out the expenses for 2008-09 that have exceeded the limit fixed in the Budget (prepared and placed in the General Body for the year 2007-08) which require the ratification in the ensuing General Body. This can be listed out in a format and given as a Annexure also.
- 26-2 Comment on any unreasonable / abnormal expenditure noticed during the course of audit.
- 27-0 **Bonus, etc. :**
- Brief note on the bonus if any paid to the staff during the year – Whether bonus was paid out the appropriated Net Profit for the previous year or directly by debiting the Salary/Establishment expenses. Whether the payment of bonus is in accordance with the bye-law provision of the co-operative..
- 28-0 **Appropriation of Net Profit :**
- 28-1 Verify whether the appropriation of Net Profit for the previous year (that is 2007-08) was in accordance with Sec. 10 (2) (xxi) of the KSS Act and the relevant bye-law provision of the co-operative.
- 28-2 Refer audit guidelines issued by the Federal Co-operative.
- 28-3 Suggest how to appropriate the Net Profit for the year under report.
- 29-0 **Dividend :**
- Brief note on the dividend declared on the Net Profits of the previous year, whether the same is in conformity with the bye-law, Unclaimed Dividend amount if any transferred to Reserve Fund from out of the Unclaimed Dividend during the year under report, whether Balancing ledger is maintained in respect of the unclaimed dividend, etc;
- 30-0 **General Body :**
- 30-1 Brief note containing - the date of Annual General Body Meeting (in respect of the previous year) held during the year under report, No. of members attending the said meeting, quorum required as



per bye-law for the A.G.B., whether the minutes have been properly recorded agenda by agenda, whether the chartered accountant/auditor conducting the audit for the previous year has attended the said meeting, etc;

30-2 Whether any Special General Body has been convened during the year under report, if yes brief note on the same.

30-3 Whether any G. B. has been convened during the year under report for the purpose of Election to the Board, if yes date of such election, names of directors elected, term of office, whether election of the office-bearers has been held in accordance with the bye-law, Sec.28 of KSS Act and Rule 6 of KSS Rules. Name and designation of the persons elected as office-bearers and commencement of term of office.

31-0 Board Meetings :

31-1 Brief note on the number of board meetings held during the year under report, whether the minutes have been properly recorded agenda by agenda in the Resolution Book, whether any Director is absent for consecutive 3 board meetings without leave from the Board and if so the details and names of the absenting directors, etc;

31-2 Brief note on each type of the Sub-committee meetings held during the year , accomplishment of the sub-committee reports.

31-3 Complete the Annexure format given by the Federal Co-operative containing details of Board Meetings, term of board of directors, travelling expenses paid, board meeting expenses, other re-imburement to directors, amount spent on training, sitting fees paid, transaction with the co-operative, etc;

32-0 Analysis of Financial statements :

32-1 **Trading Account :** (Wherever applicable.) Gross profit/loss for the year with comparative Gross profit/loss for the previous year, method of valuation of stock, its efficacy, etc;

32-2 **Profit and Loss Account :** Comparative analysis with that of the profit/loss for the previous year.

32-3 Balance Sheet :

a) Other liabilities :

| Sl.No. | Particulars | Amount |
|--------|----------------------------|--------|
| 1 | Interest on Deposits | |
| 2 | Salary | |
| 3 | T.D.S. | |
| 4 | Jewel Appraiser's Fees | |
| 5 | Excess of auction proceeds | |
| | Total : | |

b) Provision for expenses :

| Sl.No. | Particulars | Amount |
|--------|-------------|--------|
| 1 | Audit Fees | |
| 2 | | |
| | Total : | |



c) Sundry Creditors :

| Sl.No. | Name of the party | Amount | Payment due for what ? |
|--------|-------------------|--------|------------------------|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| | Total : | | |

d) Other Deposits :

| Sl.No. | Particulars | Amount |
|--------|---------------------|--------|
| 1 | Building Deposit | |
| 2 | Telephone Deposit | |
| 3 | Electricity Deposit | |
| | Total : | |

e) Sundry Debtors / Advance to party :

| Sl.No. | Name of the party | Amount | Receivable towards what ? |
|--------|-------------------|--------|---------------------------|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| | Total : | | |

f) Other receivables / Suspense assets :

| Sl.No. | Particulars | Amount |
|--------|------------------------------|--------|
| 1 | Arbitration / E.P. Charges | |
| 2 | Notice Charges | |
| 3 | Audit recovery | |
| 4 | Shortage of auction proceeds | |
| 5 | | |
| | Total : | |

g) Land & Buildings : Brief note.

h) Current Assets : Brief note on Furniture & Fixtures, Vehicles, Stock of Printing & Stationery, etc;

i) Depreciation : Comment on the method of depreciation followed and its suitability. Also, enclose a Statement containing the details of Fixed Assets, additions during the year, Write off/ disposal during the year, depreciation during the year as per the applicable rates for each type of fixed asset and the closing W.D.V. of the fixed assets .

33-0 Assets purchased under E.P. :

Brief note on the above if applicable.

34-0 Balancing of accounts :

Whether Balancing Ledgers, Sub-Ledgers / Schedules are maintained and the balances are in agreement with that of the General Ledger.

35-0 Branches and their administration :

Refer Audit guidelines issued by Federal Co-operative.

36-0 Submission of Reports by Branches :

Brief note on the above.



37-0 **Inter-branch Reconciliation :**

Brief note on the above.

38-0 **Earning per Share :**

39-0 **Compliance with other Acts :**

Auditor is required to verify whether the co-operative has complied with the provisions of other laws relating / applicable to it.

40-0 **Inspection by the Federal Co-operative / R.B.I. :**

Brief note on the inspection report of Federal Co-operative / R.B.I. if any carried out / pertaining to the year under report, the defects/irregularities/ discrepancies pointed out in the said reports and the remedial measures taken by the co-operative.

41-0 **General observations :**

42-0 **Suggestions by the Auditor :**

Various schedules to be attached to the Report - See Rule 9 (5) of KSS Rules, 2004.

| Schedule No. | Subject |
|---------------------|--|
| A | Details of violations of KSS Act, 1997, Rules and byelaws of cooperatives. |
| B | Violations of guidelines issued by Reserve Bank of India or National Bank regarding business |
| C | List of bad and doubtful debts as observed by the Auditor |
| D | List of Loans and advances to directors and their relatives |
| E | Cases of violations of guidelines, restrictions and conditions of RBI or National Bank |

If any of these Schedules not applicable any Sahakari, Auditor should specifically mention that particular Schedule is not applicable to that Cooperative.



LONG FORM AUDIT REPORT

| | |
|--|--|
| A: INTRODUCTORY | |
| Name of the Cooperative | |
| Date of Registration | |
| Last audit report for the year | |
| Whether the Cooperative has furnished satisfactory compliance to the previous audit report. | |
| B: Management: | |
| Auditor shall cover the following aspects: | |
| 1. Overall functioning of the Board of Management, Committees constituted by the Board, Chairman and Chief Executive Officer. | |
| 2. Regularity in holding meetings of the Board / Committees, Annual General Meeting/ Special General Meetings. | |
| 3. Whether the constitutions of the Board of Management and the election of Office Bearers is in accordance with the bye-laws/Karnataka Souharda Sahakari Act, 1997 | |
| 4. Involvement of Board in formulation of policies and mobilization of resources, deployment of credit, investment of surplus funds, review of over dues and action taken against defaulters, recruitment, training, review of the inspection reports/ audit report. | |
| 5. Observance of guidelines issued by Federal Cooperative and any other statutory bodies. | |
| 6. Periodical review of various aspects of Cooperatives working as per guidelines of Federal Cooperative. | |
| 7. Donations made by Cooperatives. | |
| C: Compliance with provisions of KSS Act, 1997 and byelaws of the Cooperative | |
| Infringement of the provisions of Cooperative's bye – laws and KSS Act, 1997 may be brought out indicating the | |



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| nature of violation and relevant provisions thereof. Special attention is to be paid in respect of the following aspects. | |
| 1. Purchase / disposal of fixed assets. | |
| 2. Incurring of expenditure | |
| 3. Creation of charge on assets | |
| 4. Borrowings from other Cooperatives/ institutions. | |
| 5. Investments with other Cooperatives/ institutions. | |
| | |
| PART – II | |
| <u>A: Internal Control:</u> | |
| 1. Whether the Cooperative has prepared any manual/ guidelines/ instructions for accounting aspects and maintenance of books of account. | |
| 2. System regarding balancing of books of account and reconciliation of subsidiary / control records. Actual position of balancing of books. | |
| 3. Systems of monitoring the position of balancing of books and follow up action to bring the position up to date. | |
| 4. Systems of accounting inter branch transactions and position regarding reconciliation of outstanding entries. | |
| <u>B. Branch Control and Inspections:</u> | |
| 1. Whether the Cooperative has developed a proper branch reporting system and prescribed control returns for submission by branches to Head Office. | |
| 2. System of monitoring for prompt submission of returns and scrutiny at the Head Office. | |
| 3. Follow up action of the irregularities noticed in particular on the exercise of discretionary powers by branch managers. | |
| 4. Periodicity of internal inspections of branches and adherence to schedule. | |
| 5. Whether the coverage in the inspection reports is comprehensive. | |



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| 6. System of follow up action of inspection reports and submission of compliance reports. | |
| 7. Whether the major irregularities / frauds and misappropriations have been brought to the notice of Board of Management and proper action has been taken against those responsible. Details to be furnished. | |
| <i>PART – III</i> | |
| <u>LIABILITIES:</u> | |
| <u>A: Deposits:</u> | |
| 1. Growth of deposits targets fixed for mobilization of deposits. | |
| 2. Whether the Cooperative has resorted to windows dressing of deposits. | |
| 3. Whether the Cooperative has observed proper safeguards while opening deposit accounts/ obtained photographs. | |
| 4. Institutional deposits – Whether the Cooperative was getting large amounts of institutional deposits to cover the over extended position. | |
| 5. Whether Cooperative has received any deposits from any other cooperative registered under KSS Act, 1997 (If yes, concerned cooperative shall be instructed to refund the same at the earliest) | |
| <u>B: Borrowings:</u> | |
| 1. Whether the borrowings are occasional / Continuous and resorted to sustain the over extended position of lendings. | |
| 2. Whether the Cooperative was resorting to borrowings to meet its Reserve requirement as directed by Federal Cooperative. | |
| 3. Any impact on the profitability of the Cooperative. | |
| <u>C: Other Liabilities:</u> | |
| The large amounts outstanding under this need may be examined | |
| D) Contingent Liabilities: If any shall be reported | |



| | |
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| E: Profit and Loss Account | |
| 1. A comparative study of profitability and major variations observed in income and expenditure. | |
| 2. Revenue leakage, if any, observed. | |
| 3. Whether the Cooperative was taking unrealized interest on loans and advances into income account. | |
| 4. Appropriation of profits to various funds as per KSS Act 1997 and byelaws of the cooperative. | |
| PART – IV | |
| ASSETS: | |
| <u>A: Cash and Bank Balances:</u> | |
| Cash: | |
| a) Does the cooperative and its branches if any, generally carry cash balances, which vary significantly from the limits fixed by the Head Office? If the Cooperative has not fixed any limits for the purpose, indicate whether the cash balances held by the Cooperative's branches are in accordance with the day-to-day requirements. | |
| b) Does the cooperative hold adequate insurance cover for cash? | |
| c) Is cash maintained in effective joint custody of two or more officials? | |
| d) Have the cash balances at the Cooperative been checked at periodical intervals by the authorized officials. | |
| <u>B: Investments:</u> | |
| a) i) Whether the board of management has laid down broad policy for investment of funds. | |
| ii) Whether the investments in Government and other approved securities are in conformity with Act. | |
| b) i) System of purchase and sale of investments, delegation of powers, reporting systems, etc., | |
| ii) Controls over investment, including periodic verification / reconciliation of investments. | |
| <u>C: Advances:</u> | |



| | |
|---|--|
| a) Credit Appraisal System: | |
| 1. Whether there is a well laid – down system of credit appraisal of loans/ cash credit applications. | |
| 2. Whether loan applications have been designed to elicit essential information / particulars to make proper assessment of the credit worthiness of the applicant. | |
| b) Sanctioning / Disbursement: | |
| To examine the delegation of powers / authority at various levels; Adherence to authorized limits and whether limits are disbursed after complying with terms and conditions. | |
| c) Documentation: | |
| 1. System of ensuring that documents are executed as per the terms of sanction. | |
| 2. Nature of documentation defects observed during audit and suggestions to avoid such defects. | |
| 3. Renewal of documents. | |
| d) Review / Monitoring. / Supervision: | |
| 1. Periodic balance confirmation / acknowledgement of debts. | |
| 2. Receiving regular information, stock / book debt statements, balance sheet etc., | |
| 3. Receiving audited accounts in the case of borrowers with limits beyond Rs. 2 lakhs | |
| 4. System of scrutiny of the above information and follow up by the Cooperative. | |
| 5. System of periodic physical verification or inspection of stocks, equipments and machineries and other securities. | |
| 6. Inspection reports and their follow – up. | |
| 7. Review of advances including enhancement of limits. | |
| 8. Renewal of facilities. | |
| e) Concentration of advances: | |
| Any undue concentration of advances Industry wise/ GroupWise/ Security wise. | |
| f) Large advances: | |



| | |
|--|---|
| Large advances depicting undesirable features requiring Management's attention. | |
| g) Advance to directors and their relatives. : | |
| i) Whether the advances to directors and their relatives are in conformity with Federal Cooperative guidelines. | |
| ii) Whether usual formalities connected with appraisal, sanction/ disbursement/ documentation has been followed. | |
| F: Write off/ compromise proposals | |
| Whether write off / compromise proposals, if any have been made with the permission of its General Body. | |
| G. Position of over dues: | |
| 1) a) Classify total over dues of the Cooperative according to duration as under: | |
| 1. Over dues of more than 5 years standing | |
| 2. Over dues of more than 3 years standing | |
| 3. Over dues of more than 1 year standing | |
| 4. Over dues of less than 1 year standing | |
| | |
| b) Classify the over dues according to the security as ascertained from the Cooperative: | |
| i) Over dues which are good and fully secured Rs. _____ | |
| ii) Over dues which are good and secured by guarantees or sureties | |
| iii) Over dues, which are doubtful against which Rs. provided in the bad debt reserve. | |
| c) Give total amount covered by cases under arbitration by giving details regarding the number of cases pending with Registrar's nominee, the number of awards pending with the Cooperative and under execution, etc., | No Amount (Rs) |
| | Pending before Registrar Awarded and Execution |
| 2) Are adequate steps being taken to recover over dues loans and cash credits? | |
| 3) What is the amount of overdue interest? Is it duly provided for, if taken | |



| | |
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| into P & L account? | |
| <u>I: Income recognition</u> | |
| Whether the Cooperative has accounted income on receipt basis or not. If No, comment. | |
| <u>J: Frauds, embezzlement and misappropriation:</u> | |
| 1. Modus operandi, factors responsible for perpetration of frauds, misappropriation, steps taken to streamline the systems and procedures so as to prevent recurrence, staff accountability, etc., | |
| 2. Losses likely to be suffered by the Cooperative and whether adequate provision has been made there against. | |



Summary report

| 1 | Name of the cooperative | | | |
|--------------------------|--|-------------------|------------------|------------------|
| 2 | Date of Registration under KSS Act. | | | |
| 3 | Date of Election to existing Board. | | | |
| 4 | Date of Assuming Office. | | | |
| 5 | No. of Directors. | | | |
| 6 | Name of the Chartered Accountant. | | | |
| 7 | Empanelment number. | | | |
| Financial Details | | | | |
| SI | Details | March 31, 2007 | March 31 2008 | March 31 2009 |
| 1 | Authorized Share Capital (Rs) | | | |
| 2 | Paid up share capital (Rs) | | | |
| 3 | All types of Deposits (Rs) | | | |
| 4 | All types of Reserves (Rs) | | | |
| 5 | All types of Borrowings (Rs) | | | |
| 6 | Total loans and Advances (Rs) | | | |
| 7 | Unsecured Loans. (Rs.) | | | |
| 8 | Total loans and advances to directors and their relatives. (Rs) | | | |
| 9 | Unsecured loans advanced to directors and their relatives. (Rs) | | | |
| 10 | Expenses of Board meeting and other expenses paid or reimbursed to directors. (Rs) | | | |
| 11 | Other liabilities (Rs) | | | |
| 12 | Over Due Amount (Rs) | | | |
| 13 | Over due Percentage % | | | |
| 14 | Rate of interest on SB Ac % | | | |
| 15 | Minimum rate of Interest on Fixed Deposits % | | | |
| 16 | Maximum rate of Interest on Fixed Deposits % | | | |
| 17 | Minimum rate of interest on Loans and advances % | | | |



| | | | | |
|----|---|--|--|--|
| 18 | Maximum rate of interest on Loans and advances % | | | |
| 19 | Maximum rate of interest on borrowings % | | | |
| 20 | Net profit (Rs) | | | |
| 21 | No. of Regular members | | | |
| 22 | No. of Associate members | | | |
| 23 | No. of Nominal members | | | |
| 24 | Interest income (Excluding interest on investments) (Rs) | | | |
| 25 | Income from investments (Rs) | | | |
| 26 | Bad and doubtful debts. (Rs) | | | |
| 27 | Total No. of Arbitration cases filed | | | |
| | Total Amount to be recovered (Rs) | | | |
| 28 | Total No. of Execution cases filed | | | |
| | Total amount to be recovered (Rs) | | | |
| 29 | No. of Employees | | | |
| | No. of regular employees (Confirmed) | | | |
| 30 | Cadre strength approved by General Body? If yes, date of Approval | | | |
| | Pay scale approved by General Body? If yes, date of approval. | | | |

Date:
Place:

Sd/-
For..... Chartered Accountants