

A photograph of a modern, multi-story apartment building at dusk. The building has a light-colored facade and many windows, some of which are illuminated from within. In the foreground, there is a swimming pool with a curved edge, surrounded by lounge chairs and closed patio umbrellas. The sky is a deep blue, and the overall atmosphere is serene and modern.

C.H.S Audit

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Audit – Meaning & Scope

The audit under sub-section (1) of section 81 of Maharashtra Co-Operative Societies Act, 1960 shall include an examination of overdue debts, if any, the physical verification and valuation of assets and liabilities, verification of cash balances and securities, certification of profit and losses, compliance with the transparency law and other laws applicable...





Special Features Of Co-Op Society Audit

Special Features Of Co-Op Society Audit

Examination Of Overdue Debts

Overdue Interest

Certification Of Bad Debts

Valuation Of Assets & Liabilities

Adherence To Principles

Observation Of Provisions Of Acts

Assessment Of Damages

Special Report To Registrar

Audit Classification Of Society

Discuss With Managing Committee



**Reporting Requirements
Under MCS Act, 1960 &
Rules**

Reporting Requirements Under MCS Act, 1960 & Rules

Applicable Sections are S. 81 & 82 and Rule 69, 73 & 74

Registrar can also order inspection & audit under S. 83 & 84

Similarly Rule 69 (4) & (6) also mandate specific comments and disclosure by the auditor



Audit Under Section 81 (1)

Period

Manner

Deadline

Highlight

Remuneration

Co-Ordinate

The society shall cause to be audited its accounts at least once in each financial year & also cause it to be completed within a period of 4 months from the close of financial year

Manner

Deadline

Highlight

Remuneration

Co-Ordinate

The manner of preparation, declaration & maintenance of the panel of auditors & auditing firms by the registrar shall be such as may be prescribed

The committee of every society shall ensure that the annual financial statements are audited within 4 months of the closure of the financial year

The auditor's report shall have

- All particulars of defect, irregularities, misappropriation, embezzlement of funds, fraud of amount involved & its modus operandi
- Accounting irregularities & their implications on financial statements to be indicated in detail with effect on profit & loss
- The functioning of the committee & sub-committees be checked & if any irregularities or violations are observed, duly fixing the responsibilities for such irregularities or violations

The remuneration of the auditor shall be borne by the society & shall be at such rate as maybe fixed by general body of the society

The registrar shall co-ordinate with the societies & the auditors & ensure the completion of audit of accounts of all the co-operative societies in time every year

Requirement Of Section 81 (2)

Examination Or Verification Of The Following

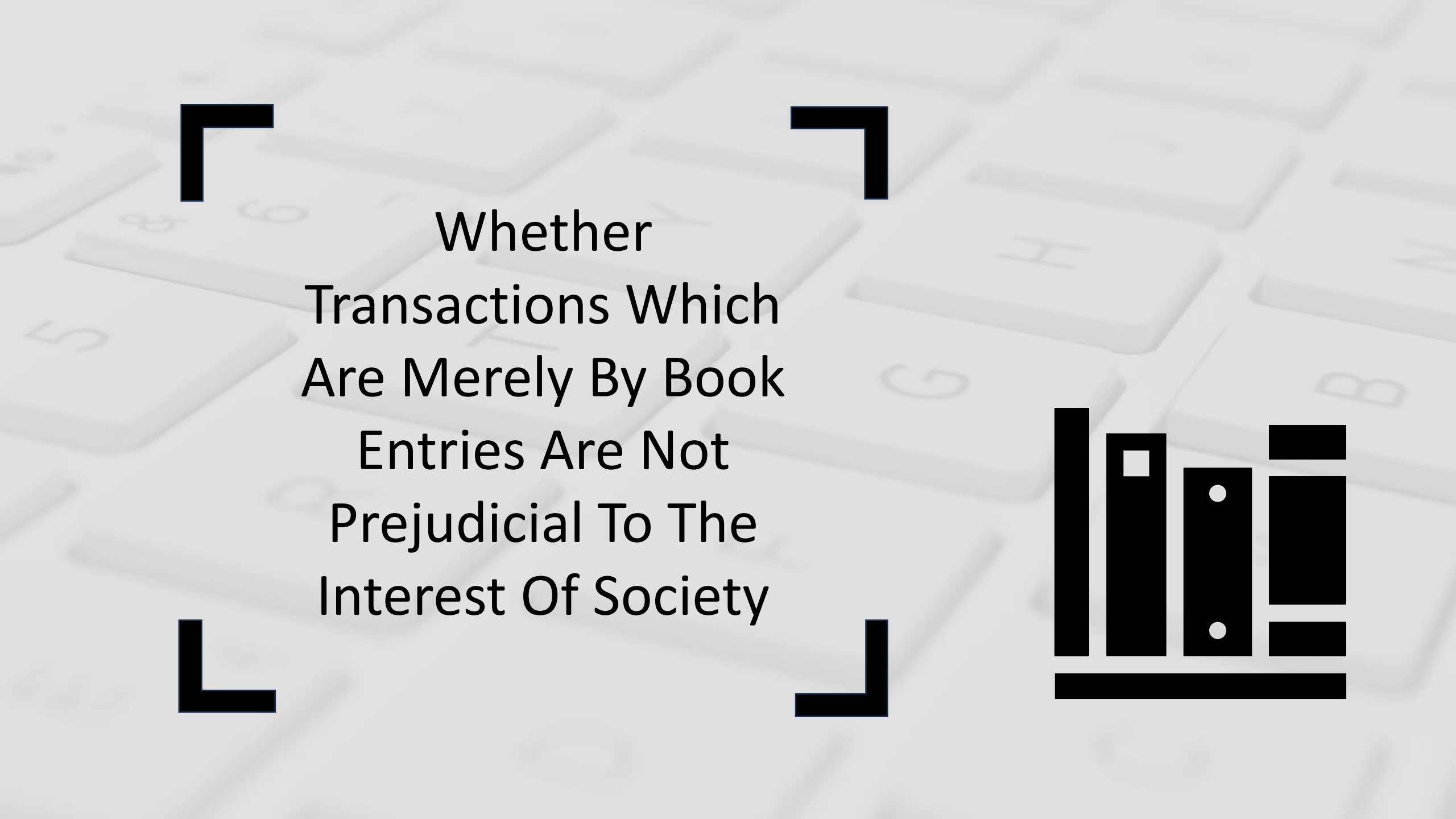


Overdue Of
Debts, If Any

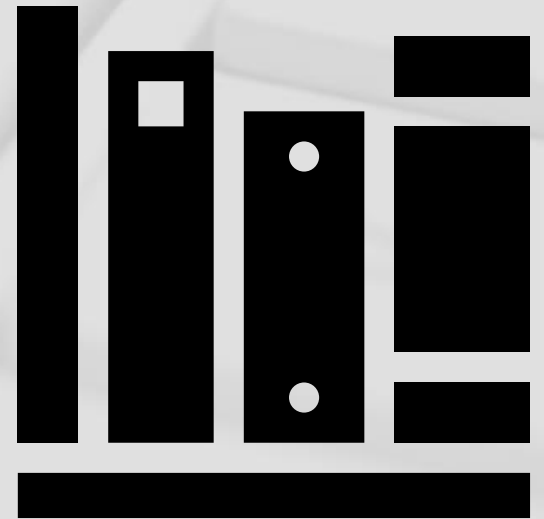


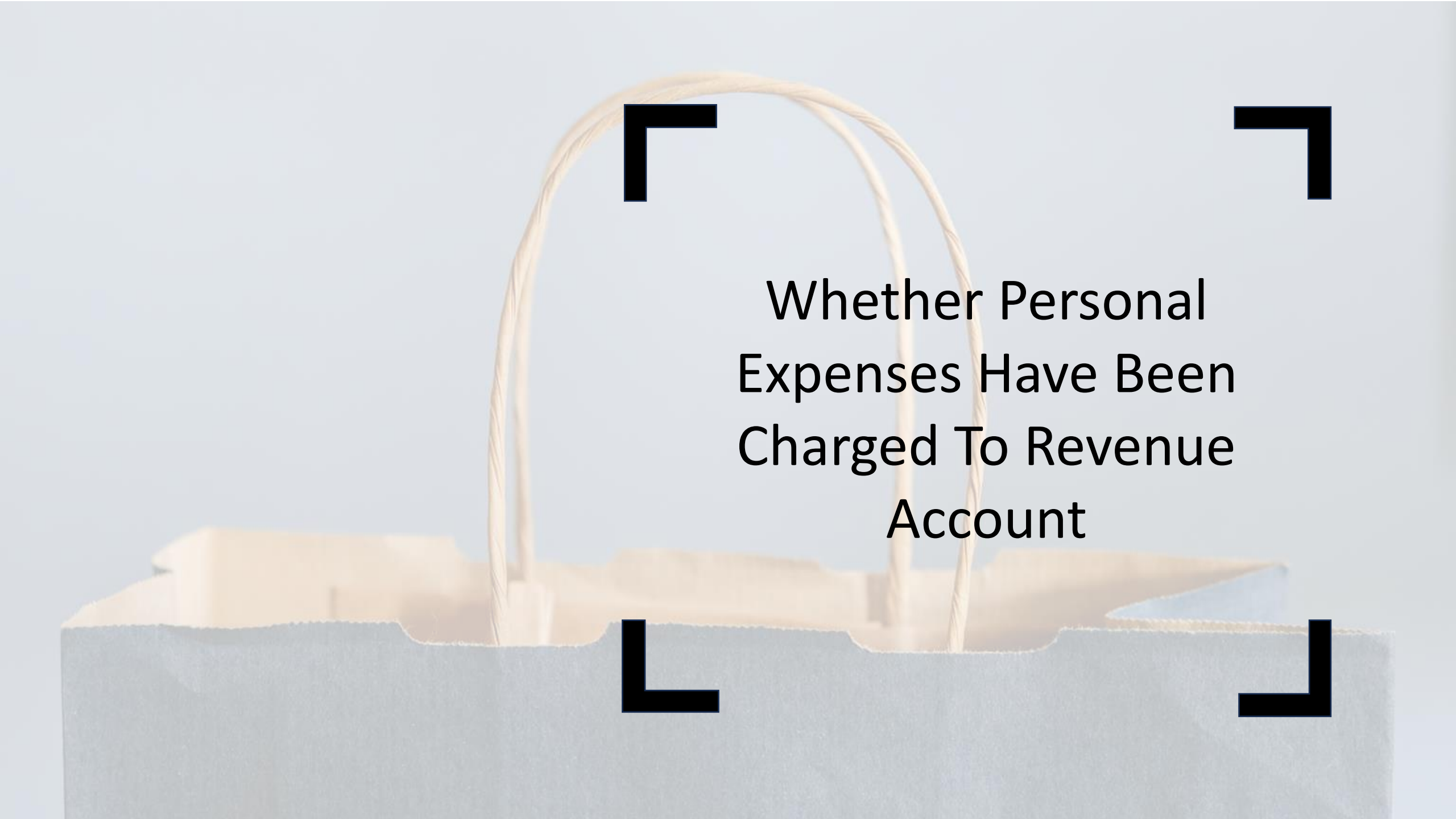


Cash Balance and
Securities and A
Valuation Of
Assets & Liabilities
Of The Society

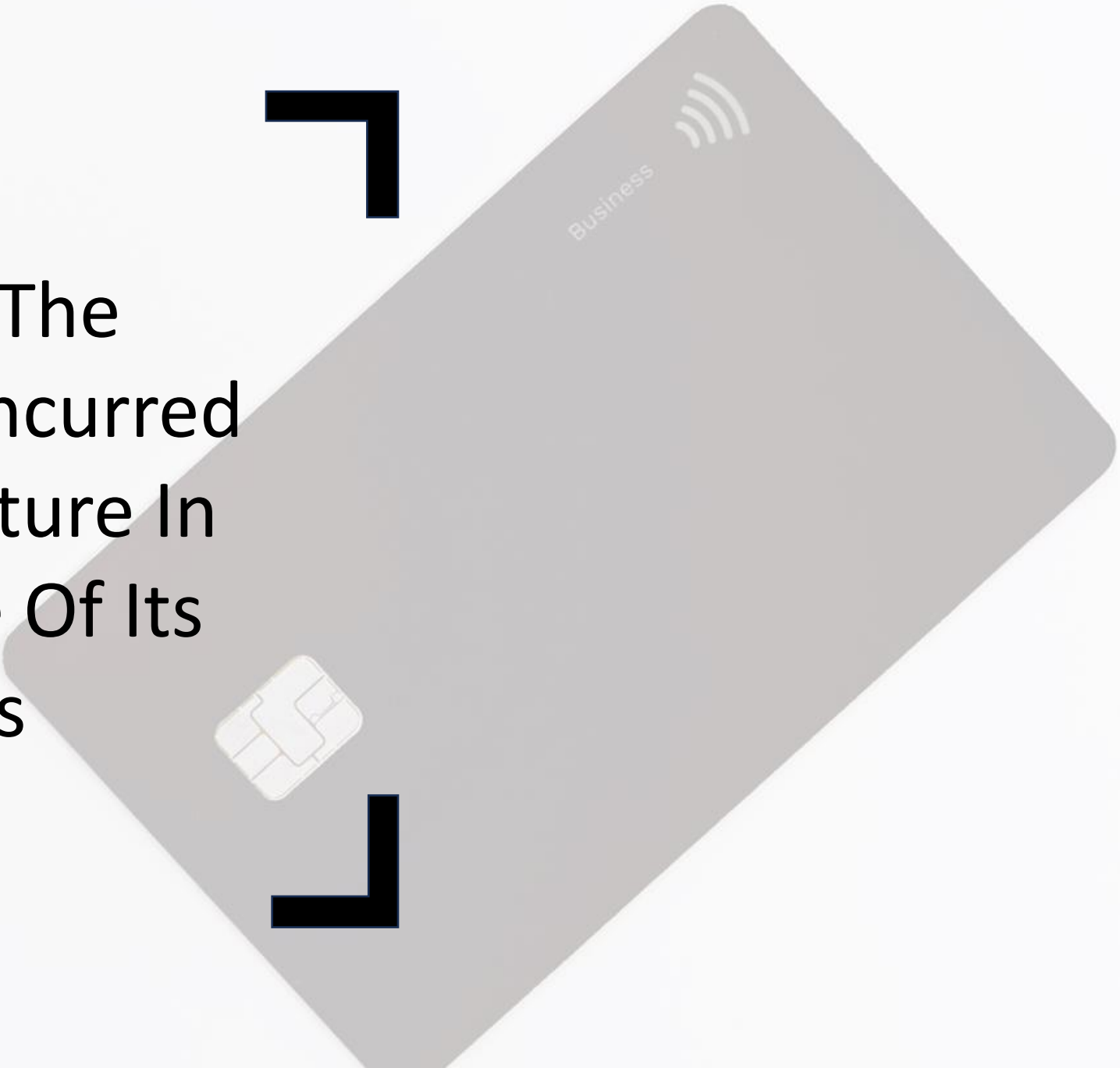


Whether
Transactions Which
Are Merely By Book
Entries Are Not
Prejudicial To The
Interest Of Society

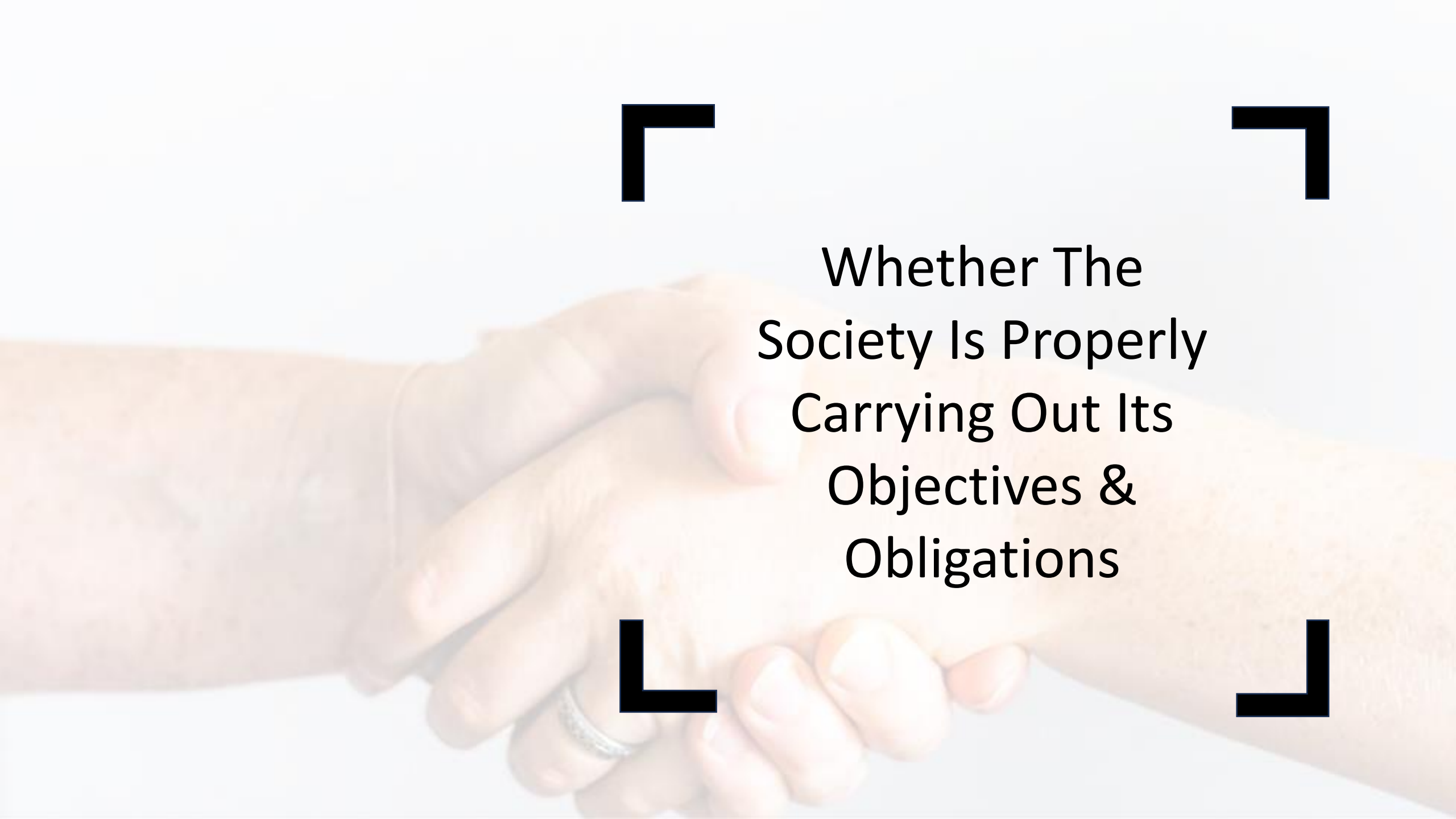




Whether Personal
Expenses Have Been
Charged To Revenue
Account



Whether The
Society Has Incurred
Any Expenditure In
Furtherance Of Its
Objects

A close-up photograph of two hands shaking in a firm grip. The hands are positioned horizontally across the center of the frame. The background is a soft, out-of-focus light blue and white. Four black L-shaped corner brackets are placed around the central text: one in the top-left, one in the top-right, one in the bottom-left, and one in the bottom-right.

Whether The
Society Is Properly
Carrying Out Its
Objectives &
Obligations

Rights Under Section 81 (3)

01

The auditor for the purpose of audit, at all times have access to all the books, accounts, documents, securities cash & other properties belonging to, or in custody of, the society and may summon if not produced

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If the Registrar has reason to believe that there exists element of fraud, misapplication of funds, manipulation of accounts or tampering of accounts, he shall be competent to depute the Flying Squad for examination

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03

If it is brought to the notice of the Registrar that the audit report submitted by the auditor does not disclose the true & correct picture of the accounts, the Registrar may carry out or cause to be carried out a test audit of accounts of such society

Rights Under Section 81 (5)

01

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Offence to accounts or any other offences, to be filed in a specific report to the Registrar within a period of 15 days from the submission of audit report. After written confirmation from Registrar, the auditor shall file First Information Report

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03

The auditor who fails to file First Information Report, shall be liable for disqualification & his name shall be liable to be removed from the panel of auditors & shall also be liable to any other action as the Registrar may think fit



Rectification Report In Form O

In Maharashtra, within 3 months from date of receipt of the report from the Auditor, Society needs to submit Rectification Report in Form O to Registrar as well as to the Auditor

Auditor shall offer his comments to the replies by the Society

Even when there are no remarks, it is advisable to upload Form O with NIL remark & NIL reply by the Auditor

In addition to the above, an auditor shall also upload the same on Government's website



Rectification Report In Form O

Failing to submit Form O to Registrar & AGM, without any reasonable excuse, such officer / member of committee shall be disqualified for a period not exceeding 5 years

The Registrar shall give a reasonable opportunity to the person concerned of showing cause against the action proposed to be taken against him

Inquiry u/s 83



The Registrar may

- Suo moto OR
- On application of one fifth of members OR
- On the basis of special report of Sec 81(5)

Shall hold an inquiry into the constitution, working & financial conditions of the society

Before holding such inquiry applicant is required to deposit with the Registrar such sum of money towards the cost of inquiry

Where the result of the inquiry shows that the allegations were not false, vexatious or malicious but could not be proved, such cost may be borne by the state government

Inquiry u/s 83



If it is proved that the allegations were false, vexatious or malicious, the Registrar may direct that cost shall be recovered by the applicant

All officers of the society shall furnish such information & produce all the books and papers & give to the officer holding an inquiry for assistance in connection with the inquiry

The Registrar shall complete the inquiry within a period of 6-9 months.

The result of the enquiry shall be communicated to the society whose affairs have been investigated

Inspection Of Books Sec 84



Requirement

Application should be by a creditor of society that the debt is due



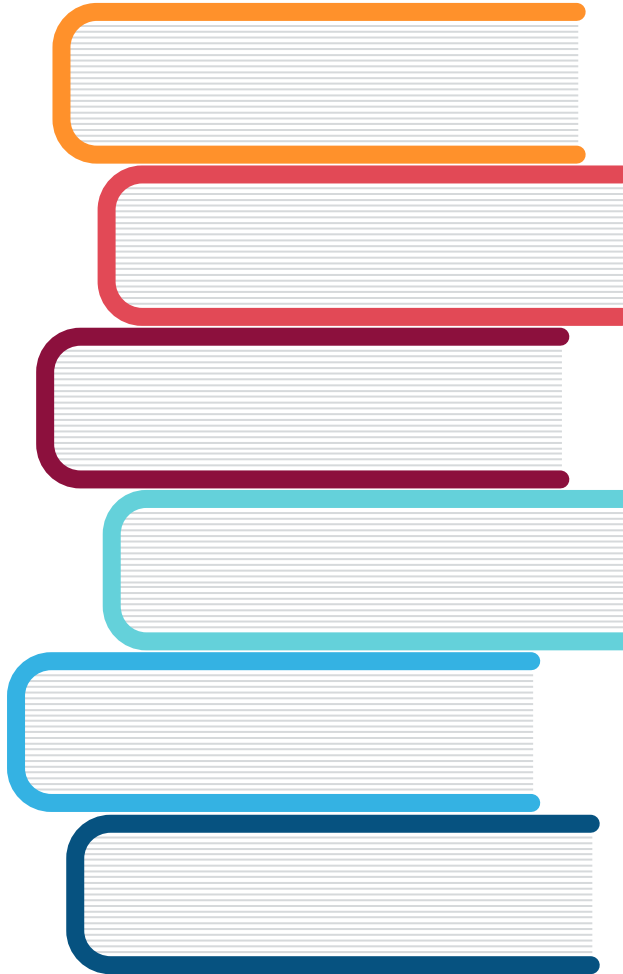
Demand

He has demanded payment & has not received within reasonable time



Deposit

Deposit with the Registrar such sum as security for the cost of inspection



Result

Registrar shall communicate the result to the applicant & society



Withdraw

Registrar has the power to withdraw any order of inspection



Power

Power can be exercised by Registrar on his own motion which is indebted to govt



RULE

The statement of accounts showing

- Receipts & disbursements during the previous year
- Profit & Loss account for the year
- Balance Sheet as at the close of the year

Shall be open to inspection by any member during office hours at the office of the society & copy thereof shall be submitted within 15 days from the date of preparation to the auditor



5

4

3

2

1

Requirement Of Rule 69 (6)

5

4

3

2

0

All transactions which appear to be contrary to the provision of Act, the rules or the bye-laws of the society

1

1

Requirement Of Rule 69 (6)

5

4

3

02

All sums which ought to
have been but have not
been bought into account

2

1

Requirement Of Rule 69 (6)

5

4

03

Any material impropriety
or irregularity in the
expenditure or in the
realization of money due
to the society

3

2

1

Requirement Of Rule 69 (6)

5

04

Any money or property
belonging to the society
which appear to the
auditor to be bad or
doubtful debt

4

3

2

1

Requirement Of Rule 69 (6)

05

Any other matters
specified by the Registrar
in this behalf

5

4

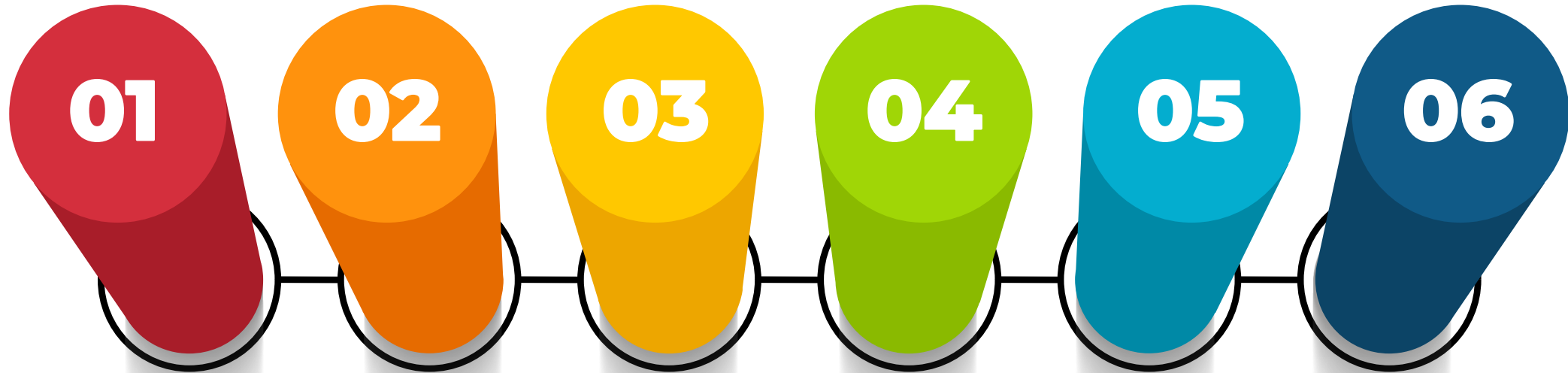
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2

1

Requirement Of Rule 69 (6)

Other Requirements



Deadline

Finalization of accounts is 45 days from F.Y i.e. 15th May

Handover Completion

Society needs to handover books of accounts within 15 days from finalization i.e. 1st June

Submit

Audit shall be completed within 4 months from end of F.Y i.e. 31st July (S.81 & Rule 69)

Submit

Auditor has to submit the report by 31st August to the society (within 1 month)

Memo

Memo 1 for all societies
Memo 7 for Housing Societies

Upload

Audit Report must be submitted to Society & Registrar & uploaded



AVAILABILITY

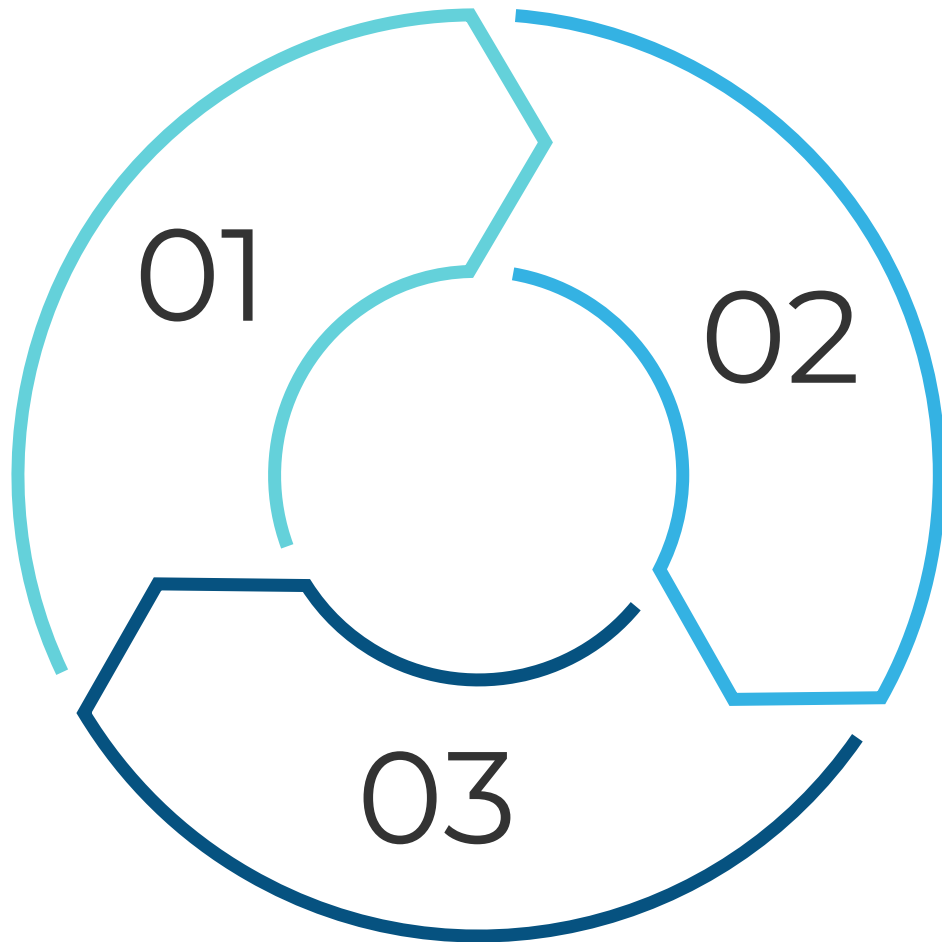


- Starting point of every Audit is 'Appointment'
- As we are aware, Registrar has maintained the panel of Auditors for carrying out the audit of all the Co-Operative Housing Societies registered with the co-op. dept
- In the case of Co-Operative Society, it is necessary that before a society appoints the auditor, it should write to proposed auditor and seek his availability, eligibility & panel number
- This letter from the society is necessary in case of new appointment as well as re-appointment, since it is possible that a change might have occurred in the position of any auditor so empaneled



AVAILABILITY

Auditor Conveys Availability



Reply

After receipt of the letter, auditor should reply his availability or otherwise



Indicate

Incase he is not willing / eligible, he may indicate appropriately



Convey

If eligible / willing, convey his willingness along with his empanelment number



Appointment In Annual General Meeting

Appointment In AGM

- Society appoints the auditor in Annual General Meeting held thereafter
- Section 75 prescribes requirements to hold Annual General Meeting
- The resolution so passed shall state ideally the name of the auditor, his empanelment number and authority to secretary or some managing committee member to communicate with auditor
- For this purpose, a letter along with copy of resolution stated above and the name and address of previous auditor is sent to auditor

Auditor To Respond

Auditor To Respond

- Every such letter when received can be responded only after the auditor communicates with the previous auditor stated in the letter
- After communication process is over, he shall communicate his acceptance
- Auditor should insist on previous auditors fees if pending rather than insisting on NOC before issuing his report
- Such letter can be separate OR in form of engagement letter as stated in SA 210 or as near thereto as possible

Acceptance & Order



Acceptance & Order

- After receipt of acceptance letter from auditor, society uploads copy of resolution & auditor uploads his acceptance
- Audit order is generated in the name of auditor appointed
- It is advised by the Registrar to generate audit order by 31st October
- Hard copy of appointment letters & resolutions received can also be submitted to DSA office incase of technical difficulties





Management Letter

Management Representation Letter

- Having generated Order appointing auditor, the society now writes a Management Representation Letter giving details about society, its office bearers, General Meetings & Managing Committee meetings held, any capital assets acquired, investments and other such particulars as are applicable
- The draft of such letter can be referred to as SA 580
- However, contents of such letter shall differ per case basis & it is for auditee to include maximum particulars as it is for enabling smooth completion of audit

Audit Plan

STEP

Auditor has to devise appropriate strategy for completion of audit

STEP

Check whether previous financial statements are audited

Any material inconsistencies

Closing balance or previous year matches with opening of current

STEP

Plan his audit keeping in mind the resources available with him

Contents of Audit Report



- Fraud
- Misutilization of funds & prosperities
- Misapplication of funds
- Manipulation of accounts
- Falsification of accounts
- Quantify shortfalls in various provisions over profit or loss
- Serious infringement of provisions of Acts, Rules, Byelaws & notifications
- Misutilization of capital / loan / grant received from Government
- In case of banks, property sold under Securitization Act 2002 below Reserve Price
- Contravention of unit exposure norms & sectoral exposure norms in case of UCB, MSCB & DCCB
- Transactions with relatives of Board of Directors, companies, firms in which directors are interested are not at reasonable rates

Completion Of Audit

Issue Report

After completion, an auditor shall issue his report containing his opinion on the financial statements examined by him in accordance with above standards.

Check Format

In case of Co-Operative society, the prescribed format is given in Form N 1 – applicable to co-operative societies carrying out business of banking & form N 2 – applicable to other co-operative societies

These forms have been adopted from SA 700

Completion Of Audit

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Special Report

If there is any special report warranted under special circumstances, the same shall be issued separately

Completion Of Audit

Special Report

If there is any special report warranted under special circumstances, the same shall be issued separately

Invoice

Auditor raises his invoice for professional fees and submits a copy of the entire sets to auditee

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Auditor raises his invoice for professional fees and submits a copy of the entire sets to auditee

**Completion Of
Audit**

Caution To Be
Taken By Auditors



- Appointment by Managing Committee & not by General Body and still Audit is accepted
- Audit is accepted even when not there in Audit Panel maintained & approved by the State
- Audit is accepted without communicating with previous auditor
- Audit is commenced without the consent letter & audit engagement letter given to the society
- Audits accepted even knowing that the previous audits are not done & society is advised to get the previous audits done by the auditor appointed by the Registrar
- Audit Rectification Report for previous year is not called for or verified





- Audit is conducted without reading the bye laws applicable to the society
- System generated printouts are not called for w.r.t. books of accounts & financial statements such as Balance Sheet and Income & Expenditure Account
- Cash, Cheque vouching & posting not checked & verified
- Comparative analysis exercise of current year's Expenses & Income over previous year's Expenses & Income not done. Same way with provision & prepaid expenses & income
- Inadequate provisioning not commented upon or brought to the notice of the society
- Objections not raised for the slashed up Expenses or slashed down Income as well as for provisions & prepaid expenses or income

- Vouchers, Expense Ledgers & members personal ledgers are not scrutinized
- Bank balance conformations & certificates not verified
- Physical FD's not verified with Investment Register
- Bank FD Interest Certificates for all FD's not verified
- Major contract allotted by the society is not enquired & file not verified
- Suspense Ledgers are not enquired upon or enquiry on how the Suspense Ledger in nullified is not made
- Bank Reconciliation statement is not verified
- The minute books wherein the decisions taken or resolutions passed not verified
- TDS Ledger not scrutinized & enquires on its compliance not made





- Elections & it's procedures if applicable followed properly or not is not ensured
- Total for Balance Sheet, Income & Expenditure Account of inner as well as outer columns not checked physically in case word / excel form of Balance Sheet & Income & Expenditure Account
- Not discussing the draft report with the Management Committee & not taking their sign off
- Not taking the management representation before signing the financial statements & submission of Audit Report OR management representation obtained but dated after the date of signing the audit report
- Not putting the Membership Number, Audit Panel Number, Firm Registration Number while signing the report



ONE MORE THING

Apply Professional
Judgement, Technical
Knowledge, Skill &
Experience



CA Ameet Israni

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