

Audit of Co-operative Societies, Reporting Requirements, Enhanced Responsibilities of Auditors

CA Sachin S. Ambekar
B Com, F C A , D I S A (ICAI)

Classification of Societies

Sr No.	Class of Societies	Total Types of Societies	Auditor's Grade Who is eligible to conduct the Audit
1.	A	32	A
2.	B	20	A, B
3	C	20	A,B,C

Classification of Auditors

Sr No.	Grade of Auditor	
1	A	<ol style="list-style-type: none">1. Chartered Accountants Firm2. Chartered Accountant3. Joint Registrar (Audit)4. Special Auditor Class -1
2	B	<ol style="list-style-type: none">1. Chartered Accountant2. Special Auditor Class -23. Government Auditor Class -14. Certified Auditor
3	C	<ol style="list-style-type: none">1. Certified Auditor2. Government Auditor Class -23. Deputy Auditor

Classification of Societies For Audit

In case of following Societies from **Classification A**, the audit should be carried out by the Chartered Accountant Firms or Chartered Accountant in **Grade A** from the Panel of Auditors.

- a. Maharashtra State Co-Op. Bank, Mumbai
- b. District Central Co-Op. Bank
- c. Urban Co-op Banks having Deposits more than Rs.25 Crs.

Classification of Societies For Audit

- d. Salary earners Co-Op bank having Deposit more than Rs. 25 crs.
- e. Maharashtra State Cotton processing federation.
- f. Maharashtra State processing federation.
- g. Maharashtra State Milk federation (Mahananda)

Classification of Societies For Audit

In case of following Societies from **classification B**, the audit should be carried out by the Chartered Accountant or Special Auditor Class-2 in **Grade B** from the Panel of Auditors.

- a. Urban Co-op Banks having Deposits less than 25 Crs.
- b. Salary earners Co-Op banks having Deposits less than 25 Crs.

Classification of Societies For Audit

- c. Co-Op Credit Societies having Deposits Rs.10 Crs or more.
- d. Rural Non Agricultural credit Societies having Deposits of Rs.10 Crs or more.

Appointment of Auditor

**Article 243 ZM (3) of the Constitution
(97th Amendment) Act 2011**

Every co-operative society shall cause to be audited by an auditor or auditing firms referred to in clause (2), appointed by the **general body of the co-operative society.**

**Amended Sec 81 (1) (a) of the
MCS (Amendment) Act 2013**

The Accounts of the Society should be audited at least once in a financial year and the Auditor should be appointed by the **Annual General Body Meeting** as provided in sub section (2A) of Sec 75.

Qualifications of Auditor

Explanation I to Sec 81 (1) of Mah.Ord. II 2013 of 14.02.13

A person who is Chartered Accountant within the meaning of Chartered Accountants Act 1949 who has a fair knowledge of working of societies and should have **at least 3 years** experience in auditing of Societies.

Explanation I of Sec 81 (1) of MCS (Amendment) Act 2013

A person who is Chartered Accountant within the meaning of Chartered Accountants Act 1949 who has a fair knowledge of working of societies and should have **at least 1 years** experience in auditing of Societies

Qualifications of Auditor

Explanation I to Sec 81 (1) of Mah.Ord. II 2013 of 14.02.13

An auditing firm which is firm of more than one Chartered Accountants within the meaning of Chartered Accountants Act 1949, who have fair knowledge of the functioning of the Societies and have **at least 3 years** experience in auditing of Societies.

Explanation I of Sec 81 (1) of MCS (Amendment) 2013

An auditing firm which is firm of more than one Chartered Accountants within the meaning of Chartered Accountants Act, 1949, who have fair knowledge of the functioning of the Societies

Other Requirements of Auditor

1. The Auditor should have working knowledge of Marathi Language
2. The Name of the Auditor should be included in the Panel of Auditors Maintained by the State Government.

Disqualification of Auditor

1. The Auditor who has borrowed an amount of more than Rs.10,000/- from the Society.
2. The Auditor who has completed a period of consecutive three years as Auditor of the Society is not allowed to be reappointed as Auditor as per the provisions of sub sec 2A of Sec 75.
3. The Person who is Concurrent or Internal Auditor of the Society.

Disqualification of Auditor

4. The Person who is Committee member of the Society is not eligible to be appointed as Auditor of the Society.

Limit on maximum No. of Audits

The Auditor can audit Maximum 20 Societies in case of Societies having Paid up Share Capital of more than One Lac rupees.

(As per the Writ Petition no.2871/2013 of Ahmednagar District Certified Auditor's Seva Association & others v/s The State of Maharashtra & others, the Aurangabad Bench of Mumbai High Court has granted Stay on 7th May, 2013 in respect of imposing limit on no. of audits to be carried out by an auditor.)

No such limit is applicable for the societies having paid up share capital of less than one Lac rupees.

Filing of Return of Appointment of Auditor by the Society

As required by newly inserted Sub Sec 2A of Sec 75 and also Sub Sec (1B) of Sec 79 every Society has to file a return

- a. In the prescribed format
- b. Stating the name of the Auditor or Audit firm
- c. Along with the written consent of the Auditor
- d. Within a period of one month from the date of Annual General meeting.

Uploading Copy of Appointment Letter & Consent letter by Auditor

- Copy of the Resolution passed by the Annual General Meeting or of the Appointment letter along with the copy of consent letter of the auditor should be uploaded on the website www.mahasahakar.maharashtra.gov.in in PDF format (upto 4MB) by the Auditor.

Requirements for uploading the Audit Appointment on the website

Sr No.	Details	Type	Clarification	Checklist (Y/N)
1	Society Name	Mandatory	Name of Registered Society	
2	Society Registration No.	Mandatory	Registration no. assigned by the Registrar during registration of Society	
3	Society type	Mandatory	Society type	
4.	Society Code	Mandatory	Code Assigned by Registrar	Auto fill
5	Society Class	Mandatory	Society falls under which class as per Society type	Auto fill
6	Society Notice No.	Optional	Letter reference no. (if available) issued by Society.	

Requirements for uploading the Audit Appointment on the website

Sr No.	Details	Type	Clarification	Checklist (Y/N)
7.	Society Notice Date	Mandatory	Letter issuance date (if available) issued by Society.	
8.	Society appointment letter Copy	Mandatory	Scanned PDF file (less than 4MB)	
9.	Audit Consent Letter No.	Optional	Letter reference no. (if available) issued by Auditor.	
10.	Audit Consent Letter Date	Mandatory	Letter issuance date (if available) issued by Auditor	
11	Audit Consent letter Copy	Mandatory	Scanned PDF file (less than 4MB)	

Steps to be followed for uploading the Audit Appointment by the Auditor

A) Go to Website:

<https://mahasahakar.maharashtra.gov.in>

B) Go to Auditor Login

C) Change Password at first login

D) Auditor Home Screen

E) Fill Society Details

F) View Society Details

G) Upload Society Letter & Consent letter

H) Logout

Home Page of Website



The screenshot shows the home page of the Department of Co-Operation, Marketing and Textiles, Maharashtra. The page features a header with the department's name and logo, a navigation menu, a main content area with a large image of a green plant, and a 'Quick Links' section. A black arrow points to the 'Auditor Login' link in the 'Quick Links' section.

Department of Co-Operation, Marketing and Textiles, Maharashtra

सत्यमेव जयते

Home | About Us | Our Departments | Government Resolution | Whos Who | Institutions | FAQ | Gallery | Contact Us

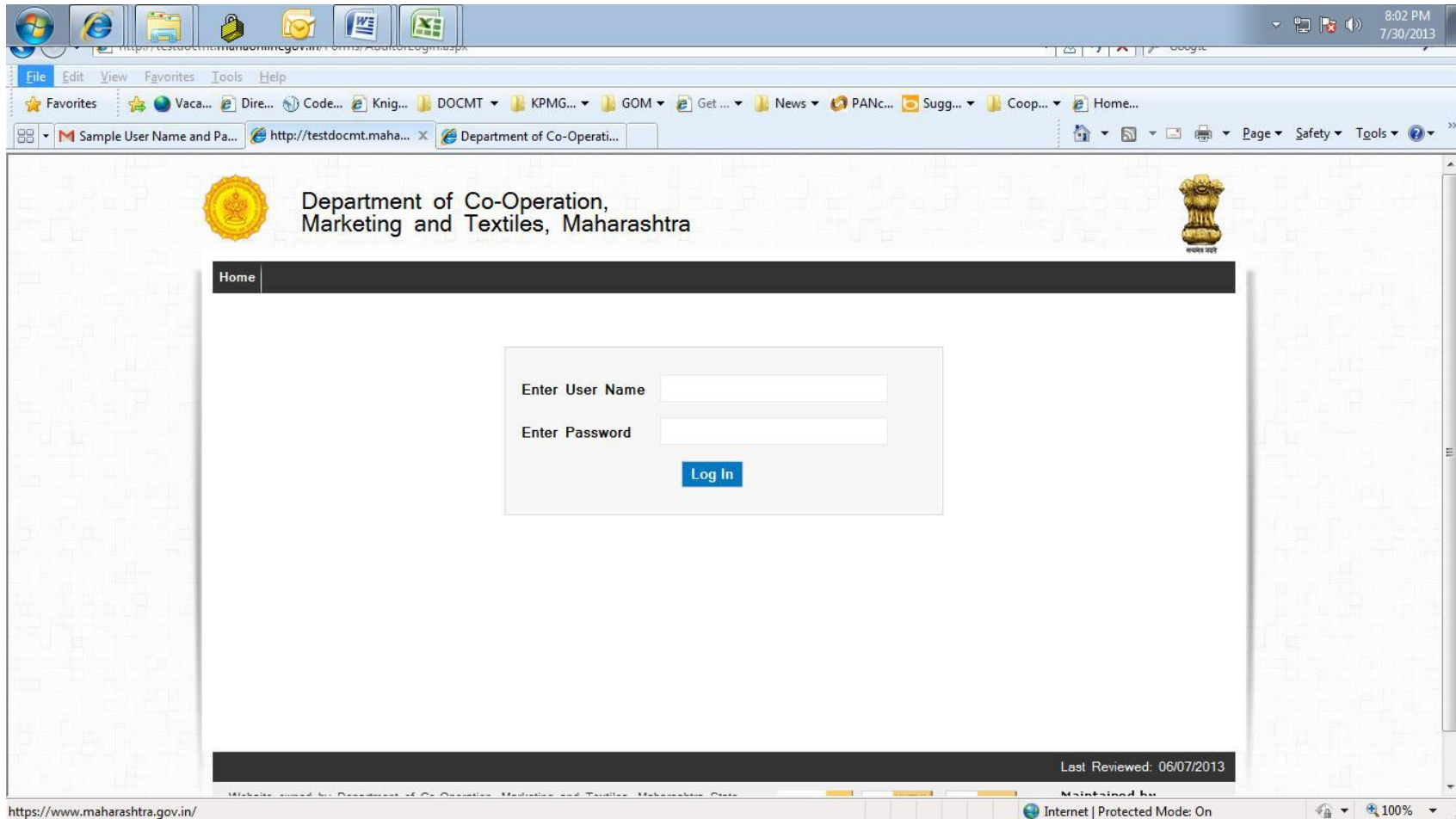
Quick Links

- Society Enrollment
- Enrollment Report
- Statistics Info
- Maps and Locations
- APMC Details
- Auditor Login
- Market Reforms
- Related Links
- Auditor List
- Downloads
- Auditor Emapanellment
- Mandatory Return

Welcome to Department of Co-Operation, Marketing & Textiles Maharashtra

The Department of Cooperation, Marketing and Textiles plays an important role

Auditors login on Website of Co-Op Department



Change Password at First Login

The screenshot shows a web browser window with the URL `http://testdocmt.mahaonlinegov.in/Forms/AuditChangePassword.aspx`. The page header includes the department name and logo, a navigation menu with 'Home', 'Report', and 'LogOut', and a welcome message 'Welcome! CHT1E0002'. The main content area contains a form with three input fields labeled 'Enter Old Password', 'Enter New Password', and 'Enter Confirm Password'. Below the fields are two buttons: 'Change Password' and 'Cancel'. The footer of the page displays 'Last Reviewed: 06/07/2013' and 'Maintained by'. The browser's status bar at the bottom shows 'Internet | Protected Mode: On' and a zoom level of 100%.

Uploading appointment details on the Website

http://testdocmt.mahaonlinegov.in/Forms/AuditTracking.aspx - Windows Internet Explorer provided by KPMG

http://testdocmt.mahaonlinegov.in/Forms/AuditTracking.aspx

File Edit View Favorites Tools Help

Sample User Name and Pa... http://testdocmt.maha... Department of Co-Operati...

Department of Co-Operation, Marketing and Textiles, Maharashtra

Welcome! CHT1E0002

Audit Tracking Details

Auditor Name	मामीडवार आर.आर. एन्ड कंपनी	Auditor Type	Chartered Accountant Firm
Contact Number	9822472692	Grade	Grade A1
Email ID			

No Records Found

Add More

Last Reviewed: 06/07/2013

Done Internet | Protected Mode: On 100%

Uploading appointment on the Website

Department of Co-Operation,
Marketing and Textiles, Maharashtra

Welcome! CHT1E0002

Audit Tracking Details

Audit Details Form

Society Name Registration Number

Society Type

Society Code Audit Class

Select District Select Taluka

Sr No.	Particulars	Letter Date	Letter Number	File Upload Documents	Action
1	Society Resolution	<input type="text"/>	<input type="text"/>	<input type="text"/> Browse... <small>Only pdf type and File Size of 4MB is accepted.</small>	View
2	Auditor Consent Letter	<input type="text"/>	<input type="text"/>	<input type="text"/> Browse... <small>Only pdf type and File Size of 4MB is accepted.</small>	View

Last Reviewed: 06/07/2013

Website owned by Department of Co-Operation, Marketing and Textiles, Maharashtra State, Mumbai.

GIGW UC WSC WSC Maintained by Mahaonline

Selecting Society Type

Department of Co-Operation, Marketing and Textiles, Maharashtra

Welcome! CHT1E0002

Audit Tracking Details

Audit Details Form

Society Name: SRI ABCD Registration Number: bom/5678/TRY

Society Type: --Select--

Society Code: --Select--

Select District: --Select--

Sr No.	Society Type	Description	Action
1	Society F	100 व न्यायेत जनस संभासद असणाय गृहमिर्माण संस्था उपका जमविपिन संस्था उपका पुरातन सहकारी संस्था/राज्यक सहकारी संस्था कृषक सहकारी संस्था, सामुदायिक रोजी संस्था छात्री-शिकी सहकारी संस्था/शिकण व लसुण गृहमिर्माण संस्था (100 पेस कमी संभासद असणाय) जगत कसदार सहकारी संस्था किण्व आणि नप्यवरील बाक सहकारी संस्था किण्व गृहमिर्माण वेवस्थान किण्व म्युचिकल बँक किण्व मजूर सहकारी वेवस्थान किण्व संघवरील सहकारी बँक किण्व सहकारी दुध संघ किण्व सहकारी कोडे किण्व सप्लायरी किण्व सहकारी संस्था जगत कसदार/किण्व संस्था जगरी सहकारी परसंस्था आणि घासीण किण्व कृषी परसंस्था (क. 10- कोटी व न्यायेत जनस ठेगी असणाय) जगरी सहकारी परसंस्था व घासीण किण्व कृषी परसंस्था(क. 10- कोटी पेस कमी ठेगी असणाय) जगरी सहकारी बँक (क. 25- कोटी पेस जनस ठेगी असणाय) जगरी सहकारी बँक व परगदार सोसायटी सहकारी बँका(क. 25- कोटी पेस कमी ठेगी असणाय) विपथक वेवस्थेची उगमिण्व कार्नीस अशा संस्था विपथक वेवस्थेची उगमिण्व कार्नीस अशा संस्था विपथक वेवस्थेची उगमिण्व कार्नीस अशा संस्था परगदार मेकायदा संस्था(क. 10- कोटी पेस कमी वेवस्थे भंडार असणाय) परगदार मेकायदा सहकारी परसंस्था(क. 10- कोटी व न्यायेत जनस वेवस्थे भंडार असणाय) परगदार मेकायदी सहकारी बँक (क. 25- कोटी पेस जनस ठेगी असणाय) राधनिक औद्योगिक सहकारी संस्था राधनिक क्लुट पालन, वरगपालन व परगपालन संस्था (क. 25- लाखापेस अधिक उपादान असणाय) राधनिक क्लुट पालन, वरगपालन व परगपालन संस्था(क. 25-लाखापेस कमी उपादान असणाय)	View
2	Auditor C	100 व न्यायेत जनस संभासद असणाय गृहमिर्माण संस्था उपका जमविपिन संस्था उपका पुरातन सहकारी संस्था/राज्यक सहकारी संस्था कृषक सहकारी संस्था, सामुदायिक रोजी संस्था छात्री-शिकी सहकारी संस्था/शिकण व लसुण गृहमिर्माण संस्था (100 पेस कमी संभासद असणाय) जगत कसदार सहकारी संस्था किण्व आणि नप्यवरील बाक सहकारी संस्था किण्व गृहमिर्माण वेवस्थान किण्व म्युचिकल बँक किण्व मजूर सहकारी वेवस्थान किण्व संघवरील सहकारी बँक किण्व सहकारी दुध संघ किण्व सहकारी कोडे किण्व सप्लायरी किण्व सहकारी संस्था जगत कसदार/किण्व संस्था जगरी सहकारी परसंस्था आणि घासीण किण्व कृषी परसंस्था (क. 10- कोटी व न्यायेत जनस ठेगी असणाय) जगरी सहकारी परसंस्था व घासीण किण्व कृषी परसंस्था(क. 10- कोटी पेस कमी ठेगी असणाय) जगरी सहकारी बँक (क. 25- कोटी पेस जनस ठेगी असणाय) जगरी सहकारी बँक व परगदार सोसायटी सहकारी बँका(क. 25- कोटी पेस कमी ठेगी असणाय) विपथक वेवस्थेची उगमिण्व कार्नीस अशा संस्था विपथक वेवस्थेची उगमिण्व कार्नीस अशा संस्था विपथक वेवस्थेची उगमिण्व कार्नीस अशा संस्था परगदार मेकायदा संस्था(क. 10- कोटी पेस कमी वेवस्थे भंडार असणाय) परगदार मेकायदा सहकारी परसंस्था(क. 10- कोटी व न्यायेत जनस वेवस्थे भंडार असणाय) परगदार मेकायदी सहकारी बँक (क. 25- कोटी पेस जनस ठेगी असणाय) राधनिक औद्योगिक सहकारी संस्था राधनिक क्लुट पालन, वरगपालन व परगपालन संस्था (क. 25- लाखापेस अधिक उपादान असणाय) राधनिक क्लुट पालन, वरगपालन व परगपालन संस्था(क. 25-लाखापेस कमी उपादान असणाय)	View

Last Reviewed: 06/07/2013

Website owned by Department of Co-Operation, Marketing and Textiles, Maharashtra State, Mumbai.

Uploading Society Resolution / Appointment letter on web site

The screenshot shows a web application interface for uploading documents. A "Choose File to Upload" dialog box is open over the "Documents" library. The web page shows a form with fields for "Registration Number" (BM/675/ACD), "Audit Class" (A), and "Select Taluka" (Ward L). Below the form is a table with columns "Letter Number", "File Upload Documents", and "Action". The table contains two rows, each with a "Browse..." button and a "View" link. Red text below the buttons indicates "Only pdf type and File Size of 4MB is accepted." At the bottom, there are "Submit" and "Back" buttons, a footer with "Last Reviewed: 06/07/2013", and logos for GIGW UC, W3C XHTML 1.0, W3C CSS, and MahaOnline.

Letter Number	File Upload Documents	Action
ABCD	<input type="button" value="Browse..."/>	View
	<input type="button" value="Browse..."/>	View

Only pdf type and File Size of 4MB is accepted.

Only pdf type and File Size of 4MB is accepted.

Submit Back

Last Reviewed: 06/07/2013

Website owned by Department of Co-Operation, Marketing and Textiles, Maharashtra State, Mumbai

GIGW UC W3C XHTML 1.0 W3C CSS Maintained by MahaOnline

Uploading the Appointment on the Website

The screenshot shows a web browser window with the URL <http://testdocmt.mahaonlinegov.in/Forms/AuditTracking.aspx>. The page header includes the Department of Co-Operation, Marketing and Textiles, Maharashtra logo and the text "Welcome! CHT1E0002". The main content area is titled "Audit Tracking Details" and contains a form with the following fields:

- Auditor Name: माम्रीडवार आर.आर. ँन्ड कंपनी
- Contact Number: 9822472692
- Email ID: (empty)
- Chartered Accountant Firm: (dropdown menu)
- Grade A1: (text input)

A modal window titled "Message from webpage" is displayed in the center, showing a yellow warning icon and the text "Registered successfully....." with an "OK" button.

Sr. No	Society Name	Resolution Letter Number	Resolution Date	Consent Letter Number	Consent Date	Option	Action
1	ABCD	ABCD	15/07/2013	TEST	16/07/2013	View	Update

At the bottom right of the form area, there is an "Add More" button. The footer of the page shows "Last Reviewed: 06/07/2013".

Remuneration of the Auditor

Sec 81 (1) (f)

- a. The Remuneration of the Auditor should be borne by the Society.
- b. The remuneration of the Auditor shall be at such rate as may be prescribed.

Books of Accounts

Sec 79 (1) (a) after the words “books of accounts” the words “ in such form, including electronic or any other form, as may be prescribed” is inserted.

Applicability of Auditing Standards

Amended Sec 81 (2) States that

The Audit under Sub Sec (1) of Sec 81 shall be carried out as per the **Auditing Standards notified by the State Government** from time to time.

Dead Line for completing the Audit

Sec 81 (1) (c) of MCS
(Amendment) Act, 2013

Article 243 ZM (4) of Constitution
(97th Amendment) Act 2011

- The accounts of every co-operative society shall be audited within **six months of the close of the financial year** to which the accounts relate.

The Auditor has to complete the audit of annual financial statements **within a period of four months from the closure of the Financial year** i.e. upto 31st July every year.

Audit Report

Sec 81 (5B)

1. The Auditor has to submit his audit report within a period of one month from its completion of audit.
2. In any case before issuance of notice of annual general body meeting by the Society.

Audit report

3. The Audit report should be submitted in the format specified by the Registrar.
4. The Audit report should state whether in the opinion of the auditor the Accounts give True & Fair view of the Financial transactions of the Society.

Audit report

5. The Audit report should state whether the accounts give all the information required by and under this act.
6. The Auditor should award an audit classification to the Society after completion of the Society.

Additional Reporting requirements

As per Sec 81 (1) (e) the Auditor should report

1. All particulars or defects observed in audit
2. In case of Financial irregularities and misappropriations or embezzlement of funds or frauds, the auditor should make Investigation and report on
 - a. Modus Operandi of misappropriation / fraud
 - b. Amount Involved in such transaction.

Additional Reporting Requirements

3. Detailed report of accounting irregularities stating their implications on the financial statements should be given.
4. The effect of financial irregularities on the Profit & Loss A/c should also be Stated in the report.

Additional Reporting Requirements

5. Report should include any irregularity or violation observed during the checking of the functioning of the committees and sub-committees.
6. In case of irregularities or violations observed in the functioning of the committees or sub-committees, the auditor has to **fix the responsibility of such violation** and the same should be reported.

Audit Reports to be submitted

1. Covering Audit report as per SA 700 (revised)
2. Part - A
This part should contain serious irregularities in Administration of Society, breach of Act, rules or bye-laws or other points of Special report on which registrar has to take action immediately.
3. Part - B
This part should contain matters regarding financial stability of the Society.
4. Part – C
This part should deal with accounting irregularities, suggestions of auditor and audit classification.

Audit report to be submitted

5. Audit Memo

- a. Form No.1 to be submitted for all the types of societies
- b. Form 2 – 35 as specified for specific type of Societies.

6. Long Form Audit Report (LFAR) in Case of Urban Co-Operative Banks.

Submission of Audit report

After Completion of the audit the Auditor has to submit the Audit report to

- a. Society
- b. Concerned Registrar
- c. District Special Auditor
- d. If Society has borrowed an amount from financial institution then to the said Financial Institution.

Submission of report

- e. If the share capital of the Society is more than Rs.5 lacs then to the Secretary/ Joint Registrar (Audit) State Audit Committee, Maharashtra State, 5 B.J. Road Pune.

Submission of Specific Report

Sec 81 (5B)

The Auditor should file Specific report to the Registrar

- a. Within a period of fifteen days from the date of submission of audit report.
- b. In respect of **any person guilty of any offence relating to the accounts or any other offences**

Filing of First information Report

After obtaining written permission from the Registrar, the Auditor shall file First Information Report (FIR).

If the Auditor fails to file the FIR then the Registrar will authorise a person for filing the FIR.

Auditor's responsibility for not filing FIR

The Auditor who fails to file FIR,

- a. shall be liable for disqualification and his name shall be liable to be removed from the Panel of Auditors.

- b. The Auditor shall be liable for any other action as the Registrar may think fit.

Submission of a Special Audit report

The Auditor has to submit a Special report to the Registrar

- a. along with his audit report
- b. in respect of **apparent instances of financial irregularities** resulting into losses to the Society
- c. which are caused by Member of the Committee or Officer of the Society or by any other person.

Non Submission of Special report

If Auditor has not submitted Special audit report along with the Audit report then,

- a. This would be treated as negligence in the duties of auditor.
- b. The auditor will be liable for disqualification for appointment as an auditor
- c. The Auditor will be liable for any other action as the Registrar may think fit.

Compliance of Audit report

The Society has to submit the Compliance report to the Auditor within the specified period.

The Auditor has to submit his remarks on such Compliance report submitted by the Society till **full Compliance** of the audit report is done by the Society.

Thank You