

CONTENTS OF AUDIT REPORT PART - B

CA. RAMESH S. PRABHU

AUDIT REPORT PART - B

(b) Part B:- This part deals with such matter as;

- 1) financial stability,
- 2) loan policy,
- 3) progress of recoveries and position regarding overdues,
- 4) mode of conducting business,
- 5) deficiencies in the arrangements for internal check,
- 6) infringement of the provisions of the Act, Rules, byelaws and circular, instructions of the Registrar,

AUDIT REPORT PART - B

- 7) the general progress of the society,
- 8) its achievements and the degree of interest taken by the office-bearers and ordinary members of the society in its affairs.

In this part, one of the paragraphs would be devoted to recapitulation and stressing of important points to which attention had been drawn in the previous audit memo, but which have remained unattended to by the society. In that case, a remark that the matter has been touched in the report may be made against the

AUDIT REPORT PART - B

relevant query in the audit memo. The Audit Rectification Report submitted by the society should have been carefully gone through by the auditor, prior to the commencement of his audit and the points reported to have been attended to or rectified should be carefully scrutinized during the course of audit. Mention should be made only of such points, which have not been attended to, or irregularities not rectified.

Part B of audit report shall generally include following items:

AUDIT REPORT PART - B

- a) remarks on scrutiny of Balance sheet and Profit and loss account.
- b) deficiencies in working of societies.
- c) Activities undertaken beyond the object of society
- d) observation on meetings of AGM, BOD and committee meetings.
- e) remarks on growth or decline in deposit / capital / loan / profits etc. and important ratio analysis.
- f) contravention of provisions of other allied Act like Stamp Act, Labour laws, Contract Act, etc.

AUDIT REPORT PART - B

g) Unrectified Audit objections of previous Audit Report.

Format of Part B:- The following are the major observations regarding the activity and working of the society found during the audit

Sr. no.	Particulars	Instances / Examples which requires reporting	Auditor's remarks
1	Remarks on scrutiny of Balance	1) Paid up share capital - Balances of paidup share	1) Share capital - during the audit, share capital amount has increased from

Sr. no.	Particulars	Instances / Examples which requires reporting	Auditor's remarks
1	sheet and Profit and loss account.	capital of all members should be tallied with balance as shown by balance sheet. The additional share capital issued and number of members admitted including number of members resigned and share	Rs..... to Rs..... and number of additional members admitted during the year is much. 2) Auditor shall state, whether share linking to borrowing is observed by society or not. 3) Whether reserve fund is invested separately, and investment is properly marked as investment for Reserve Fund?

Sr. no.	Particulars	Instances / Examples which requires reporting	Auditor's remarks
1		<p>capital refunded should be mentioned in this section.</p> <p>2) Reserves and funds</p> <p>3) Borrowing</p> <p>4) Current liabilities</p> <p>5) Cash in hand and at bank</p> <p>6) Investment</p>	<p>4) Whether borrowing amount tallies with the balance as shown by the lending institute's certificate / extract?</p> <p>5) Whether cash in hand is verified by senior officers of society and / or board of directors by surprise check? Whether cash in hand and at transit is fully insured ? Whether cash is</p>

Sr. no.	Particulars	Instances / Examples which requires reporting	Auditor's remarks
1		7) Fixed assets 8) Current assets, loans and advances 9) Carry forward profit or accumulated losses 10) Comments on profit or loss of current year. As well as comparision of income and expenditure with	maintained at continuously higher level than that required for making good loss of interest to the society? 6) Whether investment amounts tally with the balances as shown by respective bankers / F. D. receipts / CSGL certificate?

Sr. no.	Particulars	Instances / Examples which requires reporting	Auditor's remarks
1		last year, If there is vast difference, mention specific reason.	<p>7) Whether society has made investment in mode which are not permitted by Act and Rules ?</p> <p>8) Whether society is holding huge investment in stock ? Whether there is any unsalable or slow moving stock ?</p> <p>9) Whether there are any debtors who are in arrears</p>

Sr. no.	Particulars	Instances / Examples which requires reporting	Auditor's remarks
1			for more than one year ? Whether society has taken any legal action ?
2	Deficiencies in working of societies.	Society is not undertaking all activities as specified in the Byelaws and not complying with the principles and values of co-operatives.	The auditor is required to comment on whether the society is undertaking the activities as per the objectives for which it is set up and if all the principles of co-operatives are being observed.

Sr. no.	Particulars	Instances / Examples which requires reporting	Auditor's remarks
3	Activities undertaken beyond the object of society	If the society has undertaken any activities which are beyond the objectives, the same should be reported.	The auditor should make a remark if the society has undertaken any activities beyond its objectives.
4	Observation on meetings of AGM, BOD and committee meetings.	The auditor should go through the minutes of the AGM, SGM, BOD and committees.	The auditor should prepare a list of meetings held and give suggestions for its improvement.

Sr. no.	Particulars	Instances / Examples which requires reporting	Auditor's remarks
3	Activities undertaken beyond the object of society	If the society has undertaken any activities which are beyond the objectives, the same should be reported.	The auditor should make a remark if the society has undertaken any activities beyond its objectives.
4		Important decisions taken in such meetings whether implemented or not should be commented on.	

Sr. no.	Particulars	Instances / Examples which requires reporting	Auditor's remarks
4		Whether the meetings had been conducted as per the provisions of the Act, Rules and Byelaws ?	
5	Remarks on growth or decline in deposit / capital / loan /	The societies should prepare annual budget and get it approved in the General meetings.	The auditor should verify whether the societies are functioning as per the budget and if there is any deviation, the same should be reported and necessary

Sr. no.	Particulars	Instances / Examples which requires reporting	Auditor's remarks
5	profits etc. and important ratio analysis.		corrective action should be suggested.
6	Contravention of provisions of other allied Acts like Stamp Act, Labour	It is possible that societies / banks do not execute their documents as per Maharashtra Stamp Act, 1958 and such documents will not	The auditor is required to make a list of activities undertaken by the societies and applicable Act to them. Any contravention of such Act should be reported and

Sr. no.	Particulars	Instances / Examples which requires reporting	Auditor's remarks
6	laws, Contract Act, Payment of Bonus Act, Minimum wages Act, Income Tax Act, Payment of Gratuity Act, etc.	have evidence value. Similarly the gratuity liability is not provided in the books. The various allied Act provisions are not complied.	corrective action should be suggested.

