

PROVISIONS RELATING TO AUDIT

Section 75 (2 A)

- ❖ Every society shall appoint an auditor or auditing firm from panel approved by State Government in its Annual General Body meeting.
- ❖ Society shall file in form of return to the Registrar the name of auditor & his written consent within 30 days from the date of Annual General Meeting.
- ❖ Same auditor shall not be appointed for more than 3 consecutive years.

Section 81

- ❖ Audit shall be completed within 4 months from close of financial year.
- ❖ If society has not appointed auditor and failed to file return under sub section (2 A) of 75 or sub section (1 B) of section 79, Registrar shall appoint auditor from panel.
- ❖ No auditor shall accept audit of more than 20 societies excluding societies having paid up capital of less than Rs.1 lakh.

- ❖ Registrar shall submit audit report of every Apex society to State Government for being laid before both houses of State Legislature.
- ❖ Audit report shall have
 - ✓ All particulars of defects or irregularities.
 - ✓ In case of financial irregularities & misappropriation or fraud, auditor shall investigate & report modus operandi, enstrustment & amount involved.

Eligibility of auditor for panel

- a) Chartered Accountant having fair knowledge of functioning of society and experience of at least one year in auditing of societies and working knowledge of Marathi.
- b) Auditing Firm – A firm of more than one Chartered Accountant having fair knowledge of functioning of society and knowledge of marathi.
- c) Certified Auditor –
 - i) Who holds degree
 - ii) Fair knowledge of functioning of society
 - iii) Three years experience in audit of society

Section 81 (2)

- ❖ Audit shall be carried out as per Auditing Standards notified by State Government.

Section 81 (5 B)

- ❖ Auditor shall submit audit report within one month from its completion & in any case before issuance of notice of Annual General Body meeting.
- ❖ If auditor comes to the conclusion that any person is guilty of an offence, he shall file specific report to Registrar within 15 days of date of submission of his report & after obtaining permission from Registrar file F.I.R.
- ❖ Auditor who fails to file F.I.R., his name shall be removed from panel.

- ❖ If auditor finds that there are financial irregularities resulting into loss of society, auditor shall prepare special report & submit along with audit report

PROVISION OF ACT / RULES
WITH WHICH AUDITOR IS
MORE CONCERNED

Section 65 & Rule 49 (a)

- ❖ Amounts to be deducted before calculating Net Profit :-
 - ✓ Interest payable on loans and deposits
 - ✓ Establishment expenses
 - ✓ Rent, Rates & Taxes
 - ✓ Audit fee
 - ✓ Provision for depreciation
 - ✓ Provision for Bonus
 - ✓ Provision for Bad and Doubtful Debts.
 - ✓ Provision for Gratuity
 - ✓ Capital redemption fund
 - ✓ Provision for depreciation in Investment
 - ✓ Provision for O.I.R.
 - ✓ Provision for N.P.A.

Section 73 C A

- ❖ If he is defaulter to society.
- ❖ A director become disqualified if he defaults payment of loan on due date. He also become disqualified if he has taken an advance or anamat or he has taken goods on credit and it is not paid within 30 days from the date of demand by the society or the date on which he has taken advance whichever is earlier.
- ❖ If he has committed breach of Co-operative discipline.

- ❖ If he has been classified as non-active member under section 26 (2).
- ❖ If he carries on the business carried by society.
- ❖ If he has been held responsible under Section 79 or 88.
- ❖ If he has incurred any disqualification under the Act & Rules.
- ❖ If he is salaried employee of any society.
- ❖ If he has more than two children.
- ❖ If he is guilty for any offence under section 146 & convicted under section 147.

Rule 65

- ❖ Society shall keep the following book of accounts :-
 - ✓ Member Register
 - ✓ Share Register
 - ✓ Minute book of Annual General Body Meeting.
 - ✓ Minute book of Annual Board of Directors Meeting.
 - ✓ Cash Book.
 - ✓ General Ledgers.
 - ✓ Individual Ledgers
 - ✓ Stock Register
 - ✓ Property Register

Rul 107 (a) :- Travelling expenses of Directors.

- ❖ Chairman or Vice Chairman of federal society, State level society, Sugar factory, Spinning mill can only travel by air but they have to attach air ticket to their travelling bill.
- ❖ Director of Federal society, State level society, Sugar factory, Spinning mill & society whose paid up share capital is 50 crore or more can travel by Railway first class. He can claim one and half of the actual railway fare but he has to attach railway ticket to his travelling bill.
- ❖ If he doesn't attach railway ticket he shall be entitled to second class fare.

Section 28 :- Restriction on holding shares

- ▣ A member can not hold shares more than Rs.20,000/-

Rule 23

- ❖ If a person has ceased to be a member of society then shares shall be returned to him or his nominee by making valuation of shares based on last audited balance sheet.

Value per share =	Networth
	No. of shares.

Net worth =	Paid up share capital + Free Reserves - Accumulated loss - shortfall in provisions
--------------------	---

cont.

- ❖ If nominal value of share is Rs.1000/- & valuation comes at Rs.400/-, society shall return share = Number of shares x 400/-
- ❖ If valuation comes at Rs.1200/-, society shall return Rs.1000/- per share.

Section 44 A

- ❖ Urban Co-operative banks cannot recover as interest more than principal in respect of loan granted for agricultural purpose.
- ❖ In case of non-agricultural loan upto Rs.10,000/-, Urban Co-operative Bank cannot recover as interest more than principal.

Section 43 Restriction on borrowing

- ❖ Society shall receive deposits & loans only to such extent as may be prescribed.
- ❖ Borrowing limit as per Rule = Paid up share capital + Reserve fund + Building fund – Accumulated loss x 10.
- ❖ Not applicable if not received any financial assistance from Government.
- ❖ Not applicable to C.C.S.E.

Section 79 (1 A)

- ❖ Every society shall file returns within 6 months of close of financial year to Registrar
 - ✓ Annual report of activities.
 - ✓ Its audited statement of accounts.
 - ✓ Plan for disposal of surplus.
 - ✓ List of amendment to the bylaws
 - ✓ Declaration of date of holding Annual General Body Meeting & conduct of election when due.

Section 79 (1 B)

- ❖ Every society shall file return regarding name of auditor & his written consent within one month from Annual General Meeting.

Section 81 (1) (f)

- ❖ Remuneration of auditor or auditing firm shall be borne by society & shall be at such rates as may be prescribed.

Section 70 :- Investment of funds

- ❖ In DCC / SCB having A class in last 3 consecutive years.
- ❖ Securities specified in Section 20 of Indian Trust Act 1882.
- ❖ In shares / bonds of societies having similar classification.
- ❖ CCSE shall invest its funds subject to guidelines issued by R.B.I.
- ❖ Any other mode permitted by Rules or general or special order by Government.

Rule 69

Classification of Auditors and Societies. (under Section 81 and Rule 69 (1) (f) (vii))

TABLE A

Class	Description of Auditors
A	Chartered Accountant Firm
	Chartered Accountant having at least 5 years experience in audit of co-op.socy.
	Joint Registrar (Audit) and Special Auditor Class 1 who was completed probation period successfully

TABLE B

Class	Description of Auditors
B	Chartered Accountant having at least one year experience in audit of Co-operative Societies.
	Special Auditor Class 2 & Auditor Grade 1 who was completed probation period successfully

TABLE C

Class	Description of Auditors
C	Certified Auditor having at least 3 years experience in audit of Co-operative Societies
	Auditor Grade 2 and Sub-Auditor who was completed probation period successfully.

Class A Societies

1. Maharashtra State Co-operative Bank
2. District Central Co-operative Bank
3. Urban Co-operative Banks having Deposits more than Rs.25 Crores.
4. Salary Earners Co-operative Bank
5. Maharashtra State Co-operative Marketing Federation.
6. Maharashtra State Co-operative Cotton Grower's Federation.
7. Maharashtra Rajya Dudh Sangh (Mahananda)
8. Maharashtra State Co-operative Agriculture and Rural Multipurpose Development Bank.
9. Maharashtra State Co-operative Housing Finance Corporation.
10. Maharashtra State Tribal Development Corporation.
11. Maharashtra Rajya Sahakari Sangh and Divisional Co-operative Board.
12. Maharashtra State Co-operative Fisheries Federation.
13. Maharashtra State Co-operative Consumer Federation.

14. Maharashtra State Co-operative Spinning Mill Federation
15. Maharashtra State Co-operative Powerloom Federation.
16. Maharashtra State Co-operative Textile Federation.
17. Maharashtra State Co-operative Handloom Federation.
18. Maharashtra State Co-operative Cotton Grower's Processing Societies.
19. Maharashtra State Co-operative Labour Societies Federation.
20. Maharashtra State Co-operative Bank Association.
21. Maharashtra State Co-operative Credit Societies Federation.
22. Maharashtra State Co-operative Jungal Kamgar Federation.
23. Maharashtra State Co-operative Sugar Factories Federation.
24. Maharashtra State Co-operative Sugar Industries Development Societies.
25. Maharashtra State Co-operative Cadre Federation and District Co-operative Cadre Board.

26. Maharashtra State Co-operative Industrial Societies Federation.
27. Other National and State level Co-operative Federation not mentioning above.
28. Co-operative Spinning Mill / Weaving Mills
29. Co-operative Sugar Factories.
30. District Co-operative Milk Union.
31. District Co-operative Agriculture and Rural Multipurpose Development Bank.
32. Any other society specified by Registrar from time to time.

Class B Societies

1. Urban Co-operative Bank having deposits upto Rs.25 Crores.
2. Urban Co-operative Credit Societies and Rural non-agricultural credit society having deposit 10 crores and above.
3. Salary earners Co-operative Credit Society having working capital 10 crores and above.
4. Co-operative Starch Factories.
5. Co-operative Industrial Estates.
6. District Co-operative Labour Federation.
7. Sales and Purchase Co-operative Unions (District and Taluka)
8. Housing societies having 100 and more members.
9. Co-operative Jinning and Pressing Societies / Rice Mills and Oil Mills.
10. Primary Co-operative Dairy Societies having turnover above Rs.50 lakh.
11. Primary Co-operative Poultry and piggery and livestock Societies having turnover above Rs.25 lakh

12. Primary Co-operative Fisheries Societies having turnover above Rs.50 lakh.
13. District / Central Weavers Co-operative Societies.
14. Co-operative Hospital.
15. Mula Pravara Electric Society and Other Electric Societies.
16. District Co-operative Board.
17. District Housing Federation.
18. Other District Federal Societies not mentioned above.
19. Any other society specified by Registrar from time to time.

Class C Societies

1. Primary Agricultural and Co-operative Credit Societies (PACS) and Primary Krushak and Adiwasi Seva / Grain Bank.
2. Urban Co-operative Credit Societies and Rural non-agricultural credit societies having deposits less than Rs.10 crores.
3. Salary earners societies having working capital less than Rs.10 crores.
4. Primary Co-operative Dairy Societies having turnover less than Rs.50 lakh.
5. Primary Co-operative Poultry, Piggery and Livestock Societies having turnover less than Rs.25 lakh.
6. Primary Co-operative Fisheries Societies having turnover less than Rs.50 lakh.
7. Sugarcane supply co-operative societies / Transport Co-operative societies.
8. All Farming Co-operative Societies.
9. Housing societies having less than 100 members.
10. Lift irrigation societies.

11. Labour contract societies.
12. Forest Labour Co-operative Societies.
13. All types of Primary Marketing Societies and Food Processing Societies.
14. Primary Weavers Co-operative Societies (Handloom and Powerloom)
15. Primary Industrial Co-operative Societies.
16. BLVA Societies.
17. Primary consumers Co-operative Societies.
18. Social service societies and unemployed youth co-operative societies.
19. Taluka supervisory unions.
20. Any other society specified by Registrar from time to time.

- ▣ Societies in Class A at serial no.1,5,6 and 7 shall be audited only by Chartered Accountant Firm or a Chartered Accountant or Joint Registrar (Audit). Auditors categorized in B Class and C Class are not eligible to audit societies categorized under Table - A. in case of Co-operative Bank, the Government Auditor may conduct Re-audit, Test audit or Special audit only.
- ▣ Societies in Class B at serial no.1 and 2 shall be audited only by a Chartered Accountant and Special Auditor Class 2. Auditors categorized in A Class above are also eligible to audit societies categorized under Table-B. auditors categorized in C Class are not eligible to audit societies categorized under Table B

- ▣ Auditors categorized in A Class and B Class above are also eligible to audit societies categorized under Table C.

Criteria for Removal of Auditor.

The criteria for removal of the name of auditor and auditing firms from the panel shall be as follows

- ▣ Non-submission of audit report as specified in sub-section (5B) of section 81, to the society and the Registrar within the period of one month from the date of completion and in any case before the issuance of notice of the general body meetin.
- ▣ not-disclosure the true and correct picture of accounts as specified in clause (c) of sub-section (3) of section 81.

- ▣ after giving consent for audit by the auditor or auditing firm and after issuance of order of appointment of auditor or auditing firm, audit is not completed within stipulated period as specified in sub-section (1) of section 81.
- ▣ non-submission of specific report stating that, any person is guilty of any offence relating to the accounts or any other offences within a period of fifteen days from the date of submission of audit report to the society and the Registrar.
- ▣ failure to file special report to the Registrar if any

- ▣ failure to file the First Information Report, if required thereof.
- ▣ non-submission of scrutiny of audit rectification report within six months to the society.
- ▣ if in the test audit or re-audit of the society it is found that, the auditor or auditing firm is responsible for any commissions and omissions.
- ▣ if the auditor is borrower of the society and has conducted the audit of the same society without disclosing the said fact to the society.
- ▣ if the auditor or his family member is employee or ex-employee of the concerned co-operative society.

- ▣ if the auditor is an auditor or a partner of an auditing firm which is also conducting internal or concurrent audit of concerned Co-operative society.
- ▣ if the auditor or his family member, as specified under explanation (1) of sub-section (2) of section 75 of the Act, is committee member of the concerned co-operative society.
- ▣ if the auditor has conducted audit, without appointment order issued by the society with the prior approval of general body or the Registra, if any, as the case may be.
- ▣ if the auditor is family member of a employee of the department of co-operation

THANK YOU.