



# Bengaluru Branch of SIRC of The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)



L I V E

Thursday, 16.07.2020 4.00pm to 5.30pm

Features of Co-operative Audit  
Speaker: **CA. H. Shiva Kumar**

5.30pm to 7.00pm

Issues relating to Audit of Credit  
Co-operative Societies  
Speaker:  
**CA. Ravindranath B.V, Sagar**

Friday, 17.07.2020 4.00pm to 6.00pm

Role of Chartered Accountant's in a  
Co-operative Bank as Professional Director/  
Concurrent Auditor / Statutory Auditor  
Speaker: **CA. Umesh Bolmal**, Belagavi

6.00pm to 7.00pm

Expectations by the Co-operative Audit  
Department from CA's  
Speaker: **Shri. Prakash C Majgi**  
Director of Co-operative Audit I/c, Bengaluru

*Note: Bengaluru Branch members can avail CPE,  
Maximum 1000 members registration is allowed  
on first come first serve basis.*

*Registration link will be sent through SMS, one day  
prior to the event commencing date.  
For queries please contact: Mob: 9606913003*



# **ISSUES RELATING TO AUDIT OF CREDIT CO OPERATIVE SOCIETIES**

CA B.V.RAVEENDRANATH, SAGAR

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# Preamble

- Audit is basically a systematic function of finding out how an entity is performing and how best it can perform
- You can not audit an entity unless you
  - understand the laws governing it
  - know the business it is into
  - know the persons involved in its process
- Audit work should start with suspicion, go with findings and end with suggestions.



# A Bird eyevew of the Issues

- Act, rules & bye laws
- Membership Norms
- Share Capital
- Reserves & Surplus
- Deposits
- Fixed Assets
- Investments
- Loans and Advances
- Bank balances
- Cash on hand
- Income and expenditure
- Statutory compliances
- Staff Issues
- Board of directors
- Mis appropriations, Frauds
- Miscellaneous Provisions.

# ACT, RULES, BYELAWS, SUBSIDIARY RULES

- Study Section 63 and Rule 29 of KCS Act
  - Appointment process
  - Eligibility criteria
  - Reporting aspects
- Registration Certificate
  - For correct Name and its spelling
- Verify the Byelaws
  - Area of operations (Jurisdiction)
  - Aims and objectives
  - Minimum business conditions
  - Any monetary limits.

# MEMBERSHIP NORMS

- Types of co operatives :
  - Primary,
  - Secondary,
  - Tertiary
- Types of Share holders :
  - Regular,
  - Associate,
  - Nominal.

# SHARE CAPITAL

- Authorised Capital
- Paid up Capital
- Face value of Each share
- Max no of Shares to a person
- Share allotment process

# RESERVES & SURPLUS

- Reserves Vs Provisions
- Statutory Reserves
  - General Reserve
  - Education Fund
  - Charity Fund
- Voluntary Reserves
  - Building Fund
  - Social Welfare Fund
  - Death Benefit Fund
  - Any other reserve



# RESERVES & SURPLUS

- Appropriation of the balance
  - Payment of bonus
  - Payment of dividend
- Creation, Utilisation, Investment
- Cautions and precautions
  - No appropriation for funds not in byelaws
  - No bonus without payment to education fund

# DEPOSITS

- Limits for acceptance of Deposits
- Deposit Rules
- Deposit servicing, Interest Calculation
- Statutory Compliances (269SS/T/ST).

# FIXED ASSETS

- Land & Buildings :
  - Cost of acquisition,
  - Depreciation,
  - Fund issues
- Other Assets :
  - Purchase,
  - Classification,
  - Depreciation issues.

# INVESTMENTS

- Statutory compliances (Sec 58)
- Investment in Co op Banks, societies,
- Investment in other Banks, others
- Treatment of income thereon
- Balance Confirmations.

# LOANS AND ADVANCES

- Loan Rules :
  - Type of loan,
  - Restrictions on certain loans
  - Eligibility requirements
  - Sanctioning, releasing & Monitoring
  - Interest : Min-Max, Simple/Compound
  - Instalments, recovery
- Statutory Compliances (269SS/T/ST)

# BANK BALANCES

- Savings or Current Accounts?
- Authorised Signatories?
- Operating instructions
- Balance Confirmations
- Undertaking from management on no. of accounts, updation and balance confirmations



# CASH ON HAND

- Cash Retention Limits
- Surprise verification by the auditors
- Year end cash reconciliation
- Certification by the Directors
- Insurance for Cash and transit cash.

# INCOME AND EXPENDITURE

- Management Policy for income recognition
- Reasonableness of expenses
- Capital Exps debited as revenue
- Netting of Income or Exps : Effect thereof

# STATUTORY COMPLIANCES

- KCS act & Rules
- Professional Tax
- GST Compliances
  - Registration
  - Documentation
  - Compliances
  - Presumptive Taxation. .

# STATUTORY COMPLIANCES

- IT Compliances
  - Filing of return (80AC)
  - Claiming of Chapter VIA deductions
  - TDS provisions (Especially 194A, 194 N)
  - Deposits/Loans (S 269SS,T,ST) . .

# STATUTORY COMPLIANCES

- Labour Laws
  - Payment of wages Act
  - Minimum Wages Act
  - Bonus, PF, ESIC etc.,
- Other Laws
  - PBT/AML Acts
  - Prohibition of Unregulated Deposits Schemes

# STAFF ISSUES

- Recruitment Policies (Rule 17)
- Delegation of authority & Responsibilities
- Staff Service Rules
- Staff welfare measures
- Staff expenses (2% of WC)
- CEO : Appointment, Powers & responsibilities



# Board of directors

- Process of Election to Board
- Directors Duties & Responsibilities
- Loan to Directors and Relatives : Limits, Process of Sanction, recovery, security
- Involvement of Directors in the affairs.

# MIS APPROPRIATIONS, FRAUDS

- „À°ÀPÁjAiÀÄ ªÀåªÀ°ÁgÀzÀ°èªÉÆÃ„À,ªÀAZÀ£É AiÀiÁ zÄÄgÄÄ¥ÀAiÉÆÃUÀzÀ zÀÈµÁÖAvÀUÀ¼ÄÄ PÀAqÄÄ§A¢ªÉAiÉÄ?
- AiÀiÁªÀ jÃwªÉÆÃ„À,ªÀAZÀ£É AiÀiÁ zÄÄgÄÄ¥ÀAiÉÆÃUÀªÁVzÉ?
- DqÀ½vÀªÄÄAqÀ½AiÄÄÄ £ÀµÀÖªÀ£ÄÄß CAzÁf¹zÉAiÉÄ?
- CAvÀ°À CAzÁdÄ £ÀµÀÖzÀ ¥ÀæªÀiÁt J¶ÖzÉ?
- CªÀÅUÀ½UÉ PÁgÀtgÄÄ AiÀiÁgÄÄ? (AiÀiÁgÄÄ ¨sÁVAiÀiÁVzÁÝgÉ?)
- CªÀÅUÀ½UÉ °ÉÆuÉUÁgÀgÄÄ AiÀiÁgÄÄ?
- CªÀÅUÀ¼À PÄÄivÁV À°ÀPÁiAiÄÄÄ K£ÄÄ PÀæªÀÄ

# Fraud Reporting

- Documentation of each and every correspondence
- Reporting to the jurisdictional Officer
- No power to inspect or investigate
- No power to inquire by summons
- Only recommending to the officials.

# MISCELLANEOUS

- Insurance : Assets, Staff, Cash
- Procedures connected with the audit
  - Audit Calendar
  - Audit formats
  - Submission of Audit Report
- In the whole process, we need to satisfy
  - The client, its members, management
  - The department (Audit and Registrar)
  - The Institute (ICAI)
  - Ourselves.

# Last but not the least

- Let us not forget that the co operative audit is a propriety audit
- We work not for fees alone but also for showing our professional competency
- Audit will not be complete unless you enable or train the staff attending the audit work

# Now, it is your time





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