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Co-operative societies Act, 1912, a central act, contain fundamental law regarding the formation and working of co-operative societies in India and is applicable in many states with or without amendments. Co-operative society is a business organization with a special mode of doing business , by pulling together all the means of production cooperatively , eliminating the middlemen and exploitation from outside force. Audit as per Section 17 of The Co-operative Societies Act , 1912. The registrar shall audit or cause to be audited by some person authorized by him, the accounts of every registered society at least once a year. The auditor under shall include an examination of overdue debts , if any, and a valuation of assets and liabilities of the society. The registrar, the collector or any person authorized shall at all the times have access to all the books , accounts, papers and securities of a society, and every officer of the society shall furnish such information in regard to the transactions and working of the society as the person making such inspection may require. REGISTRAR means a person appointed to perform the duties of registrar of co-operative societies under this act. The following points are required to be kept in mind in connection with the audit of co-operative society: Qualification of auditor: Apart from the chartered Accountant within the meaning of the Chartered Accountancy Act, 1949, some of the state co-operative Acts have permitted persons holding a government diploma in co-operative accounts and also a person who has served as an auditor in the co-operative department of government to act as an auditor. Appointment of the auditor: An auditor of co-operative societies must be chosen by the Registrar after consulting the Managing Committee. He must be a member of the society and he must be a resident of the district in which the society is situated. He must be a person whose name appears in the list of names of members of the society and his name must be entered in the books and accounts to be kept by a co-operative society. Special features of co-operative Audit. The general process of auditing involved in audit work such as checking of posting , ascertainment of arithmetical accuracy, vouching , verification of assets and liabilities and final scrutiny of balance sheet are well known by everyone. But in case of co-operative society audit certain special features are there to be borne in mind while doing audit of it. These features are as follows: Examination of overdue debts: Auditor shall report these overdue debts as for period from 6 months to 5 years and more than 5 years. Furthermore, analysis is done by the auditor in viewpoint of recovery of these debts and these are classified as good debt or bad debts. Now auditor is also liable to checkout whether provision regarding bad debts is provided or not and if provided then that is appropriate or not for current situation of bad debts of the society. Overdue interest: Overdue interest should be excluded from interest outstanding and accrued due while calculating profit. In practice an overdue interest reserve is created and the credit of overdue interest credited to interest account is reduced. Certification of bad debts: As per the law, bad debts can be written off only when they are being certified by the auditor as bad where the law requires it and if not then managing committee of society must authorize the write-off. Valuation of assets and liabilities: They will have to ascertain the existence , ownership and valuation of assets. Fixed assets should be valued at cost less adequate provision for depreciation. The incidental expenses incurred in acquisition and the installation expenses of assets should be properly capitalized. The current assets be valued at cost or market price , whichever is lower. Regarding liabilities, the auditor should see that all the known liabilities are brought into the account, the contingent liabilities are stated by way of a note. Adherence to co-operative principles: The auditor will have to ascertain that how far the objective for which the co-operative organization is set up , have been achieved. This involves examining the nature and character of the business transacted by the society and its management. General principle of co-operation is to help one another and to improve the living conditions of the people. Observations of the provisions of the act and rules: The financial implications of the infringements which are pointed out by the co-operative societies Act and rules and bye-laws , should be assessed by the auditor and they should be reported properly. Verification of member's register and examination of their pass books : Examination of the entries in member's pass books regarding the loan given and its repayment and confirmation of loan balances in person is very much important in co-operative societies to assure that the entries in books of accounts are free from manipulation. Special report to registrar: During the course of audit if the auditor notices that there is some serious irregularity then he has report this irregularity to the registrar by drawing his specific attention to the point. The registrar on receipt of such special report may take necessary action against the society. Audit classification of the society: After the judgement of an overall society, the auditor has to award a class to the society. This specific class is awarded by the auditor as accordance to the criteria given by the registrar. It is to be noted that if management is not satisfied by the class given by the auditor then they may appeal to the registrar. Discussion of draft audit report with managing committee : On conclusion of the audit , they should ask to the secretary of the society to convene managing committee meeting to discuss the audit draft report. The audit report should never be finalized without the discussion with the managing committee. FORM OF AUDIT REPORT. The form of audit report to be submitted by the auditor , as prescribed in various states , contains a number of matters which the auditor has to state or comment upon. In addition to the report the auditor has to attach schedules to the report regarding the following Information: All transactions which appear to be contrary to the provisions of the Act , the rules and bye-laws of the society. All sums which ought to have been , but have not been brought into account by the society. Any material, or property belonging to society which appears to be lost or misappropriated. Any material, or property belonging to society which appears to be lost or misappropriated. Any material, or property belonging to society which appears to be lost or misappropriated. Any material, or property belonging to society which appears to be lost or misappropriated.

The audit of cooperative societies is a specialized field of accounting and auditing. It involves the examination of the financial statements and records of cooperative societies to ensure compliance with legal requirements and adherence to cooperative principles. The audit process typically includes the following steps:

- Planning:** Understanding the scope of the audit, identifying key areas of focus, and developing an audit plan.
- Evidence Gathering:** Collecting and verifying documents, vouchers, receipts, and other supporting evidence related to the society's operations and finances.
- Analytical Procedures:** Applying analytical techniques to identify trends, ratios, and potential anomalies in the financial data.
- Testing:** Conducting detailed tests of transactions and balances to verify their accuracy and completeness.
- Reporting:** Preparing an audit report summarizing findings, conclusions, and recommendations.

The audit of cooperative societies plays a crucial role in ensuring transparency, accountability, and the effective functioning of these organizations. By providing independent assurance over financial health, audits help build trust among stakeholders and contribute to the long-term sustainability of cooperative enterprises.