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No-15-34-71/ADT/RCS/Vol.II/2932
Office of the
Registrar of Coop. Societies,
Government of Goa,
Altinho-Panaji.

Date:- 05/02/2009.

CIRCULAR

As you were aware, hitherto there are common norms for awarding Audit Classification to Urban Cooperative Credit Societies as well as Salary Earners credit societies for evaluating the functioning/performance of the societies. These norms are prescribed to the above Societies/ Institutions vide circular No- 15-34-71/ADT/RCS dtd. 27th March, 2002 for assessment of their functioning and evaluating their performance during the particular Cooperative year. However the functioning of above mentioned societies is quite different in various aspects, such as membership, area of operation, management, loaning structure, accepting deposits, maintenance of books of accounts etc. Therefore it is desirable to have separate audit classification norms for awarding audit classification in respect of the above societies in accordance with the needs and functioning.

The auditor appointed under Section 74 of the Goa Cooperative societies Act, 2001, have to perform their duties in accordance with the powers vested in terms of section 75 of the said Act. Moreover, the auditor so appointed is responsible for careful examination of the books of accounts and records of the Institutions/Society and to report the true and fair view in the form of Profit & loss account and the Balance Sheet with relevant facts in accordance with the provisions of the Act, Rules and bye laws within a specified time.

Considering the above scenario the auditor is responsible for awarding audit classification on conclusion of audit in accordance with the specific Norms provided to the above societies.

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Henceforth, in this context all the auditors are requested to adhere strictly to the prescribed audit classification norms/ instructions enclosed herewith for awarding Audit Classification to Salary Earners & Urban Cooperative Credit Societies. They should also ensure that relevant mark list for arriving to the conclusion of awarding audit classification to the Societies/ Institution be attached to the audit report along with the general remarks and specific suggestions.

The attached norms are applicable for awarding audit classification from the cooperative year 2008-09 and non compliance of the same shall be viewed seriously.


(C.D.GAWADE)
 Dy. Registrar of Coop. Societies,
 Goa

Copy to:-

1) Asst. Registrar of coop societies Central/ North/ South/ , Panaji/Mapusa/ Margao/ for information, with a request to bring the contents of the above circular to the notice of the auditors in their respective jurisdiction.

2) Shri/ Smt. _____ /Cooperative officer/Spl. Auditor/Sr. Auditor/Jr. Auditors/ for information and necessary action.

NORMS FOR AUDIT CLASSIFICATION TO THE URBAN COOPERATIVE CREDIT SOCIETIES.

NAME OF THE SOCIETY & YEAR OF AUDIT.

I. MANAGEMENT OF FUNDS -----20

A) UTILISATION OF AVAILABLE RESOURCES-----10

LOANS /ADVANCES:-

Utilization of available resources in loaning i.e. borrowed funds, 100% paid up capital, deposits shall not exceed 70%. Taking into consideration the position as above, the marks shall be awarded as per following norms.

- a) Funds utilised for secured loans-----5
 - i) If utilised more than 60% -----5
 - ii) If utilised between 50% to 60% -----3
 - iii) If utilised between 40% to 50% -----1
 - iv) Below 40% -----0
- b) Funds advanced on Personal Surety -----5
 - i) If the loan is less than 40% -----5
 - ii) If the loan is more than 40% -----0

B) INVESTMENT ----- 5

**1. Share Capital/Deposits
(In deposits & securities)**

- i) If the investment is more than 25% -----5
- ii) If investment between 20% to 25% -----4
- iii) If investment is between 10% to 20% -----2
- iv) If the investment is less than 10%-----0

C) CASH AND BANK BALANCES (Liquidity). -----5

- i) If the cash & Bank balance/term deposit, investment is more than 15% of deposits -----5
- ii) If the cash& Bank balance/term deposit, investment is between 10% to 15% -----3
- iii) If the cash& Bank balance/term deposit, investment is less than 10% -----0

II. MOBILISATION OF FUNDS. -----15

1. Deposits/Share Capital ----- 10

(Increase in total deposit/share capital over previous year)

- a) Increased above 20% -----10
- b) Increased between 15% to 20%----- 5
- c) Increased between 10% to 15% ----- 3
- d) Increases less than 10% ----- 0

2. Loans and Advances ----- 5

Increase in Loans/advances over previous year
(interest capitalization amount is to
be excluded).

a) Increase is above 20% -----5

b) Increase between 10% to 20% -----3

c) Less than 20% ----- 0

III. RECOVERY BY PERFORMANCE -----25.

1) Overdues -----10

(Percentage of overdues to loans &
Advances outstanding at end of
the year.)

a) Overdues upto 10% ----- 10

b) If overdues is more than 10%, one mark
shall be deducted by overdue above 10%

2) Effective legal action -----5

a) All the overdues over 1 year are covered
75% by legal action -----5

b) Legal action taken on overdues below
50% to 75% -----3

c) Less than 50% -----0

3) Position of NPA's -----10

(percentage of Net NPA to Net Advances)

a) Below 10% -----10

b) Between 10% to 15% -----7

c) Between 15% to 20% -----5

d) More than 20% -----0

**IV. VALUATION OF ASSETS & PROVISION OF
NPA/RESERVE** -----10

1) If 100% provision is made towards NPA's
(Loans and other assets.) -----10

2) If the provisions are between
80% to 100% ----- 8

3) If the provisions between 50% to 80% -----5

4) If the provisions are less than 50% ----- 0

5

...3...

V. WORKING RESULT -----10

- 1) Proportion of Net profit/surplus on working capital ----- 3
 - a) If the Net surplus is between 0.75% to 1% or more -----3
 - b) If the Net surplus is between 0.5% to 0.75% -----2
 - c) If the Net surplus is up .0.5% ----- 1
- 2) Cost of Management
If the cost of Management is not more Than 2% of its working capital or 20% of its Gross Profit -----3
- 3) Arriving of surplus of deficit.
If all the provision are made while Arriving at net profit/surplus-----2
- 4) Disposal of Net surplus/profit.
If the Society has appropriated its Net surplus/profit of the preceding year. -----2

VI. MAINTANANCE OF RECORDS/ GENERAL WORKING. -----10

While ascertaining the position the documents pertaining to loan, and other records, the following aspects should be taken into consideration.

- a) Scrutiny of loan application.
- b) Approval and sanction of loan by appropriate Authority.
- c) Effective arrangement for release/recovery of loans
- d) Proper security.
- e) Updating the membership records.
- f) Updating the other books of accounts/records.
- g) Compliance of various provision of Act, Rules & Bye-laws.

The auditor may give a mark in the range 0 to 10 depending upon irregularities detected.

VII. OPERATIONAL EFFICIENCY. ----- 5

- 1) Compliance with Registering Authority i.e. periodical reports and information. -----2

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- 2) Timely submission of returns and other information. -----2
- 3) Timely disposal of grievances at the level of the society. ----- 1

VIII. EFFICIENCY OF MANAGEMENT. -----5

- 1) If AGM/SGM's and meetings of BOD/ sub committee are held regularly as per Bye-laws and procedure. -----2
- 2) If the Internal check and internal control system is effective -----1
- 3) If the employees of the society are qualified and trained ----- 1
- 4) If the required Rules & Regulations pertaining to staff matters are framed----- 1

Total :- 100

AUDIT CLASSIFICATION

Depending upon the aggregate marks secured by the Urban Society on the basis of the above VIII Norms, Audit Classification may be made on the following basis.

Marks secured.	Audit Classifications.
a) If the total marks awarded to the Society is 70 and above.	"A"
b) If the marks secured 55 and above and less than 70	"B"
c) If the marks secured 35 and above but less than 55	"C"
d) If the marks secured less than 35	"D"

Note :- 1) If the overdues are above 35%, the audit classification should be reduced by one step below.

2) If fraud/misappropriation/serious irregularities is detected 1 to 10 marks to be reduced from Audit Classification Norms head VI.

NORMS FOR AUDIT CLASSIFICATION TO THE SALARY EARNERS COOPERATIVE CREDIT SOCIETIES.

NAME OF THE SOCIETY & YEAR OF AUDIT.

I. MANAGEMENT OF FUNDS. -----20

A) UTILISATION OF AVAILABLE RESOURCES-----10

LOANS /ADVANCES:-

Utilization of available resources in loaning i.e. borrowed funds 100%,paid up capital, deposits shall not exceed 70%. Taking into consideration the position as-above, the marks shall be awarded as per following norms.

- a) Funds utilised for secured loans-----5
 - i) If utilised more than 40% -----5
 - ii) If utilised between 30% to 40% -----3
 - iii) If utilised between 20% to 30% -----2
 - iv) Below 20% -----1
- b) Funds advanced on Personal Surety -----5
 - i) If the loan is less than 60% -----5
 - ii) If the loan is below 40% -----3

B) INVESTMENT ----- 5

1) Share Capital/Deposits

(In deposits & securities)

- i) If the investment is more than 25% -----5
- ii) If investment between 15% to 25% -----3
- iii) If investment is less than 15% -----1

C) CASH AND BANK BALANCES -----5

- i) If the cash & Bank balance/term deposit, investment is more than 15% of deposits -----5
- ii) If the cash & Bank balance/term deposit, investment is less than 15% -----1

II. MOBILISATION OF FUNDS. -----15

1. Deposits/Share Capital ----- 10

(Increase in total deposit/share capital over previous year)

- a) Increased above 25%-----10
- b) Increased above 20% to 25% ----- 5
- c) Increased between 15% to 20% ----- 3
- d) Increases less than 15% -----1

2. Loans and Advances ----- 5

Increase in Loans/advances over previous year (interest capitalization amount is to be excluded).

- a) Increase is above 25% -----5
- b) Increase between 20% to 25% -----3
- c) Less than 20% ----- 1

III. RECOVERY BY PERFORMANCE -----15.

1) Overdues -----10
 (Percentage of overdues to loans & Advances outstanding at end of the year.)

- a) Overdues upto 10% ----- 10
- b) If overdues is more than 10%, one mark shall be deducted by increase of each percent of overdue above 10%

2) Effective legal action -----5

- a) All the overdues over 1 year are covered 75% by legal action -----5
- b) Legal action taken on overdues below 50% to 75% -----3
- c) less than 50% -----0

(In case overdues are nil full marks should be allotted.)

IV. WORKING RESULT -----20

1) Proportion of Net profit/surplus on working capital ----- 5

- a) If the Net surplus is between 1% to 1.5% or more -----5
- b) If the Net surplus is between 0.75% to 1% -----3
- c) If the Net surplus is up .0.75% ----- 2

2) Cost of Management
 If the cost of Management is not more Than 2% of its working capital or 20% of its Gross Profit -----5

3) Arriving of surplus or deficit.
 If all the provision are made while Arriving at net profit/surplus -----5

4) Disposal of Net surplus/profit.
 If the Society has appropriated its Net surplus/profit of the preceding year as per the provision of Act, Rules & Bye-laws of the Society -----5

**V. MAINTANANCE OF RECORDS/
GENERAL WORKING. -----15**

While ascertaining the provisions the documents pertaining to loans and other records, the following aspects should be taken into consideration.

- a) Scrutiny of loan application.
- b) Approval and sanction of loan by appropriate Authority.
- c) Effective arrangement for release/recovery of loans
- d) Proper security.
- e) Updating the membership records.
- f) Updating the other books of accounts/records.
- g) Compliance of various provision of Act, Rules & Bye-laws.

The auditor may give a mark in the range 0 to 15 depending upon irregularities detected.

VI. OPERATIONAL EFFICIENCY -----5

- 1) Compliance of the Audit/Inspection/
Inquiry report. -----2
- 2) Timely submission of returns and other
information. -----2
- 3) Timely disposal of grievances at the
level of the society. ----- 1

VII. EFFICIENCY OF MANAGEMENT. -----10

- 1) If AGM/SGM's and meetings of BOD/
sub committee are held regularly as per
Bye-laws and procedure. -----5
- 2) If the Internal check and internal control
system is effective -----2
- 3) If the employees of the society are
qualified and trained ----- 2
- 4) If the required Rules & Regulations
pertaining to staff matters are framed----- 1

Total :- 100

AUDIT CLASSIFICATION

Depending upon the aggregate marks secured by the Credit Society on the basis of the above VII Norms, Audit Classification may be made on the following basis.

Marks secured.	Audit Classifications.
a) If the total marks awarded to the Society is 70 and above.	"A"
b) If the marks secured 55 and above and less than 70	"B"
c) If the marks secured 35 and above but less than 55	"C"
d) If the marks secured less than 35	"D"

- Note :-** 1) If the overdues are above 35%, the audit classification should be reduced by one step below.
- 2) If fraud/misappropriation is detected 2 to 5 marks to be reduced from Audit Classification Norms head V.