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Mr. Diliprao Valase Patil, Ex President Maharashtra Legislative Assembly, accompanied by Mr. Balasaheb Bende-Patil, Vice-President Bheema Shankar Sahakari Sakhar Kharkhana Ltd., Dr. Anand Jogdand CEO of MRSS, Pune, and Other Dignitaries Enlightening lamps at the inaugural function of training programme recently held at Manchar Dist. Pune

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A STUDY OF AUDIT AND SUPERVISION OF CO-OPERATIVE

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ABSTRACT

Audit and Supervision of co-operative societies are the important functions of the co-operative department of the Government. In a broader sense, supervision includes everything i.e., audit, inspection and enquiry. The main difference between supervision and audit is that supervision is continuous while audit is periodical. However, the aim of audit and supervision is not merely to find fault with a society or giving warning to it or punishing the offenders but of education members and office-bearers in the true principles of co-operation and in the day-to-day management of the affairs of societies.

INTRODUCTION

Audit involves verification of financial accuracy of books and accounts of a business concern. Of course, co-operative audit is much more comprehensive than general audit and is not confined to routine checking of the financial accuracy of accounts. According to Prof. Krishnaswamy, "Co-Operative audit is not only an examination of accounts but also an enquiry into the affairs of the society in order to ascertain the correctness of accounts and the extent to which the activities of the society were useful in promoting the economic welfare of its member through the satisfaction of their needs in accordance with the principles of co-operation." According to Committee on Co-operation "The co-operative audit should also embrace a scrutiny as to how far the society has been able to carry

a business on co-operative principles and to what extent the benefits of the society have accrued to the weaker or smaller among its members. It should also serve the promotional interest in co-operative education among its members to the extent that the resource of the society permits." Apart from verifying the correctness of books and accounts of the society, the audit is required to ensure that the society is working on the sound principles of co-operation. In fact, auditor is a friend, guide and educator of the society. According to an I.L.O. Publication, "all co-operatives and their officials should understand from the beginning that auditors, whether they deal with finance or other aspects of the business, are their friends not enemies, meddlers or hostile critics."

OBJECTIVE OF THE STUDY

1. To know and understand concept of audit in co-operatives
2. To study the kinds of audit in co-operatives
3. To identify supervision of co-operatives

METHODOLOGY OF THE STUDY

The present paper is based on secondary source of data. A secondary data has been collected from various books, journals, study materials for co-operatives and websites for the purpose of this research papers.

Kinds of Audit

According to the Committee on Co-operative administration, the audit of

co-operative societies may be of four kinds, viz.,

and concurrent, interim, final and test audit.

i. Concurrent audit : it is also known as running audit. It means continuous audit of a society throughout the year. This type of audit is suitable for large societies like apex and central banks, big industrial, processing and marketing societies, departmental stores, urban banks etc. where business transactions are considerable in number.

ii. Interim audit : Interim audit is conducted between two final audits and the main purpose of such audit is to help the final auditors in completion of their work. However, an interim audit report may be submitted to the society.

iii. Final audit : It is the statutory annual audit of the society which is usually conducted after the books are closed at the end of the year. After books are closed the final accounts and the balance sheet is made ready for audit.

iv. Test audit : Test audit is done to test the previous audit. Generally, it is done by a senior auditor to verify whether the final audit done by the junior auditors has been done properly or not.

Whatever may be the kind of audit, soon after the audit is over, the auditor submits an audit report and an audit certificate to the society, and forwards copies of the same to the Registrar and the financing agency. In the audit report, he use to point out the defects and assigns a class like A, B, C and D, however. For assigning a particular class to a society, a certain prescribed standard is not hoeing

followed. It varies from state to state and are vague. The biasness of the auditor plays an important role in assigning an audit classification. It does not base on any definite yardstick such as volume of business transacted, quality and quantity of service rendered, percentage of overdues etc.

Objectives of Co-operative Audit

The objectives of co-operative audit can be listed as follows :

- To verify the correctness of books and accounts of the society ;
- To ascertain the financial position of the society ;
- To ascertain the result of the society not only in terms of profit or loss, but also the improvement of members ;
- To detect and prevent frauds and errors ; and
- To find out how far the society has been able to work on the lines of sound co-operative principles.

Supervision :

Simply organization of societies are meaningless until and unless they achieve the ideal objectives in accordance with the co-operative principles. Hence, they should get regular guidance, continuous assistance and active support from certain agencies for the purpose.

In 1915, the Maclagan Committee observed : "It is important to recognize that societies are chiefly composed of uneducated persons, that the problems which confront them are not always easy and that the handling of money involves certain temptations. These conditions call for certain precautions, the

enforcement of which requires much hard and uninteresting work to ensure successful management nothing is more important than constant and vigilant scrutiny of accounts and examination of general management through the agency both of the Registrar's staff and of the co-operatives institutions themselves."

The Reserve Bank of India is of the view that "If co-operation is to be built up on sound foundations, the assistance of a good and efficient system of supervision is absolutely necessary."

Supervision involves continuous guidance and administrative assistance in routine work, financial transactions and in conducting the affairs of the society in sound business lines in conformity to co-operative principles. According to an observation of the all Indian Rural credit Survey Committee, "supervision has the important aim of promoting and not merely testing, the efficiency of society ; it seeks to ensure that the defects noted at the audit have been rectified and that the operations of the society are undertaken on business-like and genuinely co-operative lines."

Functions of Supervisory Staff

The sub-committee of the national Co-operative Development Corporation (NCDC) has classified the function of the supervisory staff as follows :

- i. **Financial functions :** It includes,
 - a. Regular visits to each society ;
 - b. Assistance in preparation of loan applications ;
 - c. Examination of account books and other registers ;
 - d. Preparation of inspection reports ;
- e. Rectification of defects ;
- f. Convening general meetings ;
- g. Disposal of references pending in societies ;
- h. Maintenance of up-to-date records according to the byelaws ;
- i. Ensuring that loans drawn are within loans drawn are within the maximum credit limits of the society ;
- j. Loans are properly categorized as short, medium and long term ;
- k. Ensure that loans are repaid in time ; and
- l. Look to the fact that loans are used by the members for the purpose for which they are given.
- ii. **Administrative functions :** It includes,
 - a. Ensure that the administration of the co-operative society is carried out in strict conformity with the co-operative principles ;
 - b. Ensure that the administration is carried out according to the bye-laws of the society ;
 - c. Ensure that office-bearers work in a spirit of harmony and justice and with full understanding of the co-operative principles ;
 - d. Ensure that the suggestions received from the officers of the co-operative department are carried out ; and
 - e. Enquiry into complaints and reports.
- iii. **Promotional and educational functions :** it includes,
 - a. Formation of new societies ;
 - b. Arrange education for members and prospective members ; and

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c. Make propaganda and publicity of co-operative ideas, principles and advantages.

Agencies of Supervision

There is a lot of controversy as to assigning the responsibility of supervision among different agencies. The committee on co-operative credit as well as the committee on co-operative Administration have recommended, 'the central banks are the proper agencies to assume the responsibility for supervision of primary credit societies. For societies other than primary credit, supervision also should be transferred from the co-operative department to the appropriate federal agencies ultimately. Till some systematic arrangements for supervision are made within the co-operative sector, supervision has to remain as the direct responsibility of the co-operative department.'

The committee on co-operation (Mirdha Committee) has also recommended that the responsibility of supervision should be taken up by the secondary and apex societies for their affiliated constituents. The following justifications are given by the committee in support of its recommendations :

1. It will provide a sense of belonging to each other, so that the primary, the central and the apex societies feel themselves to be the part of one integrated structure ;
2. Each higher body through the medium of supervision can take promotional interest in propagating the movement, and protect the affiliated society in distress;
3. it will pave the way for eventual transfer of some of the statutory functions of the

Registrar to the federal societies.

CONCLUSION :

However, at present, there is no uniformity in supervision of the societies in India. It varies from state to state. In some states the central and apex federations have taken over the responsibility for supervision, in some states the function is the responsibility of the Registrar (Dept.) while in some others supervision is carried out by both the Registrar and Central and apex federations. But in majority of the states supervision is the statutory duty of the Registrar. In some states, the government is bearing the entire cost of supervision while in some other states, the co-operative societies are paying audit fee and supervision charges to the government. But in the states, where the responsibility of supervision is already taken over by or proposed to be transferred to the central and apex federations; the government need provide financial assistance to them in the initial years to meet the cost of supervision.

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