

HARMONIZATION OF ACCOUNTING PRACTICES FOR CO-OPERATIVE & NPO SECTORS



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

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The views expressed in this Guide are those of author(s). The Institute of Chartered Accountants of India may not necessarily subscribe to the views expressed by the author(s).



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Foreword

Cooperative movement is a voluntary movement of the people, carried out democratically by pooling together their resources with the purpose of achieving or securing certain benefits or advantage collectively with the purpose of promoting certain virtue and values such as self help, mutual help and self reliance. In India both Co-operative and Not for Profit sectors are deep rooted.

The Institute of Chartered Accountants of India (ICAI) at its end has been extending a helping hand in the form of publications and training programmes/seminars in the relevant areas to its members to help them pacing up with evolving knowledge. This document 'Harmonizing of Accounting Practices for Cooperatives and NPO Sectors' being brought by the Committee for cooperatives & NPO Sectors of the Institute is one such endeavour in this direction. It focuses on the Legislative Framework of Cooperative and NPO Sector, its Accounting Framework, the Applicability of Accounting Standards to the sector, IFRS & Indian Accounting Standards converged with International Financial Reporting Standards (IND AS), Accounting Requirement from Income Tax and other Regulatory angles. For easy understanding and practical implementation, the document is written in a very lucid and logically flowing manner.

At this juncture, I congratulate CA. Vijay Kumar Garg, Chairman, Committee for Cooperatives & NPO Sectors, CA. V. Murali, Vice-Chairman, and all other members for their efforts and contributions in bringing out this publication.

I am sure this publication will be useful and serve as a handy reference for all its users.

January 22, 2013
New Delhi

CA. Jaydeep Narendra Shah
President, ICAI

Preface

I am pleased to share with you that Committee for Cooperatives & NPO Sectors of ICAI in its continuous endeavor to help the stakeholders of these sectors with evolving knowledge of the sectors by way of publications in the relevant areas, this document 'Harmonizing of Accounting Practices for Cooperatives and NPO Sectors' is one such endeavor in this direction.

This document focuses on the Legislative Framework of Cooperative and NPO Sector, its Accounting Framework, the Applicability of Accounting Standards to the sector; IFRS & Indian Accounting Standards converged with International Financial Reporting Standards (IND AS), Accounting Requirement from Income Tax and other Regulatory angles. For easy understanding and practical implementation, the document is written in a very lucid and logically flowing manner.

I would like to take this opportunity to place on record my deep appreciation to CA. Asit Kumar Mondal who has prepared the basic draft of this publication.

I compliment the members of Committee for Co-operative & NPO sectors for their valuable suggestions and comments.

I wish to extend my sincere thanks to Dr. Amit Kumar Agrawal, Secretary to the committee, Committee Secretariat and others who were directly or indirectly instrumental in bringing to this document.

I also thank CA. Jaydeep Narendra Shah President, ICAI and CA. Subodh Kumar Agrawal, Vice-President, ICAI for their able guidance.

I am sure that this document 'Harmonizing of Accounting Practices for Cooperatives and NPO Sectors' will be of great help for the reader.

Place: New Delhi
Date: January 22, 2013

CA. Vijay Kumar Garg
Chairman
Committee for Cooperatives & NPO Sectors

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Executive Summary

United Nation declared 2012 as International Year of Co-operative. Throughout the world, cooperation has proven to be the first choice of those involved in the primary sectors, especially agriculture, dairying, fishery, handloom and rural credit. In secondary sectors also contribution of Co-operatives for socio-economic development particularly in reduction in poverty by securing income generation, risk distribution, female empowerment and assured employment have been felt.

Similar is the significant contribution of Not-For-Profit Organizations towards social and economic development all over the world.

In India both Co-Operative and Not-for-Profit sectors are deep-rooted. Most of the legislative and regulatory structures, accounting and auditing practices are very old and should be tuned to meet present dynamic socio-economic condition under keen competition, globalization and digitalization.

Thrust area of this paper is to study the existing situation and to suggest uniform accounting frame work, promote best practices, good governance and prudential financial management.

While suggesting new framework, some of the traditional practices followed by Co-operatives and NPO since inception should be accepted to continue. Accounting Standards issued by The Institute of Chartered Accountants and audit of accounts by a Chartered Accountants should be made compulsory where Tax Audit is applicable. Entity receiving Foreign Contribution or entities having multi-states presences or having foreign branches should follow the Accounting Standards and also get their accounts audited by Chartered Accountants.

Introduction

Co-Operative movement is a “Voluntary movement of the people, carried out democratically by pooling together their resources or carrying on the given activity, with the purpose of achieving or securing certain benefits or advantage which given to people cannot get individually and with the purpose of promoting certain virtue and values such as self-help, mutual help, self-reliance and general goods of all.”

A successful rural development programme must help rural people stay on voluntarily and profitably in the villages. Co-Operative dairy development on the Amul Pattern has been instrumental in securing rural livelihood in many parts of India through income generation, agricultural diversification, risk distribution, female empowerment and assured employment.

Consider for a moment the case of a subsistence farmer blessed with just a pair of buffaloes. At an average yield of 5-6 litre daily from each animal, an additional income of almost ₹8000/- per month is assured for 300 days in the year. This does not compare badly with any rural employment programme implemented by the Government.

Apart from being a source of assured employment and competitive advantage, a successful Co-Operative movement also instills the self-confidence and self-respect that spring from self-reliance and better bargaining power.

Co-Operative dairy is not something unique to India. In most advanced dairy nations- the USA, Europe, New Zealand and Australia- the largest quantity of the milk is produced by the Co-Operative sectors. As much as 85% of fluid milk in the US is handled by co-operatives. In New Zealand, the entire production of milk is in the Co-Operative sector. In our country, we still have a long way to go. Although co-operatives handle more than 80% of the milk in the formal sector, we account only for about 20 per cent of all milk sold.

For a Co-Operative to deliver value, it needs to remain true to its values, be clear in its mission and run as a highly competitive business, professional marketing and branding. A Co-Operative should its own management without interference.

The Not-For-Profit Organizations have been making significant contribution towards social and economic development in India. Voluntarism played an important role in social and economic development of the civilization. It

operated in the fields of education, medicine, cultural promotion and in crises such as droughts, floods, epidemics, foreign invasions, and pilferage by robbers and criminals. The disadvantaged and the poor were taken care of by social mechanisms outside the state — through the joint family, caste, solidarity of colleagues, guilds, and individual religious philanthropy.

Chapter 1

Objective

In Indian economy there are different sectors working side by side and every sector has an important role. India is a vast country with diverse culture, customs, economic opportunities, working atmosphere, political interference, geographical constraints, natural resources and heritage. Development of a particular sector and its contribution to local economy are dependent on these factors. Co-Operative sectors are developed in Maharashtra, Kerala, Uttar Pradesh Andhra Pradesh, Karnataka and Gujarat, but not at same level in other parts of India.

There are around 19.62 Cr Members in different Co-Operative societies as on 31.03.05 as per data of National Bank for Agricultural Rural Development. (Annex: I)

Number of Dairy Co-Operative Societies as on 31.03.11 is around 1.44 lacs as per National Dairy Development Board data. (Annex: II)

As per the Ministry of Statistics and Programme Implementation, Government of India Report (MOSPI Report) the estimated total value of output of the 31.7 lakh societies registered in India is ₹ 41,292 Crore. The Report also states that 54% of the funding for these societies comes from grants while 16% is from donations and offerings and 16% from incomes/receipts from operations.

Since the NGOs actually work independently outside the Government, it is expected that the NGOs should be self-regulating and law-abiding. One of the objectives of the National Policy on the Voluntary Sector is to 'encourage NGOs to adopt transparent and accountable system of governance and management'.

In terms of regulation, while businesses organized in the form of a Company (U/s 25 of Companies Act 1956), Producers Companies (U/s 581A to 581ZT of Companies Act 1956) or a Limited Liability Partnership ("LLP") have ushered in an era of transparency, mutuality, accountability and protection of stakeholders, the regulatory framework auditing and accounting practices for Co-Operative societies and NPO remains inadequate in spite of widespread public interest in their functioning.

The present system should be revamped so as to provide for universally acceptable self-regulatory standards, auditing and accounting practices which are necessary for the governance of Co-Operative societies, societies,

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trusts and any other forms not- for-profit organizations in the new dynamic marketing and competitive globalized economic environment with rapid digitalization.

In particular, it should be able to:

- recognise the enhanced economic significance of Co-operatives and NPOs;
- provide necessary regulatory support to attain financial sustainability;
- maximise their capacity to innovate and venture into new projects;
- formulate and prescribe accounting standards for large entities;
- prescribe audit practices by professionally qualified persons;
- introduce Audit Committee, Periodical Review, Whistle Blower mechanism in its real spirit;
- implement Co-Operative Governance, NPO-Governance in line with Corporate Governance;
- help the ICAI and Government in bringing financial discipline by prescribing transparent guidelines for Co-operatives and NPO;
- implement measuring the social impact of the activities of the entity;
- implement submission/updation of periodical records/details/filings to the regulator and encouraging digital submissions for maintenance of an online system such as MCA-21;
- categorizing entities to be registered with the State or at the Central level;

While suggesting a new framework, some of the traditional practices followed by Co-operatives and NPO since inception should be accepted to continue.

Some of the traditional practices followed by Co-operatives and NPO since inception should be allowed to continue. For example:

- Horizontal presentation of Balance Sheet and Profit & Loss A/c (Income & Expenditure Account) instead of Vertical Form as suggested in revised Schedule VI of Companies Act;
- Publishing annual accounts in regional languages;
- Sundry Debtors and Sundry Creditors terms are preferred rather than Trade Receivable and Trade Payable. Similar of Cash and Bank balances instead of Cash and Cash Equivalents.

Chapter 2

Legislative Framework of Co-Operative and NPO Sector

Definitions of Co-operative:

Section 4, of the Indian Co-Operative Societies Act, 1912 defines a Co-Operative "as a society which has its objective the promotion of economic interest of its members in accordance with Co-Operative principles".

The main Acts for registration of Co-Operative societies are The Indian Co-Operative Societies Act 1912, The Multi-State Co-Operative Societies Act, 2002, and relevant Co-Operative societies act of the State/ Union territory.

Union & State Policy on Co-Operative Societies:

- (1) To promote Co-Operative Societies, which are instruments of equity, social justice and economic development in fulfillment of the Directive Principles of the State Policy as enshrined in the Constitution of India.
- (2) Save as otherwise expressly provided in this Act, the State shall not interfere in the management and operation of the Co-Operative societies as democratic institutions owned managed and controlled by members for their economic and social betterment, operating their business based on mutual aid and Co-Operative principles.

Values of Co-Operative Societies:

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, Co-Operative members believe in the ethical values of honesty, openness, social responsibilities, and caring for others.

Co-Operative Principles:

- (1) **Voluntary and Open Membership:** Membership is voluntary and irrespective of caste, creed, race and religion to all persons who can make use of its services and are willing to accept the responsibilities of membership.

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(2) **Democratic member control:** It is a democratic organization controlled by their members who actively participate in setting their policies and making decisions. Their affairs shall be managed and administered by persons elected or appointed in the manner agreed by the members and accountable to them. Every member other than nominal member shall have equal right of voting in accordance with the principle of “one member one vote”

(3) **Members Economic Participation:** The economic results, arising of the operations of a Co-Operative Society shall be distributed in such a manner as to avoid one member gaining at the expenses of other. This may be done by decision of the members as follows:

- (a) Member holding share capital shall only receive a strictly limited compensation by way of dividend if any
- (b) By provision for development of the business of the Co-Operative societies;
- (c) By provision of common services; and
- (d) By distribution among the members in proportion to the transactions with the Co-Operative societies;

(4) **Autonomy and Independence:** As autonomous, self-help organizations, controlled by their members, Co-Operative societies if they enter into agreements with other organizations, including Governments or raise capital from external sources, they can do so on terms that ensure democratic control by their members and maintain their Co-Operative autonomy;

(5) **Education, Training and Information:** All Co-Operative societies shall make provision for the education of their members, officers and employees and of the general public, in the principles and techniques of cooperation, both economic and democratic.

(6) **Co-operation among Co-operatives:** All Co-Operative societies, in order to serve better the interest of their members and their communities shall actively cooperate in every practical way with other Co-Operative societies at a local, national and international levels having as their aim the achievement of unity of action by Co-operators throughout the world; and

(7) **Concern for Community:** All Co-operatives shall have concern for the communities and shall work for the sustainable development of their communities through policies approved by their members.

Registration of a Co-Operative Society

It renders it a body corporate by name under which it is registered, having a perpetual succession and common seal and shall be entitled to acquire, hold and dispose of property to enter into contracts on its behalf, to institute and defend suits and other legal proceedings and do all other things necessary to achieve its objective.

It is to be noted that the provision of the Companies Act 1956 shall not apply to Co-Operative societies. As per Section 2(7) of Companies Act, 1956 a Co-Operative Society is excluded from the term body corporate.

Jurisdiction

The State / Union Government appoints a person as Registrar of Co-Operative Societies and all Co-operatives registered under the State /Union Government Co-Operative act will be under his jurisdiction. Similarly the Central Government appoints a person to be the Central Registrar of Co-Operative Societies and all Co-operatives registered under the Multi-State-Co-Operative act will be under his jurisdiction.

By-laws of Co-Operative Societies:

The function of every Co-Operative Society is regulated by its by-laws. By-laws of a Co-Operative are just like a contract or a Memorandum of Understanding that a Co-Operative jointly enter into agreement for managing the affairs. As a matter of course, the members of a Co-Operative should themselves draft their by-laws according to their specific requirement.

While framing the by-laws of the Co-Operative Society Provision has to be made for different matters as may be decided by the general body on identification, objective, capital and funds, membership, members' right and obligation, general body, chief executive and staff, finances and other matters.

A specimen By-laws of a Primary Milk Producers' Co-Operative Society is given in Annex:III.

Definition of Non-Profit-Organizations:

The World Bank defines Not-for-Profit Organizations as "private organizations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development".

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Not-for-profit Organizations (interchangeably spelt as Non-Profit Organization) are known by different names in the country namely: Non-Government Organizations (NGOs), Voluntary Organizations (VOs), Community Based Organizations (CBOs), Self-Help Groups (SHGs), Societies, Charitable Organization, Trusts, Research Institute, Foundation, Chamber of Commerce, Endowment Funds, Professional Bodies and Associations, Museums and Art Galleries Clubs etc.

The following organizations are excluded from NPO in this study paper:

Organizations formed under special act of Parliament,

Private hospitals, public hospitals and other public health organizations,

Municipalities,

Corporations, and

Union's Pension, Gratuity, Superannuation Fund.

Special features of NPOs:

Not-For-Profit

Voluntary

Charity/ Philanthropy - charity focuses on providing immediate solution (e.g. providing food to poor), whereas, philanthropy deals with finding the root causes of the problem and providing long term solution to this(e.g. if a poor family having a cow or buffalos given a facility of availability of fodder at affordable price and treatment of the animals by veterinary doctors are arranged and collection of every drop of milk at source point at reasonable price is also taken care then this family get additional support of ₹3000-Rs.5000/- p.m with a long term solution of alleviation of poverty.

Self-governing - institutionalized, definite programme, rules and regulation. May be registered or non-registered.

Non-religious - exclusions are Not-For-Profit service organisations affiliated to religious institutions, e.g., schools run by the Arya Samaj or Christian missionaries etc.

Non-political

Subjective performance measurement - as 'service' is a less measurable component than 'profit'.

Legislative Framework of Co-Operative and NPO Sector

- Non-transferable ownership - As the members or contributors do not possess ownership interests that can be sold, transferred or redeemed or that convey entitlement of a share of a residual distribution of resources in the event of liquidation of the organisation.
- Funding without expectation of any return or economic benefit by contributors
- Diversity in activities and size;

Classifications of Co-operatives

- (1) **Classification of Co-operatives on membership:**
 - (a) **Primary Co-Operative Society:** Means a Co-Operative of which no other Co-Operative is a member;
 - (b) **Apex Co-Operative Society:** Means a Co-Operative Society whose area of membership extends to the whole of the State and the primary object of which is to promote the objects and to provide facilities for the operation of other Co-Operative societies which are its members
 - (c) **Central Co-Operative Society:** Means a Co-Operative Society the primary object of which is to facilitate the working of other Co-Operative societies which are its members within an area as may be prescribed and includes Central Co-Operative Bank Ltd (same meaning as in the National Bank for Agriculture and Rural Development Act 1981);
 - (d) **Multi-State Co-Operative Society:** Means a Co-Operative Society registered under the Multi –State Co-Operative Societies Act 2002 and includes a national Co-Operative Society and a Federal Co-operative;
 - (e) **National Co-Operative Society:** Means a Multi-State Co-Operative Society specified in the Second Schedule of the Multi-State Co-Operative Societies Act 2002. List of such Co-Operative is given in Annex: IV
 - (f) **Federal Co-Operative Society:** Means a Co-Operative Society whose members are available to Co-Operative Societies and not to individuals but includes large, Central and Multi-state-Co-Operative Society.

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(2) Classification of Co-operatives on Liability:

- (a) **Co-Operative Society with limited liability:** Means a society having the liability of its members limited by its bye-laws to the amount, if any, unpaid on the shares, respectively, held by them or to such amount as they may, respectively, thereby undertake to contribute to the assets of the society, in the event of its being wound up;
- (b) **Co-Operative Society with un-limited liability:** Means a society having, subject to its bye-laws an un-limited liability of its members to contribute jointly and severally in any deficiency in the assets of the Co-operative.

No Co-Operative Society with unlimited liability can be formed under the Multi-State Co-Operative Societies act.

(3) Classification of Co-operatives on Functions

- (a) **Consumers' Co-Operative Society :** means a Co-Operative Society the primary object of which is to supply consumer goods and to render such other services to its members and other consumers as may be required in the matter of supply and production of consumer goods and includes a Federation of such Co-Operative Societies.
- (b) **Central Co-Operative Bank :** It has the same meaning as spelt in the National Bank for Agricultural and Rural Development Act, 1981
- (c) **Co-Operative Agricultural and Rural Development Bank:** A primary Co-Operative Society to create funds for lending to its members on long term basis for improvement of agricultural land, construction of house and higher education of members or their wards.
- (d) **Co-Operative Credit Society:** Primary object of which is to create funds for lending money to its members and undertaking such other credit and non-credit activities commensurate with the primary object. It includes Block -level mahila self-help group Co-Operative societies consisting of women members within the administrative jurisdiction of a community development block.
- (e) **Primary agricultural Credit Co-Operative Society :** It includes Farmers' Service Co-Operative Society Large-sized Multipurpose Co-Operative Society and any other Co-Operative Society primarily dealing with agricultural credit identified under revival packages.

Legislative Framework of Co-Operative and NPO Sector

- (f) **Housing Co-Operative Society** : Primary object is to provide to its members dwelling houses or flats or with finance for purchase of land for construction of dwelling houses and maintenance of common services in connection therewith, and includes a Federation of such Co-Operative societies.
- (g) **Co-Operative Farming**: Means a Co-Operative Society the principal object of which is to organise cultivation of lands held by it or by its members jointly or otherwise with a view to increase agricultural production and employment by proper utilization of land, labour and other resources.
- (h) **Wholesale Co-Operative Society**: Co-Operative Society is to arrange bulk purchases, and, if possible, organise production. In other words, a Co-Operative Wholesale Society is a form of Federal Co-Operative through which Consumers' Co-operatives can collectively purchase goods at wholesale prices, and in some cases collectively own factories or farms.
- (i) **Worker Co-Operative Society**: A Worker Co-Operative is a Co-operative owned and democratically managed by its worker-owners.
- (j) **Labour Co-Operative Society**: Primary Co-Operative Society composed of persons who live on manual labour, skilled or unskilled.
- (k) **Industrial Co-Operative Society**: Co-Operative Society the primary object of which includes manufacture and marketing of goods by or with the help of its members and providing supplies and services to them and to small producers and entrepreneurs and includes a Co-Operative Society established with the object of facilitating the operation of such Co-Operative Society .
- (l) **Electric Co-Operative Society**: Primary object is to provide electricity through generation, distribution or otherwise to its members and also to others as approved by the board.
- (m) **Engineers' Co-Operative Society**: Co-Operative Society formed of unemployed degree/ diploma /certificate holder in any branch of engineering, technology, agriculture, science, commerce, arts, industrial trade.
- (n) **Farmers' service Co-Operative Society**: Primary object of such agricultural Co-Operative Society is to render financial and other assistance to farmers particularly small and marginal farmers, rural artisans, agricultural labourers including bargadars.

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- (o) **Multipurpose Co-Operative Society:** Primary Co-Operative Society the object of which is to provide various services including credit, business, industry consumers to its members.
- (p) **Service Co-Operative Society:** Means a Co-Operative Society formed primarily with unemployed persons for rendering services such as security service and education, allied supply of food and consumers' goods, healthcare including nursing and aya services, domestic help, car parking facility or any other services as may be prescribed including providing services for agricultural veterinary, fishery and other allied farm sector including agricultural clinics and service centers to Government authorities institutions and individuals.
- (q) **Transport Co-Operative Society :** Means a Co-Operative Society composed of transport operators including driver, conductor, cleaner, mechanic and other person engaged in transport business.
- (r) **Others:** Thrift Retirement and other ancillary benefits Co-Operative Society Tourism Co-Operative Society Health Care Co-Operative Society Wates and Energy Conservation Co-Operative Society Water Harvesting Co-Operative Society Environment Protection Co-Operative Society Cultural Co-Operative Society Integrated Development Co-Operative Society Handloom Co-Operative societies Leather Co-Operative Society Co-op Book Society, Carpenters Industrial Co-op Society Women Cottage Industrial Co-op Society, Women Artisans Co-op Society, Handicraft Artisan Co-op Society, Labour Contract Co-op Society, Vegetable, Fruit & Flowers Growers Co-op Society, Toy Makers Service Industrial Co-op Society, Computers Co-Operative Society Ex-service man Co-op Society, Jewel Makers & Suppliers Co-op Society, Construction Workers Co-op Society, Industrial Co-Operative Printing Press, Washer men Industrial Co-op Society, Load man Self Employment & Welfare Coop Society, Women Tailoring Co-op Society, Co-op. Centre for Information Technology, Auto-rickshaw Drivers Co-op Society, Agricultural Landless Labourers Co-Operative Society Agricultural Field Labourers Co-Operative Society Rickshaw Pullers Co-op. Society, Boatmen Workers Co-Operative Society etc. etc.

Points for Considerations for Financing Bank /Primary Agricultural Co-Operative Societies /Co-Operative Credit Structure Entities

1. In most of the State Co-op Societies Acts, special provisions are made to deal with Financing Banks/Primary Agricultural Co-op Societies (in **Andhra Pradesh**)/ Co-Operative Credit Structure Entities (in **West Bengal**)

2. There are different forms of Co-Operative Banks/Co-Operative Credit Structure Entities:

- State Co-Operative Bank
- District Central Co-Operative Bank
- Primary Agricultural Credit Co-Operative Society
- State Agricultural and Rural Development Bank
- Primary Co-Operative Agricultural and Rural Development Bank

3. **Financing Banks/Primary Agricultural Co-op Societies (in Andhra Pradesh):** 'Financing bank' means a society, the main object of which is to assist any affiliated or other society by giving loans or advancing moneys ; and includes any scheduled bank as defined in the Reserve Bank of India Act, 1934 and such other body corporate or financial institution as may be notified by the Government from time to time, which gives financial or other aid to a society mainly engaged in advancing loans for the purposes of

- (i) land improvement and productive purposes ;
- (ii) the erection, rebuilding or repairing of houses for agricultural purposes ;
- (iii) the purchase or acquisition of title to agricultural lands by tenants; or
- (iv) the liquidation of debts of agriculturists under the relevant law for the time being in force ;
- (v) the acquisition, construction, rebuilding or repairing of rural dwelling houses

Land improvement or productive purpose means any work, construction or activity which adds to the productivity of the land, in particular includes the following:

- (a) construction and repair of wells (including the tube wells), tanks and other works for the storages, supply or distribution of water for the purpose of agriculture, or for the use of men and cattle employed in agriculture ;

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- (b) renewal or reconstruction of any of the foregoing works, or alterations therein, or additions thereto ;
 - (c) preparation of land for irrigation ;
 - (d) drainage, reclamation from rivers or other waters, or protection from floods or from erosion or other damage by water, of land used for agricultural purposes or waste land which is cultivable,
 - (e) bonding and similar improvements ;
 - (f) reclamation, clearance and enclosure or permanent improvement of land for agricultural purposes ;
 - (g) horticulture ;
 - (h) purchase of oil-engines, pumping sets and electrical motors for any of the purposes mentioned herein ;
 - (i) purchase of tractors or other agricultural machinery ;
 - (j) increase of the productive capacity of land by addition to it of special variety of soil ;
 - (k) construction of permanent farm houses, cattle sheds, and sheds for processing of agricultural produce at any stage ;
 - (l) purchase of machinery for crushing sugarcane, manufacturing gur or khandasari or sugar ;
 - (m) such other purposes as the Government may specify from time to time, by notification
4. The State Co-Operative Acts may provide specific provisions for:
- Restriction of admission as a member of a person who is a money lender by profession.
 - Requirement of minimum deposit for a minimum period and subscribing to minimum share capital to become a member of a Primary Agricultural Credit Co-Operative Society .
 - Insurance of Co-Operative Bank under Deposit Insurance Act 1961 for taking deposits from non-members.
 - Restriction of use of word “Bank” or any other derivative of the word “Bank” by Primary Agricultural Credit Co-Operative Society or its federation or association except those which are permitted to act as a bank under the Banking Regulation Act, 1949.

Legislative Framework of Co-Operative and NPO Sector

- Autonomy in financial and internal administrative matters including the following areas:
 - Interest rates deposits and loans
 - Borrowing and investments
 - Loan policies and individual loan decisions
 - Personnel policy, staffing, recruitment, posting and compensation to staff
 - Internal control systems, appointment of auditors and compensation for the audit
- Determination of interest rates on deposits and loans and following up of guidelines by the Reserve Bank of India and National Bank i.e. National Bank for Agricultural and Rural Development.
- Affiliation or de-affiliation of a Co-Operative Credit Structure Entity with a Federal Co-Operative Society and its freedom of entry and exit at any tier and there restrictions of geographical boundaries for its operations
- Norms for investment or deposit of funds in any financial institutions regulated by the Reserve Bank of India of its choice with a minimum net worth and on any other criteria as may be prescribed by the National Bank .
- Norms for obtaining loans from any financial institution regulated by the Reserve Bank of India and refinance from the National Bank or any other financing agency directly or through RBI's regulated financial institutions of its choice .
- Norms for payment of dividend by a Primary Agricultural Credit Co-Operative Society or a Co-Operative Agricultural and Rural Development Bank .
- No of nominees of the State Government in the Board of the State Co-Operative Bank or a Central Co-Operative Bank or a State Co-Operative Agricultural and Rural Development Bank and requirement of Government's subscription towards its share capital.
- No of nominees on the Board of Co-Operative Bank from Gram Panchayat, Panchayat Samitie or Zila Parishad.
- No of Woman members on the Board of women's Co-Operative bank/Co-Operative credit Societies.

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

- Approval from Reserve Bank of India or the National Bank for exemption from any provisions applicable for Co-Operative Credit Structure Entity from the State Co-Operative Acts.
- Norms on contribution to any fund other than those required for improving the net worth or own funds.
- The prudential norms including Capital to Risk Weighted Assets Ratio.
- Defining of Long-Term and Short-Term Loans;
- Restrictions on borrowings.
- Criteria of the Chief Executive Officer and the members of the Board of the State Co-Operative Bank, a Central Co-Operative Banks and stipulation by the Reserve Bank of India or the National Bank.
- Norms for number of professionals, having special knowledge or experience in such fields as may be stipulated by the Reserve Bank of India on the Board of the State Co-Operative Bank and Central Co-Operative Banks and in case such number of professionals do not get elected, co-option of such professionals with full voting rights including norms for removal.
- Norms of accounts to be kept and audit by Chartered Accountants of the State Co-Operative Bank, Central Co-Operative Bank and the State Co-Operative Agricultural and Rural Development Banks .
- Norms for conducting Special Audit by the Director of Co-Operative Audit as per the Reserve Bank of India/ National Bank's directive and regulatory prescriptions including recommendation for supersession of the Board and winding up, appointment of Liquidator/ Administrator.
- Norms for removal of Chief Executive Officer of the State Co-Operative Bank or a Central Co-Operative Bank.
- Norms for suspension of the Board of a Primary Agricultural Credit Co-Operative Society or a Co-Operative agriculture and rural development bank by the Registrar under different conditions like:
 - Society incurs losses for 3 consecutive years; or
 - Detection of serious financial irregularities or frauds; or
 - Judicial directives to this effect; or

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- Perpetual lack of quorum.
- Appointment of Trustee and his Powers and functions for State Co-Operative Banks.
- Norms for issue of Preference Shares by the State Co-Operative Bank and Central Co-Operative Bank with prior approval of Reserve Bank of India .
- Issue of Debentures by the Board;
- Creation of Charges of Debenture holders;
- Guarantee by Government of principal of, and interest on debentures.
- Priority mortgage over certain claims;
- Right of Financing Bank/Primary Agricultural Co-Operative Society or of the State Co-Operative Bank to purchase mortgaged property.
- Creation of Mortgages in favour of Financing Bank/Primary Agricultural Co-Operative Society to stand vested in State Co-Operative Bank .
- Norms for Loan by Gehan (creating a special charge in favour of Co-Operative credit society on land or other immovable property by any member).
- Right of Financing Bank/Primary Agricultural Co-Operative Society to pay prior debts of mortgagor.
- Power of Financing Bank/Primary Agricultural Co-Operative Society to advance loans and to hold lands.
- Mode of dealing with applications for loans.
- Recovery of loans by Financing Bank/Primary Agricultural Co-Operative Society .
- Recovery of loans on certificate by Registrar.
- Collector to make recoveries during a certain period.
- Formalities for distraint and sale if there is default/delay in payment of any installment payable under a mortgage created in favour of Financing Bank/Primary Agricultural Co-Operative Society .

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- Powers of Financing Bank/Primary Agricultural Co-Operative Society where mortgaged property is destroyed or security becomes insufficient.
- Power of sale when to be exercised.
- Title of purchaser not to be questioned on ground of irregularity, etc.
- Mortgage not to be questioned on insolvency of mortgagor.
- Appointment of receiver and his powers.
- Mortgagor's power to lease.
- Registration of documents executed on behalf of Financing Bank/ Primary Agricultural Co-Operative Society or State Co-Operative Bank.

Classifications of Non-Profit-Organisation:

The World Bank classifies operational NPOs into three main groups:

Community-Based Organisations (CBOs) – these serve a specific population in a narrow geographical area in individual developing countries.

National Organisations – these operate in developing countries (e.g. Child Rights and You (CRY), Helpage).

International Organisations – these are typically headquartered in developed countries and carry out operations in more than one developing country (e.g. United Nations Educational Scientific and Cultural Organizations {UNESCO}, Amnesty International, Rotary International, Red Cross Society, IFRS Foundation (new name of the IASC Foundation)).

In India a Not-for-profit organization can be set up either as:

1. Registered Trust
2. Registered Societies
3. Non-trading Corporation
4. Section 25 Companies under Companies Act 1956
5. Religious Endowment and Waqf, Gurudwara
6. Government Acquired trusts
7. Unregistered Trusts/ Societies/ NGO

Framework of Registered Trust

Trust is created by setting apart property/money for specific purpose e.g charitable purpose and control over distribution and administration is under the control of selected persons named as Trustees. Trust may be public or private. In a public trust a substantial segment of the public is benefited.

Public charitable trusts are governed by the Public Trust Act of a particular State e.g Maharashtra, Gujarat, Rajasthan, Madhya Pradesh. In the absence State act the general principle of the Indian Trusts Act, 1882 will be applicable.

As per Section 3 of the Indian Trusts Act, 1882 “A trust is an obligation annexed to the ownership of property, and arising out of a confidence reposed in and accepted by the owner or declared and accepted by him, for the benefit of another, or of another and owner.”

Framework of Non-Profit-Organization under Societies Registration Act 1860 and Proposed Multi-State-Societies Registration Bill, 2012

A registered society is an independent juridical person. In different states State's Societies Act is there. In the absence of this The Societies Registration Act, 1860 can be followed.

The Societies Registration Act, 1860 is a pre-independence era legislation that envisaged the incorporation, management and dissolution of societies incorporated under the said Act. The Societies which are to be registered under the said Act were mainly for non-profit making and for benevolent purposes. In this respect, Section 20 of the Act specifically listed the type of societies to which the Act applies, such as charitable societies, military orphan funds or societies, societies established for promotion of science, literature, or for fine arts, societies established for intrusion and diffusion of useful knowledge, diffusion of political education, societies established for maintenance of libraries or reading rooms for general public, societies established for public museums and galleries for paintings or other works of art, collections of natural history, mechanical and philosophical inventions, instruments or designs.

In most of the States, the provision of submitting financial statement is not enforced. Many of the NPIs traced had poor employment and financial records and, even if they did, often refused to furnish their audited accounts, especially if they did not receive funds from statutory bodies. Even if the societies file their financial statements with Registrar's office, there is no mechanism to maintain this database, a sad commentary on the quality of

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

statistics at the State level. A uniform countrywide approach is essential. Since NPIs need to apply to the income tax authorities for exemption of income (12-A) and 80-G (for donors to get exemption), this could be made conditional on filing returns, somewhat on the lines required for non-profit companies-perhaps leveraging the electronic platform used by the Ministry of Corporate Affairs. (As per MOSPI Report)

The nature and character of a modern society is vastly different from what was envisaged under the said Act of 1860. Societies today have acquired economic significance by the nature of their activities. Modern societies aspire to be pan-national bodies operating in larger public interest while being financially independent. It was felt that the present regulatory framework did not provide for an enabling framework to Multi-State-Societies operating across India and there should also be a Model Law for Societies Registration Bill to be adopted by the States in respect of Societies having operations in one State .

Accordingly an expert group has been formed to draft two Bills, i.e. (1) Model Law for Societies Registration Bill to be adopted by the States in respect of Societies having operations in one state (2) A new enactment on the Societies having operations/activities which are spread to more than one State in India or having pan India operations. The expert group has placed its draft of the Multi-State Societies Registration Bill, 2012 and public opinion is sought for giving a final touch on such bill.

Model Law for Societies Registration Bill will be prepared and discussed in the second report of the Group after receiving comments/suggestions from all the states.

The main objective of the Proposed Multi-State Societies Registration Bill, 2012 is to provide for more enabling regulatory environment for Multi-State Societies with transparency and accountability in the governance of Multi-State Societies as its ultimate objectives. The Proposed Bill also emphasizes on the self-regulation of Societies, which the Expert Group views as critical for the governance of societies operating in the new economic environment.

The proposed bill provides:

- Every balance sheet of a Multi-State Society shall give a true and fair view of the State of affairs of the Multi-State Society as at the end of the financial year and shall be in the form as may be prescribed

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- Every profit and loss account of a Multi-State Society shall give a true and fair view of the profit or loss
- Every profit and loss account and balance sheet of the Multi-State Society shall comply with the standards of accounting recommended by the Institute of Chartered Accountants of India constituted under the Chartered Accountants Act, 1949 as may be prescribed by the Government.
- The accounts of a Multi-State Society shall be audited by the auditors of the Multi-State Society, if the Multi-State Society's gross receipts or expenditure in the financial year exceeds ₹ five lakhs.
- Rules provides appointment of Chartered Accountants as Auditors and determination of remuneration by General Body
- The Multi-State Society may establish a Whistle Blower mechanism for its members or employees to report to the Governing Body concerns about unethical behavior, actual or suspected fraud or violation of the Act or rules made there under .Governing Body may by policy provide that the identity of the whistle blower shall be kept secret at all times.
- Regulation of Foreign Societies submission of balance sheet and profit and loss account in such form, containing such particulars and including or having annexed or attached thereto such documents as may be prescribed;

Non-Trading Corporation

Non-trading Corporations are illustrated by (1) Municipal Corporations, (2) district boards, (3) benevolent institutions, (4) universities etc. An essential element in the legal conception of a corporation is that its identity is continuous, is a legal persona just as much as an individual .

The list of State Non-trading Corporations Act is as follows:

- (i) Andhra Pradesh Non-trading Companies Act, 1962
- (ii) Bihar (Non-trading) Act, 1959
- (iii) Kerala Non-trading Companies Act, 1961
- (iv) Madhya Pradesh Non-trading Corporations Act, 1962
- (v) Orissa (Non-trading) Companies Act, 1959
- (vi) Punjab Non-trading Companies Act, 1960

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- (vii) Rajasthan Non-trading Companies Act, 1960
- (viii) Tamil Nadu Non-trading Companies Act, 1972
- (ix) West Bengal Non-trading Corporations Act, 1965

Framework of Non-Profit-Organization under Section 25 of the Companies Act, 1956

An association for promoting commerce, art, science, religion, charity or any other useful object and intends to apply its profits, if any, or other income in promoting its objects and to prohibit the payment of any dividend to its members can be formed and the Central Government may by license allow the association to be registered as a company with limited liability, without using the term “Limited” or “Private Limited” at the end of its name.

Such company will enjoy all the privileges and be subject to all the obligations, of a limited company. It is not necessary that such company should have minimum paid up share capital. Members may not be share holders. Grants for capital assets and retained earnings may be the source of funds. There are around 2749 companies registered Under Sec 25 of the Companies Act.

A case study of how a university promoted a dairy for imparting hands-on-training to its B. Tech Students in Dairy Technology/Science is given in Annex: V

Religious Endowment and Waqf, Gurudwara

Endowments are the dedication or entrustment of property for religious /charitable purpose depending upon its object. During British tenure different Endowment legislations and out of those presently 3 all India Endowment Acts are there namely-

The Religious Endowments Act, 1863: A private endowments where management of property is placed to Trustees for religious/charitable purposes for a predefined set of benefits and to avoid Government interference.

The Charitable Endowments Act, 1890: Vesting and administration of property for charitable purpose is held by Government officer as treasurer who oversees the functioning as per State formulated schemes.

Charitable and Religious Trusts Act, 1920: To avoid lacunas of The Religious Endowments Act, 1863 regarding squandering and misappropriation of funds this Act of 1920 was enacted recognized the existence of such religious

Legislative Framework of Co-Operative and NPO Sector

bodies as entities different from Endowment Trusts formed for social and religious purposes. Trustees of such bodies are made accountable to disclose of income, values, management and application of the subject matter of the trust.

After independence many State government enacted their own endowment acts e.g The Madras Hindu Religious and Charitable Endowments Act, 1951; The Travancore-Cochin Hindu Religious Institutions Act 1950; The Bodh Gaya Temple Act, 1949; The Andhra Pradesh Charitable and Hindu Religious Institutions and Endowments Act, 1987; and The Karnataka Hindu Religious Institutions and Charitable Endowments Act. The Government appoints officials to the Board to exercise control over management of the temples except those which are owned by families and private boards.

Wakf: It means endowment of moveable or immovable property dedicated to God by Muslims for the welfare of needy. Here the Waqif (i.e Settler) appoints Mutawalli (Manager) for the administration of the Waqf by a deed. For proper management and administration of Waqfs, the new Wakf Act 1995 was enacted by Govt of India which is effective from 01.01.1996. Currently 3 lacs Waqfs are under this Act and at each state there is Waqf Board which is a quasi-judicial and apex body deals with Waqf related disputes.

The main functions of the State Wakf Boards are as follows:

- (i) Registration of Wakf Properties on due process.
- (ii) Appointment & removal of Muttawalli.
- (iii) Removal of Encroachment & illegal occupation on Wakf property.
- (iv) Assessment of income, Issuance of Demand Notices of Wakf contribution & its collection.
- (iv) Preparation of Budget and scrutiny of Annual Accounts submitted by Muttawalli.
- (vi) Maintenance of Wakf Fund & Fund of Wakf Estates.
- (vii) Audit of Wakf Estates with income ₹ 10,000/- and more by Govt. approved panel of Audit Firm.
- (viii) Development of Wakf properties for Housing, marketing, educational institutions and other income generating purposes.
- (ix) Management of Wakf Estates under Direct Management.
- (x) Law matters and Court cases.

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- (xi) Preservation of Wakf Records like Deeds and other relevant papers.
- (xii) Distribution of Stipend to poor and meritorious students.
- (xiii) Organization of – Urs/ Melas/ fair under different Estates.
- (xiv) Liaison with the Central Wakf Council, Delhi.

At national level there is Central Waqf Council which acts in an advisory capacity and advises the government on working of the State Wakf Boards and proper administration of Wakfs in the country. The council's income comes from the State Wakf Boards which is 1% of the net income of the Wakfs.

The Sikh Gurdwaras Act, 1925

For better administration and settlement of disputes of certain Sikh Gurdwaras this act has been enacted. By this act the Sikhs got not only their Gurdwaras but also the full freedom to manage them.

Framework of Producers Companies under sections 581A to 581ZT of the Companies Act 1956

The legislation of Producers Companies under Companies Act provides the same legal and regulatory framework enjoyed by companies but protects the basic principles of cooperation: voluntary and open membership, democratic member control, member economic participation, autonomy and independence. Producer Companies would generally be set up in areas where Co-operatives are not present or have low coverage or low procurement.

By end of March 2011 under the aegis of National Dairy Development Board, about 2,45,000 producers were organized into 9,900 Milk Producer Institutions in 8 states: Andhra Pradesh, Bihar, Gujarat, Haryana, Maharashtra, Punjab, Uttar Pradesh and Rajasthan.

As per Companies Act' 1956, "Producer Company" means a body corporate having the

- (1) objects relate to all or any of the following matters, namely:
 - (a) production, harvesting, procurement, grading, pooling, handling marketing, selling, export of primary produce of the Members or import of goods or services for their benefit:

Provided that the Producer Company may carry on any of the activities specified in this clause either by itself or through other institution;

Legislative Framework of Co-Operative and NPO Sector

- (b) processing including preserving, drying, distilling, brewing, venting, canning and packaging of produce of its Members;
- (c) manufacture, sales or supply of machinery, equipment or consumables mainly to its Members;
- (d) providing education on the mutual assistance principles to its Members and others;
- (e) rendering technical services, consultancy services, training, research and development and all other activities for the promotion of the interests of its Members;
- (f) generation, transmission and distribution of power, revitalization of land and water resources, their use, conservation and communications relatable to primary products;
- (g) insurance of producers or their primary produce;
- (h) promoting techniques of mutuality and mutual assistance;
- (i) welfare measures or facilities for the benefit of Members as may be decided by the Boards;
- (j) any other activity, ancillary or incidental to any of the activities referred to in clauses(a) to (i) or other activities which may promote the principles of mutuality and mutual assistance amongst the Members in any other manner;
- (k) financing of procurement, processing, marketing or other activities specified in clauses(a) to (j) which include extending of credit facilities or any other financial services to its Members.

(2) Every Producer Company shall deal primarily with the produce of its active Members for carrying out any of its objects specified in this section.

“producer” means any person engaged in any activity connected with or relatable to any primary produce and “primary produce” means-

- (i) produce of farmers, arising from agriculture (including animal husbandry, horticulture, floriculture, pisciculture, viticulture forestry, forest products, re-vegetation, bee raising and farming plantation products), or from any other primary activity or service which promotes the interest of the farmers or consumers; or
- (ii) produce of persons engaged in handloom, handicraft and other cottage industries;

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- (iii) any product resulting from any of the above activities, including by-products of such products;
- (iv) any product resulting from an ancillary activity that would assist or promote any of the aforesaid activities or anything ancillary thereof ;
- (v) any activity which is intended to increase the production of anything referred to in sub-clauses (i) to (iv) is improve the quality thereof.

Formation of Producer Company

(1) Any ten or more individuals, each of them being a producer or any two or more producer institutions, desirous of forming a Producer Company having its objects specified in section 581B and otherwise complying with the requirements of this Part and the provisions of this Act in respect of registration may form an incorporated Company as a Producer Company under this Act.

(2) On registration the Producer Company shall become a body corporate as if is a private limited company without however any limit to the number of Members thereof, and the Producer Company shall not, under any circumstance, whatsoever, become or be deemed to become a public limited company under this Act;

Internal audit

Every Producer Company shall have internal audit of its accounts carried by a Chartered accountant as defined in clause (b) of sub-section (1) of section 2 of the Institute of chartered accountants Act, 1949(38 of 1949).

Duties of auditor

Without prejudice to the provisions contained in section 227 of the Companies Act, the auditor shall report on the following additional matters relating to the Producer Company; namely:-

- (a) the amount of debts due along with particulars of bad debts if any;
- (b) the verification of cash balance and securities;
- (c) the details of assets and liabilities;
- (d) all transactions which appear to be contrary to the provisions of this part;
- (e) the loans given by the producer Company to the directors;
- (f) the donations or subscriptions given by the Producer Company
- (g) any other matter as may be considered necessary by the auditor.

Chapter 3

Accounting Framework of Co-Operative and NPO Sector

Framework is concerned with general purpose financial statements (hereafter referred to as 'financial statements'). Such financial statements are prepared and presented at least annually. It is absolutely essential that financial reporting of an enterprise should be unbiased, comparable and transparent whether it is companies, Co-operative, non-profit organization, government department, local authority or any form of organization.

Special purpose financial reports, for example, computations prepared for taxation purposes or specialised needs of regulatory bodies, donor agencies, or others having the authority to obtain the type of information they need are outside the scope of this Framework. For instance, a donor agency may prescribe a specific format for reporting the utilisation of its own funds. It would be appropriate to prepare a separate statement for the specific purpose envisaged in the relevant statute/regulation or specified in the donor requirements.

It is often argued that since profit is not the objective of NPOs, the accounting framework, which is relevant for business entities is not appropriate for NPOs.

With a view to recommend suitable accounting system for Co-Operative being a business entity and NPOs, it would be imperative to understand the major ingredients of an accounting framework. An accounting framework primarily comprises the following;

- (a) **Elements of financial statements basically comprising income, expenses, assets and liabilities:** These are same for NPO and other business entities. However, in case of an NPO, there may be certain assets having only service potential and no economic benefits, while this may or may not be the case for a business entity. Same is the case for items of income expenses and liabilities
- (b) **Principles for recognition of items of income, expenses, assets and liabilities:** there is no difference in the application of the recognition principles to business entities and NPOs. Principles for

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

recognition may be on accrual basis or cash basis and it is only timing difference.

- (c) **Principles of measurement of items of income, expenses, assets and liabilities:** the same principles are relevant to NPOs as those to business entities
- (d) **Presentation and disclosure principles:** Insofar as presentation of financial statements is concerned, NPOs generally follow what is known as 'fund based accounting' whereas the business entities do not follow this system. This is because NPOs may be funded by numerous grants, donations or similar contributions, which may or may not impose conditions on their usage.

Basis of Accounting

The term 'basis of accounting' refers to the timing of recognition of revenue, expenses, assets and liabilities in accounts. The commonly prevailing bases of accounting are:

- (a) cash basis of accounting; and
- (b) accrual basis of accounting.

Accrual is the scientific basis of accounting and has conceptual superiority over the cash basis of accounting. It is, therefore, recommended that all NPOs, including non-company NPOs, should maintain their books of account on accrual basis

Chapter 4

Applicability of Accounting Standards for Co-Operative Societies and NPO

It is absolutely essential that financial reporting of an enterprise should be unbiased, comparable and transparent whether it is companies, Co-operative, non-profit organization, government department, local authority or any form of organization. Accounting Standards framed by the Institute of Chartered Accountants of India contain wholesome principles of accounting and provide the most appropriate guidance . With a view to improve the quality of financial reporting in the country in real terms, issues of implementation of accounting standards are addressed appropriately.

While discharging the attest function it will be the duty of the members of the Institute of Chartered Accountants of India to ensure that the Account Standards are implemented in the presentation of financial statements covered by their audit reports. In the event of any deviation from the Standards it will be their duty to make adequate disclosure in their reports so that users of such statements may be aware of such deviations.

The problem arises when attest function of various entities mostly Co-Operative Societies,/ Societies lies not on Chartered Accountants but on Co-Operative Auditors/ Govt Auditors or other auditors. Under such a situation:

- Accounting Standards issued by ICAI are not followed in most of the places
- Presentation of accounts are not uniform.
- Accrual basis of accounting not followed instead of Cash Basis or mixture of Cash and Accrual basis.
- The disclosure of accounting policies is spelt for the sake of disclosure.(e.g. Valuation of stocks is as per prevailing system).
- Diversity in terminology of Assets, Liabilities, Income, Expenses (e.g. Fixed Assets is described as Properties & Dues Properties).
- Audit Report drafted on some points are ambiguous (e.g. The costs (prices) of the stock are exact and correct and have been calculated in the manner which is in compliance with the

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

principles of maintaining accounts as well as in accordance with the system of assessment, which was adopted last year).

- Grants are one of the major income and accounting treatment and policies thereof remain silent.
- Depreciation policy, Depreciation Rate is not spelt out and depreciation is not adequately provided for.
- Most of the State Co-Operative Acts do not provide for audit of accounts by Chartered Accountants.
- There is no provisioning of Employees Benefits considering his retirement
- Cash Flow Statement is not presented.
- There is no disclosure of Related Party Transactions.
- There is no provision for Deferred Tax Assets/Liabilities.

To make different Accounting Standards mandatory, ICAI planned its implementation in a phased manner and initially made it recommendatory.

For applicability of Accounting Standards entities can be classified as follows:

A. Corporate Entities: Companies registered under Companies Act 1956 :

NPO registered under Sec 25 ,Producers Companies under sections 581A to 581ZT of the Companies Act 1956 are included.

As per Clause 2 (f) of the Companies (Accounting Standard) Rules 2006 there are two types of companies:

A.1 Small and Medium Sized Company (SMC):

- Equity or debt securities are not listed in any stock exchange in India or abroad.
- Not a bank financial institution or an insurance company.
- Turnover (excluding other income) does not exceed ₹ 50 Cr in the immediately preceding accounting year.
- Does not have borrowings (including public deposit) in excess of ₹ 10 Cr at any time during the immediately preceding accounting year.

Applicability of Accounting Standards for Co-Operative Societies...

- Not a holding or subsidiary company of a company which is not a SMC.

A.2 Other than Small and Medium Sized Company (Non-SMC)

B. Non-Corporate Entities (NCE)

Co-Operative Societies, Non-profit-Organizations (other than Sec 25 companies) are included under this category. It includes NPO who may or may not involve into commercial, industrial or business activities

B.1 Level I Entities :

- Equity or debt securities are listed in any stock exchange in India or abroad
- Banks (including Co-Operative banks) financial institutions or entities carrying on insurance business.
- All Commercial, industrial and business reporting entities, whose Turnover (excluding other income) exceeds ₹ 50 Cr in the immediately preceding accounting year.
- All Commercial, industrial and business reporting entities having borrowings (including public deposit) in excess of ₹ 10 Cr at any time during the immediately preceding accounting year.
- Holding and subsidiary entities of any one of the above.

B.2 Level II Entities (SMEs):

- All Commercial, industrial and business reporting entities, whose turnover (excluding other income) exceeds ₹ 40 lakh but does not exceed ₹40 Cr in the immediately preceding accounting year.
- All Commercial, industrial and business reporting entities having borrowings (including public deposit) in excess of ₹ 1 Cr but not in excess of ₹10 Cr at any time during the immediately preceding accounting year.
- Holding and subsidiary entities of any one of the above.

B.3 Level III Entities(SMEs):

Non-corporate entities which are not covered under Level I and Level II entities are called Level III entities.

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

Mandatory application of Accounting Standards as on 01.07.2012

For Companies registered under Companies Act 1956, as per Companies (Accounting Standards) Rules Accounting Standards are mandatory.

As far as non-company NPOs (including trusts, societies registered under the Societies Registration Act, 1860) carrying on even a very small proportion of commercial, industrial or business activities are concerned (For example, where an NPO is engaged in the commercial activity of granting loans/credit to small entrepreneurs at nominal rates of interest or in the industrial activity of manufacturing clothes for the rural poor) as well as for Co-Operative Societies registered under Central/State Co-Operative Act Accounting Standards, formulated by the Institute of Chartered Accountants of India, are mandatory for the members of the Institute in the performance of their attest functions as per the relevant announcements made by the Institute of Chartered Accountants of India from time to time.

AS No	Accounting Standards	To Corporate Entities [As per Companies (Accounting Standards) Rules]	To all Non-Corporate entities [As per ICAI Accounting Standards] (See note for exception)
AS 1	Disclosure of Accounting Policies	Yes	Yes
AS 2	Valuation of Inventories	Yes	Yes
AS 3	Cash Flow Statements	Yes (Exemption for SMC)	Yes(Exemption to Level II and Level III Entities i.e. SMEs)
AS 4	Contingencies and Events Occurring after the Balance Sheet Date	Yes	Yes
AS 5	Net Profit or Loss for the period, Prior Period Items and Changes in Accounting Policies	Yes	Yes

Applicability of Accounting Standards for Co-Operative Societies...

AS 6	Depreciation Accounting	Yes	Yes
AS 7	Construction Contracts (revised 2002)	Yes	Yes
AS 8	Accounting for Research and Development	AS is withdrawn from the date AS 26 :Intangible Assets became mandatory	
AS 9	Revenue Recognition	Yes	Yes
AS 10	Accounting for Fixed Assets	Yes	Yes
AS 11	The Effects of Changes in Foreign Exchange Rates (revised 2003),	Yes	Yes
AS 12	Accounting for Government Grants	Yes	Yes
AS 13	Accounting for Investments	Yes	Not applicable to Level III entities
AS 14	Accounting for Amalgamations	Yes	Yes
AS 15	Employee Benefits (revised 2005)	Yes	Yes
		<p>Relaxation for SMCs and Level II & III Enterprises in respect of Paragraph 11-16 dealing with recognition and measurement of short term accumulating compensated absences which are non-vesting.</p> <p>Paragraph 46 and 139 dealing with discounting of amounts that fall due more than 12 months after the balance sheet date.</p> <p>Paragraph 50, 116 dealing with Defined Benefit Plan.</p> <p>Paragraph 117, 123 dealing with actuarial valuations.</p> <p>Paragraphs 129-131 in respect of other</p>	

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

		long-term benefit. Level II and Level III enterprises having less than 50 employees can use other rational method for accrual of liabilities instead of Projected Unit Cost Method.	
AS 16	Borrowing Costs	Yes	Yes
AS 17	Segment Reporting	Yes (Exemption for SMC)	Yes
AS 18	Related Party Disclosures	Yes	Yes
AS 19	Leases	Yes	Yes
		Relaxation for SMCs and Level II & III Enterprises in respect of Paragraph 22(c), (e) and (f) ; 25(a), (b) and (e); 37(a) and (f); 46(b) and (d). Relaxation for III Enterprises in respect to Paragraph 37(g) and 46(e) .	
AS 20	Earnings Per Share	Yes	Yes
		Relaxation for SMCs and Level II & III Enterprises in respect of Diluted earnings per share (both including and excluding extra ordinary items). Relaxation for Level III enterprises for paragraph 48 (ii) on disclosures for parameters used in calculation of EPS.	
AS 21	Consolidated Financial Statements	Yes as per regulator's requirement (Exemption for SMC).	Yes as per regulator's requirement (Exemption to Level II and Level III Entities i.e. SMEs).
AS 22	Accounting for Taxes on Income	Yes	Yes
AS 23	Accounting for Investments in	Yes as per regulator's	Yes as per regulator's

Applicability of Accounting Standards for Co-Operative Societies...

	Associates in Consolidated Financial Statements	requirement (Exemption for SMC).	requirement (Exemption to Level II and Level III Entities i.e. SMEs).
AS 24	Discontinuing Operations	Yes	Not applicable to Level III entities
AS 25	Interim Financial Reporting	Yes	Yes
		Applicable only if a company/ non corporate entity decides to prepare and present an interim financial report .Only certain Non-SMCs/ Level I entities are required by concerned regulatory authority to present interim financial results (e.g SEBI).	
AS 26	Intangible Assets	Yes	Yes
AS 27	Financial Reporting of Interests in Joint Ventures	Yes as per regulator's requirement (Exemption for SMC).	Yes as per regulator's requirement (Exemption to Level II and Level III Entities i.e. SMEs).
AS 28	Impairment of Assets	Yes	Yes
		Relaxation for SMCs and Level II & III Enterprises : Value in use can be based on reasonable estimate instead of computing it by present value technique. Further information required by paragraph 121(g) relating to discount rate used need not be disclosed.	
AS 29	Provisions, Contingent Liabilities and Contingent Asset	Yes	Yes
		Relaxation for SMCs and Level II & III Enterprises in respect of Paragraph 66 and 67 relating to disclosures for amount and description for each class of provision.	

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

AS 30	Financial Instruments: Recognition and Measurement	
AS 31	Financial Instruments Presentation	
AS 32	Financial Instruments: Disclosure These Standards are not mandatory but earlier adoption is encouraged	

Note: 1 Accounting Standards formulated by the ICAI do not apply to an NPO if no part of the activity of such entity is commercial, industrial or business in nature. The standards would apply even if a very small portion of activities is considered to be commercial, industrial or business in nature. Nevertheless, it is recommended that all the organization should follow the Accounting Standards.

Note: 2 List of Accounting Standards generally applicable to NPO are AS-1, AS-5, AS-6, AS-9, AS-10, AS-11, AS-12, AS-13, AS-17, AS-18, AS-26, AS-29.

Chapter 5

IFRS & Indian Accounting Standards converged with International Financial Reporting Standards (henceforth called Draft IND AS)

India, one of the fastest growing global economies is on the verge of converging with International Financial Reporting Standards (IFRS). As on date 123 countries across the globe have converged with IFRS, India is expected soon to join this league.

IFRS Foundation is the new name of the IASC (International Accounting Standard Committee) Foundation. The name change formally took effect on 1 July 2010. A non-profit-organization, IFRS Foundation is the legal entity under which the IASB operates.

Historical Back Ground

Year 1966 & 1967: Initiative taken for form International Study Group comprising the Institute of Chartered Accountants of England & Wales (ICAEW), American Institute of Certified Public Accountants (AICPA) and Canadian Institute of Chartered Accountants (CICA).

As a result, the Accountants International Study Group (AISG) was set up in 1967, which published papers on important topics.

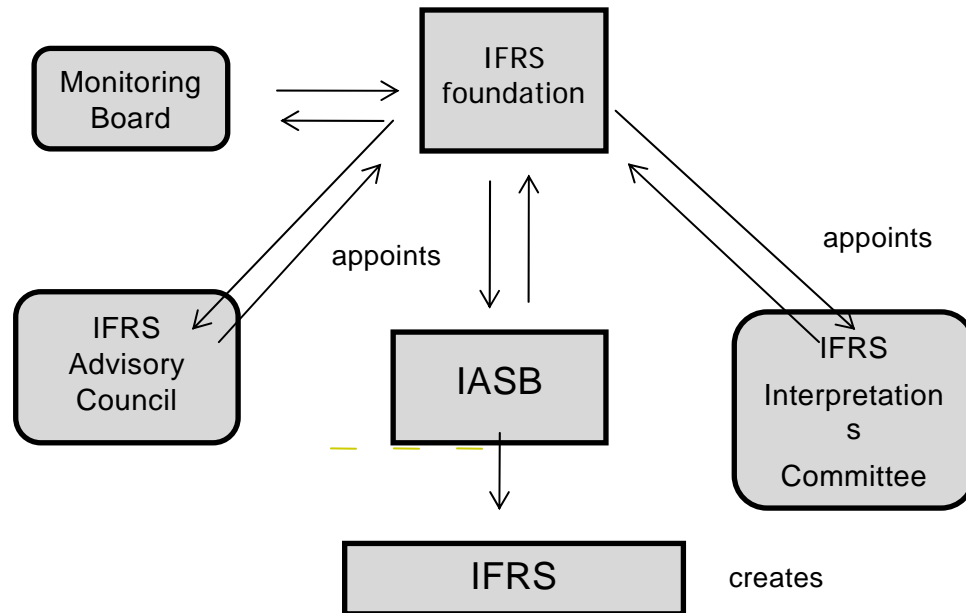
Year 1973: International Accounting Standards Committee (IASC) formed to release new international standards and its implementation world-wide. Standards issued are called International Accounting Standards (IAS). From 1973 to 2000 41 nos IAS has been issued.

Year 2001: IASC was restructured and the International Accounting Standards Board (IASB) came into existence. It adopted all the 41 nos IAS issued by IASC.

Any new standards to be published by IASB in a series will be called International Financial Reporting Standards (IFRS).

The working of the IASB (International Accounting Standard Board) can be diagrammatically depicted as follows:

Harmonization of Accounting Practices for Co-Operative & NPO Sectors



Standards and Interpretations adopted by the International Accounting Standards Board (IASB). Comprises: [All together: 66 (including those effective from 01.01.2013)]

- a. International Financial Reporting Standards (IFRS) – Total: 13 nos
- b. International Accounting Standards; and (IAS) – Total: 28
- c. Interpretations developed by the IFRS Interpretations Committee (IFRIC)- Total :16 and
- d. Former Standing Interpretations Committee (SIC)- Total :9

List of IFRS (International Financial Reporting Standards)

1	IFRS 1	First – time Adoption of International Financial Reporting Standards
2	IFRS 2	Share-based Payment
3	IFRS 3	Business Combinations
4	IFRS 4	Insurance Contracts
5	IFRS 5	Non-current Assets Held for Sale and Discontinued Operations

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6	IFRS 6	Exploration for and evaluation of Mineral Resources
7	IFRS 7	Financial Instruments: Disclosures
8	IFRS 8	Operating Segments
9	IFRS 9	Financial Instruments (This standard will replace IAS 39 Financial Instruments: Recognition and Measurement on being updated completely)
10	IFRS 10	Consolidated Financial Statements
11	IFRS 11	Joint Arrangements
12	IFRS 12	Disclosure of Interests in Other Entities
13	IFRS 13	Fair Value Measurement

List of IAS (International Accounting Standards)

1	IAS 1	Presentation of Financial Statements
2	IAS 2	Inventories
3	IAS 7	Statement of Cash Flows
4	IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
5	IAS 10	Events After the Reporting Period
6	IAS 11	Construction Contracts
7	IAS 12	Income Taxes
8	IAS 16	Property, Plant and Equipment
9	IAS 17	Leases
10	IAS 18	Revenue
11	IAS 19	Employee Benefits
12	IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
13	IAS 21	The Effects of Changes in Foreign Exchange Rates
14	IAS 23	Borrowing Costs
15	IAS 24	Related Party Disclosures
16	IAS 26	Accounting and Reporting by Retirement Benefit Plans
17	IAS 27	Consolidated and Separate Financial Statements (w.e.f 1 st January 2013)
18	IAS 28	Investments in Associates and Joint Ventures (w.e f. 1 st

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		January 2013)
19	IAS 29	Financial Reporting in Hyperinflationary Economies
	IAS 31	Interest in Joint Ventures (w.e.f 1 st January 2013)
20	IAS 32	Financial Instruments: Presentation
21	IAS 33	Earnings Per Share
22	IAS 34	Interim Financial Reporting
23	IAS 36	Impairment of Assets
24	IAS 37	Provisions, Contingent Liabilities and Contingent Assets
25	IAS 38	Intangible Assets
26	IAS 39	Financial Instruments: Recognition and Measurement
27	IAS 40	Investment Property
28	IAS 41	Agriculture

List of IFRIC Interpretations (Interpretations of International Financial Reporting Standards Interpretations Committee)

1	IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
2	IFRIC 2	Members' Share in Co-Operative Entities and Similar Instruments
3	IFRIC 4	Determining whether an Arrangement contains Lease
4	IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
5	IFRIC 6	Liabilities arising from Participation in a Specific Market-Waste Electrical and Electronic Equipment
6	IFRIC 7	Applying restatement approach under IAS 29
7	IFRIC 10	Interim Financial Reporting and Impairment
8	IFRIC 12	Service Concession Arrangements
9	IFRIC 13	Customer Loyalty Programmes
10	IFRIC 14	IAS 19- The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction
11	IFRIC 15	Agreements for the Construction of Real Estate
12	IFRIC 16	Hedges of a Net Investment in a Foreign Operation
13	IFRIC 17	Distribution of Non – Cash assets to owners

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14	IFRIC 18	Transfer of assets from customers
15	IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
16	IFRIC 20	Stripping Costs in the Production Phase

List of SIC Interpretations (Interpretations of Standing Interpretations Committee)

1	SIC 7	Introduction of the EURO
2	SIC 10	Government Assistance- No Specific Relation to Operating Activities
	SIC 12	Consolidation- Special Purpose Entities- (w.e.f 1st January 2013
	SIC 13	Jointly Controlled Entities- Non Monetary Contribution by Venturers- (w.e.f 1st January 2013)
3	SIC 15	Operating Lease- Incentives
4	SIC 21	Income Taxes- Recovery of Revalued Non-Depreciable Assets
5	SIC 25	Income Taxes- Change in Tax Status of an Entity or its Shareholders
6	SIC 27	Evaluating the Substance of Transaction Involving the Legal Form of a Lease
7	SIC 29	Service Concession Arrangements: Disclosures
8	SIC 31	Revenue: Barter Transaction Involving Advertising Services
9	SIC 32	Intangible Assets- Web Site Costs

Total number of IFRS (w e f 1st January 2013) = 13+28+16+9 = 66

International Financial Reporting Standards (IFRS) and Indian Accounting Standards (AS) converged with IFRS (IND AS)

The Council of ICAI, in its 269th meeting decided to fully converge with IFRS from the accounting periods commencing on or after 1st April 2011. At initial stage, this convergence will be mandatory for listed and other public interest entities like banks, insurance companies, NBFCs, and large sized organizations with high turnover or annual income.

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The Ministry of Corporate Affairs in its press release dated 25.2.2011 notified 35 Indian Accounting Standards converged with International Financial Reporting Standards (henceforth called Draft IND AS) .

Ind ASs are the near final Indian Accounting Standards issued by Institute of Chartered Accountants of India and notified by the Government of India. All the 35 standards issued are converged with IFRS. The Ministry of Corporate Affairs will implement the IFRS converged Indian Accounting Standards in a phased manner after various issues including tax related issues are resolved with the concerned Departments. The date of implementation of the IND AS will be notified by the Ministry of Corporate Affairs at a later date.

These standards do not resemble IFRS. Both by presentation and measurement principles they are new set of accounting standards developed in the line of IFRS.

The newly revised Schedule VI which is completely based on IAS 1 is a clear evidence of being optimistic on convergence with IFRS.

IFRSs apply to the general purpose financial statements and other financial reporting by profit-oriented entities -- those engaged in commercial, industrial, financial, and similar activities, regardless of their legal form.

Entities other than profit-oriented business entities whether in public or private sector may also find IFRSs appropriate .However, a non-profit entity that states compliance with IFRS should comply with IFRS in full.

General purpose financial statements are those intended to serve users who do not have the authority to demand financial reports tailored for their own needs.

To meet that objective, financial statements provide information about an entity's:

Assets

Liabilities

Equity

Income and expenses, including gains and losses

Other changes in equity

Cash flows

Applicability of Accounting Standards for Co-Operative Societies...

This information, along with other information in the notes, assists users of financial statements in predicting the entity's future cash flows and, in particular, their timing and certainty.

Necessity of Convergence

Since various Indian entities are going global and various foreign entities are coming to India through Foreign Direct Investment, Acquisition and Merger and other different routes Converging with IFRS will have multiple benefits for Indian and in coming foreign entities. Some of the benefits of convergence with IFRS are as follows:

- a) Accessibility to foreign capital markets
- b) Reduced Cost
- c) Enhance Comparability
- d) Boon for multinational group entities
- e) New Opportunities for the professionals

List of near final Indian Accounting Standards (Ind ASs) finalised by the Council of the ICAI and sent to the National Advisory Committee on Accounting Standards (NACAS) is given below along with comparison with IFRS

Sr No	Ind As	Title	IFRS	Comparison
1	Ind AS 101	First-time Adoption of Indian Accounting Standards	IFRS 1	Some differences observed.
2	Ind AS 102	Share based Payment	IFRS 2	No significance differences observed.
3	Ind AS 103	Business Combinations	IFRS 3	Some differences observed.
4	Ind AS 104	Insurance Contracts	IFRS 4	No significance differences observed.
5	Ind AS 105	Non current Assets Held for Sale and Discontinued Operations	IFRS 5	No significance differences observed.

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6	Ind AS 106	Exploration for and Evaluation of Mineral Resources	IFRS 6	Some differences observed.
7	Ind AS 107	Financial Instruments: Disclosures	IFRS 7	Some differences observed.
8	Ind AS 108	Operating Segments	IFRS 8	No significance differences observed.
9	Ind AS 1	Presentation of Financial Statements	IAS 1	Some differences observed.
10	Ind AS 2	Inventories	IAS 2	No significance differences observed.
11	Ind AS 7	Statement of Cash Flows	IAS 7	Some differences observed.
12	Ind AS 8	Accounting Policies, Changes in Accounting Estimates and Errors	IAS 8	No significance differences observed.
13	Ind AS 10	Events after the Reporting Period	IAS 10 IFRIC 17	No significance differences observed.
14	Ind AS 11	Construction Contracts	IAS 11 IFRIC 12,15	Some differences observed.
15	Ind AS 12	Income Taxes	IAS 12- SIC 21,25	No significance differences observed.
16	Ind AS 16	Property, Plant and Equipment	IAS 16 IFRIC 1	No significance differences observed.
17	Ind AS 17	Leases	IAS 17 IFRIC 4 SIC15, 27	No significance differences observed.
18	Ind AS 18	Revenue	IAS 18 IFRIC 13,18	No significance differences observed.

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			SIC 29, 31	
19	Ind AS 19	Employee Benefits	IAS 19 IFRIC 14	Some differences observed.
20	Ind AS 20	Accounting for Government Grants and Disclosure of Government Assistance	IAS 20 - SIC10	Some differences observed.
21	Ind AS 21	The Effects of Changes in Foreign Exchange Rates	IAS 21	Some differences observed.
22	Ind AS 23	Borrowing Costs	IAS 23	No significance differences observed.
23	Ind AS 24	Related Party Disclosures	IAS 24	No significance differences observed.
24	Ind AS 27	Consolidated and Separate Financial Statements	IAS 27, SIC 12	Some differences observed.
25	Ind AS 28	Investments in Associates	IAS 28	Some differences observed.
26	Ind AS 29	Financial Reporting in Hyperinflationary Economies	IAS 29 IFRIC 7	No significance differences observed.
27	Ind AS 31	Interests in Joint Ventures	IAS 31, SIC 13	Some differences observed.
28	Ind AS 32	Financial Instruments: Presentation	IAS 32	Some differences observed.
29	Ind AS 33	Earnings per Share	IAS 33	Some differences observed.
30	Ind AS 34	Interim Financial Reporting	IAS 34 IFRIC 10	No significance differences observed.
31	Ind AS 36	Impairment of Assets	IAS 36	No significance

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				differences observed.
32	Ind AS 37	Provisions, Contingent Liabilities and Contingent Assets	IAS 37 IFRIC 5,6	No significance differences observed.
33	Ind AS 38	Intangible Assets	IAS 38-SIC 32	No significance differences observed.
34	Ind AS 39	Financial Instruments: Recognition and Measurement	IAS 39 IFRIC 9,16,19	Some differences observed.
35	Ind AS 40	Investment Property	IAS 40	Some differences observed.

IFRS For Small and Medium-sized Entities (SMEs)

A small and Medium-sized Entity does not have **public accountability**, and does not publish general purpose financial statements for external users.

Here **external users** include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies.

An entity has **public accountability** if:

- (a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
- (b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.

Listed companies, no matter how small, may not use the IFRS for SMEs.

A subsidiary whose parent or group uses full IFRSs may use the IFRS for SMEs if the subsidiary itself does not have public accountability.

If we compare IFRS not applicable for SMEs with IND AS, the following IND AS should not be applicable to SMEs.

Applicability of Accounting Standards for Co-Operative Societies...

Sr No	Ind As	Title	IFRS	Comparison
1	Ind AS 33	Earnings per Share	IAS 33	Some differences observed.
2	Ind AS 34	Interim Financial Reporting	IAS 34 IFRIC 10	No significance differences observed.
3	Ind AS 104	Insurance Contracts	IFRS 4	No significance differences observed.
4	Ind AS 105	Non-current Assets Held for Sale and Discontinued Operations	IFRS 5	No significance differences observed.
5	Ind AS 107	Financial Instruments: Disclosures	IFRS 7	Some differences observed.
6	Ind AS 108	Operating Segments	IFRS 8	No significance differences observed.

Chapter 6

Accounting Requirement from Income Tax and Other Regulatory Angles

Defination of Charitable Purpose under Income Tax Act

Section 2(15) of the Income Tax Act – which is applicable uniformly throughout the Republic of India – defines ‘charitable purpose’ to include ‘relief of the poor, education, medical relief and the advancement of any other object of general public utility’. A purpose that relates exclusively to religious teaching or worship is not considered as charitable. Thus, in ascertaining whether a purpose is public or private, one has to see if the class to be benefited, or from which the beneficiaries are to be selected, constitute a substantial body of the public. A public charitable purpose has to benefit a sufficiently large section of the public as distinguished from specified individuals. Organisations which lack the public element – such as trusts for the benefit of workmen or employees of a company, however numerous – have not been held to be charitable. As long as the beneficiaries of the organisation comprise an uncertain and fluctuating body of the public answering a particular description, the fact that the beneficiaries may belong to a certain religious faith, or a sect of persons of a certain religious persuasion, would not affect the organisation’s ‘public’ character.

Whether a trust, society or section-25 company, the Income Tax Act gives all categories equal treatment, in terms of exempting their income and granting 80G certificates, whereby donors to non-profit organisations may claim a rebate against donations made. Foreign contributions to non-profits are governed by Foreign Currency (Regulation) Act 2010 and Foreign Contribution (Regulation) Rules, 2011.

Method of Accounting under Income Tax Act 1961

Under Section 145 of the Income Tax Act, the Central Govt notifies the following accounting standards to be followed by all assesses following the mercantile system of accounting, namely :

- A. Accounting Standard TAX AS-I Disclosure of Accounting Policies.
- B. Accounting standard TAX AS-II Disclosure of Prior Period and Extraordinary items and changes in Accounting Policies

(For Notification see Annex: VI)

Accounting Requirement from Income Tax and Other Regulatory Angles

Proposed New tax accounting standards under Income Tax Law for 2012-13 :

From 2012-2013 onwards, companies may have to file their income-tax return as per the standards laid down by the Central Board of Direct Taxes (CBDT). The new standards will reduce the discretion which is currently available with the taxpayers under the standards prescribed by the Institute of Chartered Accountants of India (ICAI), thus bringing down chances of litigation with the tax department.

The Tax Accounting Standards, however, will be applicable only to computation of taxable income under the Income Tax Act. A CBDT committee, in its draft report submitted recently, has suggested that separate books of account are not required to be maintained under the Tax Accounting Standards, thus reducing the compliance burden on businesses. The committee has adopted as many as seven out of 28 standards issued by ICAI. Its report is likely to be released soon for inviting public comments.

There will be a system of computing income by providing for specific treatments/ a particular manner for computation of income. ICAI standards provide for certain options / too many alternatives. For example, there is lot of litigation about treatment of government grant. The CBDT panel has proposed that it should be treated as income and if it is treated as capital then one should account for depreciable asset.

Computation of income is a major area of disputes between the tax department and the taxpayers. About 2 lakh crore of the amount is locked up in appeals. The standards may affect sectors such as real estate, construction, and treatment of contracts, government grants, and foreign exchange treatment.

The proposed standards also provide that in case of a conflict between the Income Tax Act and the tax accounting standards, the law would prevail.

Specific requirement of the Foreign Contribution Regulation Act, 2010 and Foreign Contribution (Regulation) Rules 2011 and Forms

Foreign contribution is now regulated under the provisions of the Foreign Contribution (Regulation) Act, 2010 (FCRA, 2010) and the Foreign Contribution (Regulation) Rules, 2011 (FCRR, 2011). Both FCRA, 2010 and FCRR, 2011 have come into force simultaneously with effect from 1st May, 2011.

More stringent provisions have been made over the previous Act and Rules to prevent mis-utilisation of the foreign contribution and to regulate and

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

ensure that the receipt and utilisation of foreign contribution by institutions, Associations and other voluntary organizations as well as acceptance of foreign hospitality by individuals working in important areas of national life (like judges, public servants, office bearers of political parties, members of legislature, etc.) is in a manner consistent with India's values as a sovereign democratic republic and foreign contribution is utilized for bonafide activities without compromising on concerns for national security.

Section 11 of the Act provides that no Association having a definite cultural, economic, educational, religious or social programme can receive foreign contribution without seeking registration or prior permission from the Central Government.

Association receives and utilises the foreign contributions through its bank account exclusively opened for the purpose in accordance with the provisions of FCRA, 2010 and FCRR, 2011 and that foreign contribution is not deposited or utilised from the bank account being used for domestic funds

Such Associations are required to submit annual accounts (duly audited) in the prescribed form to the Central Government within nine months of the closure of the financial year i.e. by the 31st December of the subsequent financial year.

The information includes details of receipt and utilization of foreign contribution along with the corresponding Balance Sheet and the Receipts & Payments Account duly audited by a Chartered Accountant. A certificate from a Chartered Accountant that the accounts of the Association have been maintained as prescribed by the Act is mandatory.

A Monitoring Unit in the FCRA Wing has been designated to monitor the receipt and utilization of foreign contribution. This is done through a scrutiny of the audited annual returns in the prescribed forms filed by the Associations and wherever necessary, through scrutiny of accounts is done in respect of some randomly selected Associations and such Associations which are reported upon adversely by the field agencies a detailed inspection of the books of accounts and the records of the Association under Section 23 is conducted where prima facie violation of the provisions of FC(R) Act, 2010 is established. These inspections have twin objectives – one, to educate the Associations in respect of bonafide errors and two, to detect and prosecute willful violators.

Accounting Requirement from Income Tax and Other Regulatory Angles

As per the Annual Report of 2009-10 Ministry of Home Affairs Foreigners Division, FCRA Wing there are around 38,436 Associations registered under Foreign Contribution Regulation Act, (2009-10). Foreign contribution received by 21508 associations (2009-10) is around ₹10,338 Cr.

Details of the number of Associations which reported receipt of foreign contribution and the amount of foreign contribution received by them during 2009-10 in 15 major recipient States/Union Territories is given in **Annex:VII**

Proposed Direct Tax Code 2010

The Union Cabinet has approved the proposed Direct Tax Code and date of implementation yet to be announced.

Maintenance of accounts audit and other related matters

Every person shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income in accordance with the provisions of this Code.

Every person, who is required to keep and maintain books of account shall get his accounts for the financial year audited—

- (a) where the person is carrying on any profession, the gross receipts of the profession exceed twenty-five lakh rupees in the financial year;
- (b) where the person is carrying on any business, the total turnover or gross receipts, as the case may be, of the business exceed one crore rupees in the financial year;

(2) The audit of the accounts referred to in sub-section shall be carried out by an

Accountant (i.e. Chartered Accountant) and the report of audit obtained before the due date.

Method of Accounting

(1) The income chargeable under the head “Income from business” or “Income from residuary sources” shall, except as otherwise provided in this section, be computed in accordance with either cash or mercantile system of accounting regularly employed by the person.

(2) The Central Government may from time to time notify accounting standards to be followed by any class of persons or in respect of any class of income.

NPO and proposed Direct Tax Code 2010

- There are some harsh clauses in the Direct Tax Code (DTC) about NPOs. If the proposed DTC is enacted, then the NPO sector will be very adversely impacted
- NPOs have to follow Cash Basis of accounting. However section 25 companies can follow mercantile basis of accounting.
- 10% of gross receipts or 15% of income, whichever is higher, will not be taxed provided it is spent in next 3 years. In other words, 85% of income or 90% of gross receipts will be taxed if not spent during the year.
- Any surplus from receipt and cash expenditure during the year will be taxable @15%.
- NPOs can not transfer any amount to their corpus without paying taxes. Currently 15% of income can be accumulated indefinitely.
- The term “Charitable Purpose” has been retained in line of Income Tax Act
- The government can notify some NPO as exempt entity.
- Religious organisations are also included.
- All receipts except loan and corpus donation shall be considered as part of income.
- The proposed DTC does not allow depreciation as an expenditure towards charitable purposes .NPOs to protect the erosion in capital and assets by allowing legitimate depreciation.
- If the NPO is unable to spend the income during the year, then it can only accumulate 15% of income to be spent in the next 3 years.
- Anonymous donation will be exempted to the extent of 5% or 1 lakh rupees whichever is higher. The remaining amount will be taxed @30%.
- The funds or assets shall not be used for the benefit of interested persons whether directly or indirectly.
- The proposed DTC provides that all NPOs are compulsorily required to have welfare activities every year. If an NPO does not have charitable activity, then it will not be considered as an NPO for that year. Further, if such NPO does not have activity in two out of four preceding years then its entire net worth will be subjected to tax at the rate of 30%.

Chapter 7

Co-Operative and Non-Profit Organisations and Corporate Social Responsibility

Now a days the concept of Corporate Social Responsibility has gained immense importance. Mahatma Gandhi called it trusteeship. For attaining Inclusive Growth the corporate culture should be more humane and justice should prevails above all. The integration of business operations and values whereby the interests of all stakeholders including customers, employees, investors, and the environment should be imbedded in the company's policies and actions.

Corporate Social Responsibility resting on the foundation of Business Ethics. Ethics' is 'a set of principles of right conduct'. Business ethics is the application of these principles in a business environment. Recent high profile corporate collapses have contributed to public mistrust and the demand for improved corporate governance, accountability and transparency;

The trend in developed nations is to support the reporting of CSR without introducing legislation to mandate CSR practices, instead, governments appear to be content relying on initiatives introduced and championed by NGOs But there is no legislation of reporting of CSR and CSR practices.

Organisations, such as the United Nations, the Organisation for Economic Co-operation and Development (OECD) and the International Labour Organisation (ILO), have developed compacts, declarations, guidelines, principles and other instruments that outline norms for acceptable corporate conduct. Since most of the standards/guidelines are voluntary in nature implementation and their reporting is optional .

There are several reporting standards followed internationally for measuring the social impact of corporate actions in the normal course of business so far as those are linked with its social responsibility. Some of the International Corporate Social Responsibility Standards are as follows:

1. **International Organisation for Standardization - ISO 26000:** It was released on 1 November 2010.mIt does not contain requirements and, therefore, in contrast to ISO management system standards, is not certifiable. ISO 26000:2010 provides guidance to all types of organizations, regardless of their size or location

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

2. Global Reporting Initiative (GRI) - G3.1 Guidelines

The GRI Sustainability Reporting Framework consists of the Sustainability Reporting Guidelines, Sector Supplements, National Annexes, and the Boundary and Technical Protocols.

The G3.1 Sustainability Reporting Guidelines are the latest and most complete version. Launched in 2011, G3.1 completes the content of the G3 Guidelines released in 2006. G3.1 features expanded guidance on local community impacts, human rights and gender. While G3-based reports are still accepted, GRI recommends that reporters use G3.1, the most comprehensive reporting guidance available today.

The fourth generation of Guidelines – G4 – are currently in development and will be launched in May 2013

3. Social Accountability International (SAI) - SA 8000

SA8000 is a global social accountability standard for decent working conditions, developed and overseen by Social Accountability International (SAI).

Social Accountability International (SAI) is an independent, non-Governmental, not-for-profit organization that promotes the human rights of workers through the implementation of its SA8000 standard.

The SA8000 standard is based on the principles of the International Labour Organization (ILO) Conventions, the United Nations Convention on the Rights of the Child, and the Universal Declaration of Human Rights.

The key features of this Standard are:

- The application of the SA8000 standard is not restricted to any particular sector, product group or service activity.
- SA8000 is a process-type standard not a product-type standard. There is no seal or label on the goods produced by companies certified against the standard.
- SA8000 integrates nine core elements: child labour, forced labour, health and safety, freedom of association and right to collective bargaining, discrimination, discipline, working hours, compensation and management systems.
- SA8000 requirements apply universally, regardless of a company's size, its geographic location or industry sector.

4. The Institute for Social and Ethical Accountability (ISEA) (also known as Accountability) – AA 1000 Standard for Ethical Performance

Accountability 1000 (AA1000) is the work of ISEA - the Institute for Social and Ethical Accountability. ISEA (also known as Accountability) is an international membership organisation, based in the UK. It exists to encourage ethical behaviour in business and non-profit organisations.

AA1000 is promoted as a standard for the measuring and reporting of ethical behaviour in business. It provides a framework that organisations can use to understand and improve their ethical performance, and a means for others to judge the validity of claims to be ethical.

5. 'Triple Bottom Line' (TBL) is used as a framework for measuring and reporting corporate performance against economic, social and environmental parameters. Companies should prepare three different (and quite separate) bottom lines. One is the traditional measure of corporate profit—the “bottom line” of the profit and loss account. The second is the bottom line of a company’s “people account”—a measure in some shape or form of how socially responsible an organisation has been throughout its operations. The third is the bottom line of the company’s “planet” account—a measure of how environmentally responsible it has been. The triple bottom line (TBL) thus consists of three Ps: profit, people and planet. It aims to measure the economic, social and environmental performance of the corporation over a period of time. Only a company that produces a TBL is taking account of the full cost involved in doing business

Millennium Development Goals

The Millennium Development Goals (MDGs) are 8 international development goals that all 192 United Nations member States and at least 23 international organizations have agreed to achieve by the year 2015. There are 8 MDGs with 21 targets. These targets have one or more indicators that can be used to measure progress against the MDGs.

The 8 MDGs are:

GOAL 1: ERADICATE EXTREME POVERTY & HUNGER

GOAL 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION

GOAL3: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN

GOAL 4: REDUCE CHILD MORTALITY

GOAL 5: IMPROVE MATERNAL HEALTH

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

GOAL 6: COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES

GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY

GOAL 8: DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT

Incorporating these Millenium Development Goals into corporate practices, can serve the purpose of Corporate Social Responsibility.

CSR – Indian Scenario

Business involvement in social welfare and development has been a tradition in India and its evolution from individuals' charity or philanthropy to Corporate Social Responsibility, Corporate Citizenship and Responsible Business can be seen in the business sector over the years. The concept of parting with a portion of one's surplus wealth for the good of society is neither modern nor a Western import into India. From around 600BC, the merchant was considered an asset to society and was treated with respect and civility as is recorded in the Mahabharata and the Arthashastra.

The Indian government has been trying to make CSR mandatory for companies to spend at least 2% of net profits on CSR. Facing strong criticism, it gave up the effort and made the spending voluntary. However in the recent Companies Bill 2011(Parliament approved it on 04.10.12) the government has again propagated the concept of CSR and asks that companies keep tabs on CSR spending and disclose it to their principal stakeholders.

In the Bill it is proposed that Companies with a Turnover of ₹1000 Cr, Net Profit of ₹5 Cr or Net Worth of ₹500 Cr mandatorily spend 2% of their profits on CSR while leaving to companies to decide where to spend the fund.

Chapter 8

Harmonizing Accounting Practices of Co-Operative Societies and NPO

There are diverse accounting practices followed by Co-Operative Societies and NPOs. The Multi-State Co-Operative Societies Act prescribes that every profit and loss account and balance sheet shall comply with the standards of accounting recommended by the Institute of Chartered Accountants of India as may be prescribed by the Government. The Act also provides that every Balance Sheet and Profit and Loss Account give a true and fair view of the state of the affairs/ Profit and Loss position.

Most of the state Co-Operative acts Societies registration act trust acts remain silent about maintaining accounts following the accounting standards prescribed by the Institute of Chartered Accountants of India. It also remain silent about presenting true and fair view of the state of affairs in respect of Balance Sheet and true and fair view of the profit and loss (Income & Expenditure) in respect of Profit and Loss (Income & Expenditure) of the entity.

(Extract of Scope of Accounts and Audit formalities under different Co-Operative Societies Acts and Rules given in **(Annex: VIII)**)

Very few state acts for Co-operatives/NPOs prescribe for standard format for presenting the Annual Accounts of the entity. Under such circumstances a specimen format of presenting the Balance Sheet, Profit & Loss A/c (Income & Expenditure A/c) Cash Flow Statement and Significant Accounting Policies and Notes on Accounts are suggested which can be followed by Co-Operative Societies and NPOs. The general guidelines regarding different terms and accounting principles are also given. **(Annex: IX)**

Freedom of some of the following traditional practices followed by Co-operatives and NPO since inception should be allowed to continue . For example :

- Horizontal presentation of Balance Sheet and Profit & Loss A/c (Income & Expenditure Account) instead of Vertical Form as suggested in revised Schedule VI of Companies Act.
- Publishing annual accounts in regional languages.

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

- Sundry Debtors and Sundry Creditors terms are preferred rather than Trade Receivable and Trade Payable.
- Cash and Bank balances instead of Cash and Cash Equivalents.

Chapter 9

Comparison between a Co-Operative Society and NPO

Particulars	Co-Operative Society		Not-for Profit Organisaion		
	State Co-op	Multi-State Co-op	Sec 25 Company	Society	Trust
1.Statute	Indian Co-Operative Societies Act 1912 OR State Co-Operative Societies Act (Note:1)	Multi-State Co-Operative Societies Act 2002	Companies Act 1956	Societies Registration Act, 1860 (Most States adopted this Act with some variations)	Indian Trust Act 1882 OR Charitable Endowmen ts Act, 1890 OR Bombay Public Trusts Act, 1950 OR similar other State Acts.
2. Jurisdiction	Registrar of Co-Operative Societies for the State and includes any officer empowered to exercise the powers of the Registrar	Central Registrar of Co-operative Societies and includes any officer empowered to exercise the powers of the Central Registrar	Registrar of Companies	Registrar of Societies (Charity commiss- ioner in Maharashtra).	Dy Registrar/ Charity Commiss- ioner
3. Is registration	Yes	Yes	Yes	Not <u>Necessarily</u>	Not necessarily

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

Particulars	Co-Operative Society		Not-for Profit Organisaion		
	State Co-op	Multi-State Co-op	Sec 25 Company	Society	Trust
compulsory					
4. Legal Entity	It is a body corporate.	It is a body corporate.	It is a body corporate.	Registered Society is a <u>legal entity.</u>	Registere d Trust Is a legal entity
5.Objects	Promotion of economic interest of its members in accordance with Co-Operative principles	Objects not confined to one State and serving the interests of members in more than one State, to facilitate the voluntary formation and democratic functioning of Co-operatives as people's institutions based on self-help and mutual aid and to enable them to promote their economic	Promoting commerce, art, science, religion, charity or any other useful object	Promotion of literature, arts, science, religion, any charitable purpose including the care or relief of orphans, aged, sick, helpless or indigent persons, alleviation of the sufferings of the animals, diffusion of knowledge, education, establishmen t and maintenance of libraries or reading rooms, collection and	

Comparison between a Co-Operative Society and NPO

Particulars	Co-Operative Society		Not-for Profit Organisaion		
	State Co-op	Multi-State Co-op	Sec 25 Company	Society	Trust
		and social betterment and to provide functional autonomy and for matters connected there with or incidental thereto.		preserva-tion of manu-scripts, paintings, sculptures, works of arts, antiquities, natural history specimens, mechanical and scientific instruments and design, formation of Khadi and Village Industry, Rural Develop-ment, protect the environment etc and other object as may be notified by the state govt .	
6. Main Documents	By laws	By laws	Memorandum and Articles of Association	Memorandu m of Association and Rules	Trust Deed

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

Particulars	Co-Operative Society		Not-for Profit Organisaion		
	State Co-op	Multi-State Co-op	Sec 25 Company	Society and Regulations	Trust
7. Minimum no of Members	<p>a. 10 individuals from different families in case of a primary co-op society</p> <p>b. 5 Co-op societies in case of Federal Co-op society</p> <p>The State Govt may prescribe the minimum no of members</p>	<p>a. If all members are individual by at least fifty persons from each of the State concerned;</p> <p>b. If members are Co-op societies, at least five such societies as are not registered in the same State.</p> <p>c. If another Multi-State Co-op society and other Co-op societies are members, provided</p>	<p>Minimum 2 Shareholders (for Private Limited Co.) and 7 Shareholders (for Public Limited Co.), No upper limit</p>	<p>Minimum 7, No upper limit</p>	<p>Minimum 2, No upper limit</p>

Comparison between a Co-Operative Society and NPO

Particulars	Co-Operative Society		Not-for Profit Organisaion		
	State Co-op	Multi-State Co-op	Sec 25 Company	Society	Trust
		<p>that not less than two of the Co-op societies referred to in this clause, shall be such as are not registered in the same state;</p> <p>d. In case of a Multi-State Co-op society of which the members are Co-op Societies or Multi-State Co-op Societies and individuals, by at least (i) fifty persons, being individuals, from each of the two States or</p>			

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

Particulars	Co-Operative Society		Not-for Profit Organisaion		
	State Co-op	Multi-State Co-op	Sec 25 Company	Society	Trust
		more; and (ii)one Co-op society each from two States or more or one Multi-State Co-op Society			
8.Managemnt	Jointly owned and controlled	Board of Directors	Board of Directors /Managing Committee	Governing Body	Trustee
9.Annual Compliance	1.Communicati on to Registrar for any changes 2.		1.Audited Accounts 2.Annual Report 3. Annual Return with Registrar of Companies 4.Importan t Resolutions	1.Sub-mission of Annual List of Managing Body 2.Audited Accounts as per State Acts and some States' act require audited accounts from a Chartered Accountants	1. Require-ment as per the State Acts under which it is registered.
10. True and fair view of Books of	In most of the State Acts it is not mentioned	a. Every balance sheet and	a. Every balance sheet and income	In most of the Central/ State Acts it is not mentioned but when a	

Comparison between a Co-Operative Society and NPO

Particulars	Co-Operative Society		Not-for Profit Organisaion		
	State Co-op	Multi-State Co-op	Sec 25 Company	Society	Trust
Accounts	but when a Chartered Accountant is doing the attestation function on the annual accounts, he has to opine about the true and fair view of the accounts he is attested.	profit and loss account shall give a true and fair view of the state of affairs as at the end of the financial year and of the profit and loss account for the financial year respectively b. Every balance sheet and profit and loss account shall be in the form as may be prescribed by the Government or as near thereto as circumstanc es admit or in such other form as may be	and expenditure account shall give a true and fair view of the state of affairs as at the end of the financial year and of the income and expenditure for the financial year respectively b. Every balance sheet and income and expenditure account shall be in the form of Part I and Part II of Revised Schedule VI or as near thereto or as circumstance s admit or in such other form as may be approved by the	Chartered Accountant is doing the attestation function on the annual accounts, he has to opine about the true and fair view of the accounts he is attested.	

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

Particulars	Co-Operative Society		Not-for Profit Organisaion		
	State Co-op	Multi-State Co-op	Sec 25 Company	Society	Trust
		approved by the Government either generally or in any particular case.	Central Government either generally or in any particular case.		
11. Accounting Standards		Every profit and loss account and balance sheet shall comply with the standards of accounting recommended by the Institute of Chartered Accountants of India constituted under the Chartered Accountants Act, 1949 as may be prescribed by the Government .	Every income and expenditure account and balance sheet shall comply with the standards of accounting recommended by the Institute of Chartered Accountants of India constituted under the Chartered Accountants Act, 1949 as may be prescribed by the Central Government in	NPOs carrying on even a very small proportion of commercial, industrial or business activities are to follow Accounting Standards, formulated by the Institute of Chartered Accountants of India, and it is mandatory for the members of the Institute in the performance of their attest functions to mention any deviation.	

Comparison between a Co-Operative Society and NPO

Particulars	Co-Operative Society		Not-for Profit Organisaion		
	State Co-op	Multi-State Co-op	Sec 25 Company	Society	Trust
			consultation As far as non-company NPOs (including trusts, societies registered under the Societies Registration Act, 1860) carrying on even a very small proportion of commercial, industrial or business activities are concerned, as well as for Co-Operative Societies registered under Central/State Co-Operative Act Accounting Standards, formulated by the Institute of Chartered Accountants		

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

Particulars	Co-Operative Society		Not-for Profit Organisaion		
	State Co-op	Multi-State Co-op	Sec 25 Company	Society	Trust
			of India, are mandatory for the members of the Institute in the performance of their attest functions as per the relevant announcements made by the Institute of Chartered Accountants of India from time to time with the National Advisory Committee on Accounting Standards.		
12. Qualification of Auditors	Engagement of Chartered Accountant is not mandatory in the Central or most of the state acts. The by laws /articles of association	A person shall not be qualified for appointment as an auditor unless he is a chartered accountant within the	A person shall not be qualified for appointment as an auditor unless he is a chartered accountant within the meaning of	Engagement of Chartered Accountant is not mandatory in the Central or most of the state acts. The by laws /trust deed may cover this point.	

Comparison between a Co-Operative Society and NPO

Particulars	Co-Operative Society		Not-for Profit Organisaion		
	State Co-op	Multi-State Co-op	Sec 25 Company	Society	Trust
	may cover this point	meaning of the Chartered Accountants Act 1949 (38 of 1949).	the Chartered Accountants Act 1949 (38 of 1949).		
13. Audit Committee	No mention	No mention	Public Company having paid up capital of ₹ 5 Cr or more should have audit committee.	No mention	

Note: 1 In some state the Co-Operative Act is mentioned as Self-reliant Co-Operative Act e.g Jammu & Kashmir Self Reliant Co-Operative Act 1999 besides Jammu & Kashmir Co-Operative Societies Act 1989.

2. Various Union Territories adopted Indian Co-Operative Societies Act 1912.

Annexure I

NUMBER OF CO-OPERATIVE SOCIETIES AND MEMBERSHIP-ALL TYPES OF CO OPERATIVE SOCIETIES

(As on 31st March) Annex: I

	No. of societies			Membership ('000 no.)		
Year/State/						
Union Territory	Credit	Non-credit	Total	Credit	Non-credit	Total
1	2	3	4	5	6	7
2000-01	142723	408290	551013	152882	66057	218939
2001-02	146206	243874	390080	158488	50834	209322
2002-03	122475	251849	374324	149974	50680	200654
2003-04	120803	266581	387384	139502	51404	190906
2004-05	121866	266053	387919	144928	51284	196212
2004-05 State						
Andhra Pradesh	4701	4988	9689	18051	218	18269
Arunachal Pradesh	1	0	1	0	0	0
Assam	572	3501	4073	306	417	723
Bihar	5963	8046	14009	4469	756	5225
Chattisgarh	9	0	9	50	0	50
Goa	427	447	874	646	91	737
Gujarat	13305	45555	58860	4457	6294	10751
Haryana	2576	13023	15599	3595	1101	4696
Himachal Pradesh	2512	1787	4299	1116	110	1226
Jammu & Kashmir	5	0	5	73	0	73
Jharkhand	9	0	9	7	0	7
Karnataka	7827	19473	27300	10101	5575	15676
Kerala	3671	9343	13014	19428	16077	35505
Madhya Pradesh	1553	15379	16932	1260	982	2242
Maharashtra	46959	104182	151141	32382	8663	41045
Manipur	195	3769	3964	148	256	404
Meghalaya	305	718	1023	56	36	92
Mizoram	116	166	282	5	4	9
Nagaland	1	0	1	2	0	2

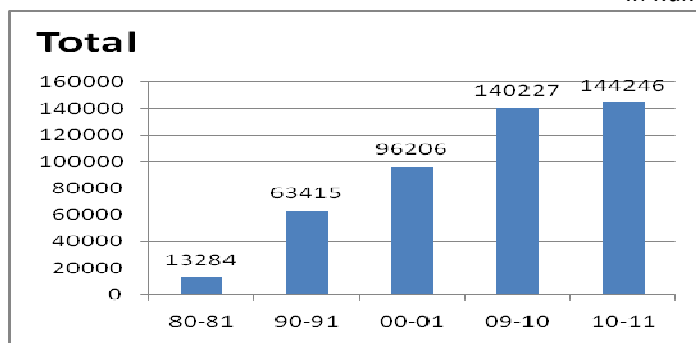
Comparison between a Co-Operative Society and NPO

Orissa	3378	3083	6461	3616	762	4378
Punjab	4628	10765	15393	3101	1009	4110
Rajasthan	6187	14705	20892	10375	1583	11958
Sikkim	159	94	253	16	11	27
Tamil Nadu	6691	5555	12246	14878	3122	18000
Tripura	288	1199	1487	373	83	456
Uttar Pradesh	8561	176	8737	15261	4045	19306
Uttarakhand	1081	0	1081	1002	0	1002
West Bengal	19	0	19	20	0	20
Union Territory:						
A. & N. Islands	1	0	1	18	0	18
Chandigarh	1	0	1	4	0	4
D. & N. Haveli	35	58	93	30	5	35
Delhi	1	17	18	2	0	2
Daman & Diu	0	0	0	0	0	0
Puducherry	129	24	153	80	84	164
Total	121866	266053	387919	144928	51284	196212
Source: National Bank for Agriculture and Rural Development						

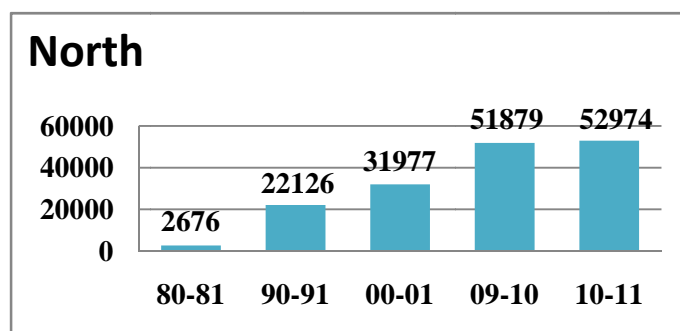
Annexure II

Daily Cooperative at A Glance

In numbers (*)

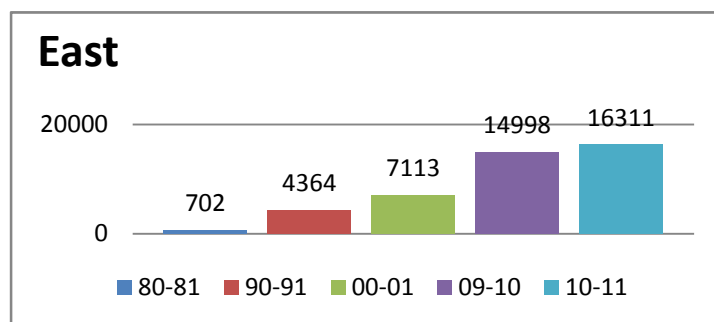


North	80-81	90-91	00-01	09-10	10-11
No. of Co-op	2676	22126	31977	51879	52974
Haryana	505	3229	3318	6881	7019
Himachal Pradesh		210	288	795	803
Jammi & Kashmir		105	**	**	**
Punjab	490	5726	6823	6904	7069
Rajasthan ***	1433	4976	5900	15956	16290
Uttar Pradesh	248	7880	15648	21343	21793



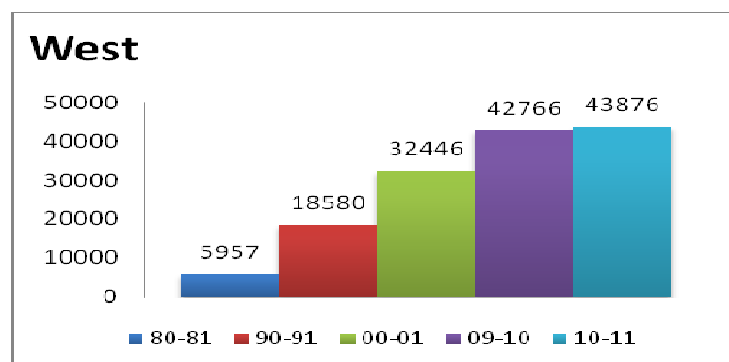
Annexures

East	80-81	90-91	00-01	09-10	10-11
No. of Co-op	702	4364	7113	14998	16311
Assam		117	125	66	145
Bihar	118	2060	3525	8299	9425
Jharkhad				50	53
Nagaland		21	74	47	49
Orissa		736	1412	3203	3256
Sikkim		134	174	287	287
Tripura		73	84	84	84
West Bengal	584	1223	1719	2962	3012

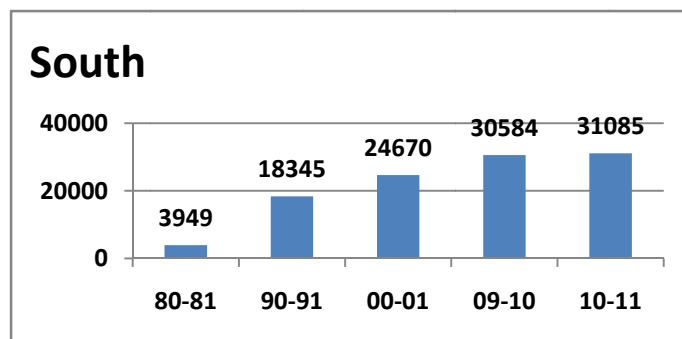


West	80-81	90-91	00-01	09-10	10-11
No. of Co-op	5957	18580	32446	42766	43876
Chhatisgarh				751	757
Goa		124	166	179	178
Gujarat	4798	10056	10679	13890	14347
Madhya Pradesh	441	3865	4877	5729	6216
Maharahtra	718	4535	16724	22217	22378

Harmonization of Accounting Practices for Co-Operative & NPO Sectors



South	80-81	90-91	00-01	09-10	10-11
No. of Co-op	3949	18345	24670	30584	31085
Andhra Pradesh	298	4766	4912	4911	4964
Karnataka	1267	5621	8516	11902	12273
Kerala		1016	2781	3632	3666
Tamil Nadu	2384	6871	8369	10038	10079
Pudcherry		71	92	101	103



*Source: Annual Report of National Dairy Development Board 2010-11.
 2010-11 Figures are provisional. ** Not reported ***Provisional

Annexure III

Specimen Bye-Laws Primary, Milk Producer's Co-Operative Society

1. Name, address and jurisdiction:
 - 1.1 The name of this Society shall be Milk Producers' Co-Operative Society Limited and its registered address shall be at Taluka District the District Registrar, Co-Operative societies, within thirty days.
 - 1.2 The Area of operation of the society shall be village/s.
- 2.0 The objective of the society shall be -
 - To undertake activities necessary for clean and quality milk production and to increase milk production per buffalo or cow and to give necessary guidance and assistance to the members/producers to carry out these activities.
 - To provide facilities for profitable marketing of milk only through the District Co-Operative Milk Producers' Union to which it is affiliated.
 - To undertake programmes in dairy extension and dairy husbandry aimed at improving rearing the breed and health of the animals.
 - To undertake the sale of balanced cattle feed and also to promote fodder cultivation leading to increase fodder availability and its efficient feeding to the milch animals.
 - To take up all other allied activities for carrying out the above objectives for the over all development of dairying.

Funds

- 3.0 Funds of the Society may be raised by -
 - Issue of shares
 - Entrance fees
 - Receiving deposits
 - from members
 - from non-members, but residing within the area of operation of the society

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

- Raising loans
- Donations, subsidies, grants and aids etc,

3.1 The authorised share capital of the society shall not exceed ₹ and the face value of the share shall be ₹ 10/- to be paid with the share application, or in installments as may be decided by the Managing Committee.

3.2 Amounts in fixed or current deposits may be received at such a rate of interest and for a period as may be decided by the Managing Committee. However, the rate of interest on fixed and saving deposits will be one percent less than the rate on similar deposits, offered by the banks.

3.2.1 The total amount of loans and deposits should not exceed twelve times the total of paid up share capital, accumulated reserve fund and building fund less the accumulated losses.

3.3 The fund of the society when not utilized shall be deposited as per the provision of the State Co-Operative Societies Act.

4.0 Membership

4.1 A milk producer is entitled to be a member if:

4.1.1 He is residing within the area of operation and has completed 18 years of age and is competent to contract.

4.1.2 His written application in the prescribed form for membership has been approved by the majority of the Managing Committee. (for this see Schedule-A)

4.1.3 He rears buffalo/cow for milk production and has supplied milk to the society for three consecutive months preceding the date of his application.

4.1.4 He or his family is not in the business of milk and milk products.

4.1.5 He has taken at least one share and paid an entrance fee of rupees one

4.1.6 He has agreed (in writing) to supply milk only to the society.

4.1.7 He is not bankrupt or is not legally disabled.

4.1.8 He is not criminally convicted for moral turpitude.

4.2 Those who have signed the original application for the registration of the society shall be exempted from bye-laws No.4.1.2.

4.3 A nominated person, authorised by a shareholder to receive the share and/or interest in the society after his death or his legal successor shall be exempted from bye-law No.4.1.2 provided the Managing Committee approves his application for membership and he possesses all the qualifications required for membership under these bye-laws.

4.4 The liabilities of a member shall not exceed any unpaid amount on share subscribed.

4.5 Any member -

- i) If he has dues with the society.
- ii) If he ceases to have any of the qualifications for membership prescribed in bye-law No.4.1 .
- iii) If he has supplied milk to the society for less than 180 days or 500 litres in the previous Co-Operative year.
- iv) If he has sold milk to any other agency other than society.

Shall not enjoy any other right in the society other than receiving bonus, dividend and other monetary benefits such as getting fodder seeds at subsidised rates etc.

4.6 Any member may withdraw from the society at any time by submitting his resignation to the Managing Committee and getting it approved. But such approval shall not be given while he is in debt to the society or he is a surety to another member. In case a member has no outstanding dues with the society or he is not a surety to another member, his resignation will be considered as accepted after one month from the date of his resignation even if the Managing Committee has not approved it.

Expulsion of Members

4.7 A member of the society may be expelled by a resolution passed by three fourth majority of the members entitled to vote from among those who are present at a General Meeting for the following reasons:

- 4.7.1 If he is a persistent defaulter.
- 4.7.2 If he willfully deceives the society by making false statements.
- 4.7.3 If he intentionally does any act likely to injure the reputation of the society.
- 4.7.4 If he persistently dishonors the suggestions and resolutions of the Managing Committee.

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

4.7.5 If he has a buffalo or cow in milk and sells milk to some other party or if he deals in sale and purchase of milk and milk products.

4.7.6 If he does not reside in the area of operation of the society regularly or ceases to possess any of the qualifications for becoming a member.

But before expelling a member he shall be given an opportunity to present his case before the General Meeting and the resolution of the General Meeting should meet with the approval as per the provision of the State Co-Operative Societies Act.

4.8 The membership of a person shall be treated as discontinued or he ceases to be a member on any one of the following reasons, but the concerned member or his nominee shall be informed of this decision within 15 days.

- On death
- By resignation, if his resignation is accepted by the Managing Committee
- If all shares belonging to him are transferred to another member
- If he is expelled from the society as per bye-law No.4.7.6
- If he is removed according to the provisions of the State Co-Operative Societies Act

4.8.1 When a person ceases to be a member, the society shall refund all his dues within six months (except in case of expulsion).

4.9 Application for share shall be made in writing and shall be disposed off by the Managing committee.

4.10 Share certificate/s having separate serial numbers shall be issued to every shareholder. Duplicate share certificate/s shall be issued in the event of loss or damage of the Share Certificate with the approval of the Managing Committee on the payment of Re 1/- per share against an indemnity bond to be furnished by the members.

4.11 If a shareholder fails to pay the share amount/installment of it as decided by the Managing Committee within 30 days, such share/s shall be forfeited as may be decided by the Managing Committee and the share amount of such forfeited share/s shall be credited to the reserve fund. However before forfeiting such shares, the shareholder shall be intimated in writing, 15 days in advance.

4.12 A member after holding share/s for one year with the approval of the Managing Committee can transfer his share/s to another member/s but for

this he shall have to apply 15 days in advance in the prescribed form showing the acceptance of the buyer of the share/s. Share transfer shall not be completed unless a transfer fee of 25 paise per share is paid to the society by the transferor and an entry is made in the share transfer register.

4.13 Share/s of members expelled as per bye-law No.4.7 shall be forfeited by a resolution of the General Meeting.

4.14 A member is entitled to receive back the amount worth the value of his share/s after completion of two years of his possession of the share/s but before making the claim the person shall have to give three months prior notice to the society. However the total amount of such refundable share capital shall not exceed one tenth of the total paid up share capital as shown on 30th June of the previous year.

4.15 No member shall have claim or any interest on the shares of the society exceeding one fifth of paid up share capital or ₹ 1000/- whichever is less.

4.16 Any member of the society can nominate any person except an employee or officer of the society authorising him to receive his share, interest and other dues from the society after his death. No fee shall be charged for the first such nomination, but thereafter for any transfer or change of nomination a fee of 25 paise shall be charged. Such nomination paper shall be signed by him in the presence of two witnesses.

4.17 On the death of any member the amount standing to his credit by way of share capital or others subject to deductions of account of his liabilities shall be paid to his heir nominated by him or in the absence of such nomination to any other person who according to the Managing Committee is entitled to receive the amount as heir or legal representative of the deceased member on his executing a deed of indemnity to the society. The amount of fixed deposit shall be paid back at the expiry of the period in such case.

5.0 General Meetings

5.1 The General Meeting of the society shall have the supreme powers subject to the State Co-Operative Societies Act, Rules and bye-laws. The first General Meeting of the society shall have the same powers as are herein given to the Annual General Meeting.

5.2 The Annual General Meeting shall be held within a period of three months after the end of the Co-Operative year. Its function shall be as under:

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5.2.1 To elect the Chairman of the meeting and to confirm the minutes of the last General Meeting.

5.2.2 To receive from the Managing Committee a report on the working of the society for the preceding year together with the statements of trading account, profit and loss account and balance sheet for the year and to sanction the appropriation and distribution of profit.

5.2.3 To declare the names of the Managing Committee members who are elected as per election rules of the society.

Note: This will not apply to the first General Meeting as the Managing Committee shall be elected by the same.

5.2.4 To appoint Internal Auditor and to sanction the budget for the next year if deemed necessary.

5.2.5 To consider and take necessary decision on the Audit Memo and other correspondence received from the Registrar, the District Co-Operative Milk Producers' Union and the District Co-Operative Bank.

5.2.6 To fix the limit of funds to be raised under bye-laws 3.0.

5.2. To make necessary arrangements for the collection of milk and the transport of the same according to the instructions of the Union.

5.2.8 To make necessary amendments, additions, alterations, deletions etc. in the bye-laws and the rules of the society.

5.2.9 To dispose off any other work proposed reasonably.

The proceedings of the General Meeting shall be recorded in the minute book of the General Meeting by the Secretary of the Society.

5.3 A special General Meeting of the members may be convened at any time by a majority of the Managing Committee or on receipt of a requisition from one fifth or 50 members whichever is less or from the direction of the District Registrar or on the requisition of the Board of Directors of the Milk Union. It shall be the duty of the Chairman of the society to call such a meeting within a month on receipt of such a requisition.

5.4 In case of the Annual General Meeting, 10 days notice and in case of special General Meeting, 7 days notice shall be given by publication of a written notice outside the office of the society and other conspicuous places that may be convenient within the jurisdiction of the society. The notice shall specify the date, time and place fixed for holding the meeting and shall state the nature of the business to be transacted at the meeting.

5.5 With the permission of the two thirds of those present at the General Meeting any member may bring forward a proposal regarding any matter not specified in the agenda of the meeting provided he may not propose the expulsion of another member or any amendment in the bye-laws.

5.6 Two-fifth of the total members or 20 members whichever is less shall form a quorum at the General Meeting. If on the day of the General Meeting, there is no quorum the meeting shall be held on any other day and at the time notified. If on the day to which the meeting is adjourned no quorum is obtained after waiting for 30 minutes, the business shall be disposed off without a quorum. The notice for the adjourned meeting shall be published on notice board outside the office of the society specifying date, place and time. If on the day of the General Meeting all business is not completed, the remaining business may be adjourned to another day.

5.7 At all General Meetings, the President of the meeting shall be elected by the members from among the members present.

5.8 Each member shall have one vote. Proxies shall not be allowed. The president shall have a casting vote in case of tie on any point.

5.9 No resolution passed in any General Meeting can be put for change or cancellation within six months from the date of the resolution. But if two thirds of the members of the Managing Committee are of the opinion that a particular resolution required to be changed/alterd in the interest of the society and if the District Registrar agrees to such a change the Managing Committee may call a special General Meeting within six months for carrying out such work.

6.0 Managing Committee

6.1 The elected Managing Committee of the society shall be of nine members for a period of three years according to schedule 'B' of the byelaws of the society.

6.2 The presence of more than one half of the members of the Managing Committee shall form a quorum.

6.3 The members having the following qualifications shall only be eligible for election or can continue as a member of the Managing Committee.

6.3.1 If he is not in default to the society in respect of any amount overdue from him.

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6.3.2 If he has no direct or indirect interest in the current agreement with the society or the property purchased or sold by the society or in any other dealings with the society (except the investment made by him in the society).

6.3.3 If he is not disqualified by any legal procedure and is not convicted for any mis-appropriation of money or mis-management in this society or any other institution.

6.3.4 If he is not found liable for any offences of this society or any other society under the provisions of State Co-Operative Societies Act.

6.3.5 If he is not a paid employee of this or any other society and is not near relative of any of the paid employees of the society according to the provisions of the State Co-Operative Societies Act.

6.3.6 If he or any member of his family does not carry on any business of the kind carried on by this society (including contract or sub-contract) nor has partnership interest in such concerns.

6.3.7 If he has a buffalo or cow and has sold the milk only through the society.

6.3.8 If no legal steps have been taken against him by the society to collect dues of the society from him during the last three Co-Operative years.

6.3.9 If he has not performed duty as a paid employee of the society for the last three Co-Operative years.

6.3.10 If he has supplied milk to the society for 180 days/500 litres in a previous coop. year.

6.3.11 If he does not have any of those disqualifications which are fixed as per the rules of the election.

6.4 Any member of the Managing Committee automatically ceases to be a member of the Managing Committee for the following reasons:

6.4.1 By submitting his resignation and getting it approved by the Managing Committee.

6.4.2 When he ceases to be a member of the society due to death or any other reason.

6.4.3 When he ceases to possess any required qualifications as a member of the Managing Committee.

6.4.4 When he remains absent in the Managing Committee meeting for three consecutive times.

The Managing Committee shall have to take note of it in its meeting and this resolution shall be effective from the date on which such note is taken. It will be the duty of the Committee to inform the member about the details of this resolution. Such information will be considered as valid even when it is displayed on the notice board of the society.

6.5 The Managing Committee shall elect a Chairperson amongst its members for a period of three years, within 10 days after election.

6.6 Chairman will preside over the meetings of the Committee when he is present. In the absence of the Chairman, the members present shall elect another member as the Chairman for the meeting.

6.7 The committee shall take decision by a vote of majority. When there is a tie over any subject, Chairman of the meeting shall have a casting vote in addition to his usual vote.

6.8 The committee shall meet as many times as necessary to transact the business but it shall meet at least once in a month. (If possible the week and day of the month will be decided in the previous meeting so that all members know about it in advance).

6.9 No member shall remain present and vote on any matter in which he has personal interest but if any decision is to be taken against his interests, he shall be given an opportunity to explain.

6.10 Vacancies on the Managing Committee occurring during the year by death or by any other reasons may be filled by co-option by the Managing Committee till the next Annual General Meeting.

6.11 All acts done by the Managing Committee or by any other person acting as member of the Managing Committee shall notwithstanding that it is afterwards discovered that there was some defect in the appointment of such committee or person, be considered as valid as if the committee or such person has been duly appointed.

6.12 All the decisions of the Managing Committee shall be recorded in the separate minute book along with the proceedings of the meeting and the signatures of the members present.

6.13 If the District Registrar finds serious mismanagement in the society, he shall suspend the Managing Committee and appoint an administrator and meanwhile all the office bearers of the society shall cease to hold any post.

6.14 The duties, rights and responsibilities of the Managing Committee, over and above those mentioned already in the bye-laws will be as under :

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6.14.1 To confirm the minutes of the previous meeting.

6.14.2 To dispose off the applications for membership, resignations, demand for shares, transfer of shares and refund of shares and to take necessary steps to recover the unpaid installments of shares.

6.14.3 To raise necessary funds for the working of the society and to decide the conditions to receive deposits and to invest the excess of the funds of the society according to the provisions of the State Co-Operative Societies Act.

6.14.4 To open necessary accounts in the Co-Operative Bank in the name of the society and to delegate necessary powers to transact money.

6.14.5 To depute representatives to the Co-Operative institutions to which the society is affiliated as and when required.

6.14.6 To verify the member register, books of account and other registers and to take necessary actions to have these written systematically and completely.

6.14.7 To inspect the accounts of society, to verify the cash physically and to authorise the Chairman or any other member of the Committee to sign the cash book regularly.

To decide the maximum limit of cash to be kept on hand by the secretary.

6.14.8 To decide date, time, place and agenda of the General Meeting; to make necessary arrangements to call Special General Meeting according to provisions of the State Co-Operative Societies Act and to see that Annual General Meeting is held in the prescribed time limit.

6.14.9 To file claims, protect, defend and compromise legal suits and hear other complaints and dispose them off.

6.14.10 To hire buildings and/or godowns for the office of the society and/or for storing or selling goods or to build or purchase these by getting prior approval of the General Meeting and the Co-Operative Department.

6.14.11 To prepare Annual Report and accounts in time and to authorise the chairman of the committee to publish them and to recommend the distribution of profits to the Annual General Meeting.

6.14.12 To frame administrative rules not contrary to the Co-Operative Act, Rules and bye-laws and resolutions of General Meeting for the efficient working of the society. Such administrative rules should be recorded in the

minute book of the Managing Committee and shall come into force only after getting the approval of the General Meeting.

6.14.13 To furnish in time all statements and other necessary information asked by the Co-Operative Department.

6.14.14 To take note of Audit Report of the society and arrange to execute the instructions given in the audit reports. To rectify the defects shown in the Audit reports and to send Rectification Reports within a month after receiving the same. This report along with rectifications will be presented for approval in the next General Meeting. To furnish necessary facilities, information and statements to auditors and other officers of the Audit Department, bank and authorized officers of the Union.

6.14.15 To recommend to the General Meeting the amendments, alterations and rescinding of the bye -laws and rules of the society.

6.14.16 To demand from the Secretary of the Society, the monthly statement of accounts of the society such as trading accounts, profit and loss accounts, stock of goods, etc. for inspection and approval and to approve the expenditure within the limit of the budget provisions approved by the General Meeting.

6.14.17 To fix specific responsibilities for records, equipment, stock of goods, etc. of the society.

6.14.18 To take necessary insurance policy for the properties of the society and against loss of cash and other commodities.

6.14.19 To arrange the purchase/sale of milk, ghee, cattle feed etc., as per the instructions of the District Co-Operative Milk Producers' Union and to carry out all the instructions of the Union.

6.14.20 To take necessary steps to recover any outstanding debt of the society.

6.14.21 To take all steps to increase milk production and conduct necessary animal husbandry activities including animal breeding as per the directives of the Union.

6.14.22 To dispose off the disputes.

6.14.23 (a) To appoint the Secretary of the society and all other paid employees and to relieve them or to dismiss them or take disciplinary actions against them if necessary.

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(b) to fix duties, To fix the pay, conditions of services and qualifications of all paid employees of the society and authority and responsibilities of all the employees.

(c) To get the surety bonds executed from all the employees of the society and to keep these surety bonds in the District Central Co-Operative Bank for protection and to obtain the receipt for the same. To ensure every year that the sureties of the employees are alive and to take note of the same in the committee.

(d) To frame staff provident fund rules for the employees of the society and to execute them after approval of the General Meeting and the Co-Operative Department.

6.14.24 The Managing Committee can appoint or can allow any person having the following qualifications to continue as an employee of the society over and above the conditions mentioned elsewhere in the bye-laws of the society.

- (a) If he is not dealing in any business or contract independently or in partnership which is related to the objectives of the society, such as milk and milk products, cattle feed, transport of milk etc.
- (b) If he is not holding any position as a paid employee or any other honorary position in any local institution or any other society.
- (c) If he is not found convicted for moral turpitude.
- (d) If he is not found guilty for misappropriation, malpractice and mismanagement in this or any other society or institution.
- (e) If he is not found violating any provision stated in the provision of the State Co-Operative Societies Act.

If any employee of the society is found not observing the above conditions at any time during his service, the Managing Committee shall terminate his services immediately.

6.14.25 The Managing Committee may invest money within the limits of provisions of the State Co-Operative Societies Act, but if such investment is to be made in land and building, it can not be done without the prior approval of the General Meeting and District Registrar.

6.14.26 To consider inspection, supervision and visit reports and to take necessary actions for the same.

7.0 Chairman/Secretary

7.1 The duties of the Chairman over and above those mentioned already in the bye-laws, will be as under:

7.1.1 To execute through the Secretary the resolutions passed by the Managing Committee and the General Meeting.

7.1.2 To supervise the daily routine work of the Secretary.

7.1.3 To see that the surplus amount exceeding the limit as specified in the bye-laws is deposited in the Bank and cash is not withdrawn from the Bank more than necessary.

7.1.4 To verify or get verified the stock of goods, equipment, dead stock, etc, at least once in three months and to take note of having done the same in the Managing Committee by a resolution.

7.1.5 To see that the work of the society is conducted according to the State Co-Operative Societies Act/Rules and bye-laws of the society.

7.1.6 To take necessary actions immediately to rectify the objections mentioned in audit reports, inspection memos and visit notes.

7.1.7 To arrange to furnish all the details and informations asked for by the Co-Operative Department, the Bank and the Union.

7.1.8 To dispose off the complaints wherever possible and to place such complaints before the Managing Committee with his findings.

7.2 Duties and responsibilities of the Secretary over and above those mentioned already in the bye-laws, will be as follows:

7.2.1 To call meetings of the General Meeting, Managing Committee according to the Instructions of the Chairman and to remain present at these meetings and to record the proceedings of such meetings in separate minute books.

7.2.2 To spend, withdraw and recover money according to the instructions of the Managing Committee.

7.2.3 To receive all communications addressed to the society and to draw the attention of the Committee on any important matter.

7.2.4 To prepare all receipts, vouchers, annual reports, trading and profit/loss account, balance sheet and other necessary statements for the society, and to furnish in time the required information, records, etc., to the Co-Operative Department, the bank and the milk union.

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7.2.5 To do all the necessary correspondence pertaining to the routine administration of the society and to furnish all the required information to members and to correspond with the prior approval of Chairman in Special matters.

7.2.6 To place before the Managing Committee without delay, the Audit reports and to rectify immediately the discrepancies shown in the report and submit the same to the Auditor within one month after getting it approved by the Managing Committee.

7.2.7 To guide the other employees of the society and to supervise and control their work and to inform the Managing Committee regarding their work and to fix up their duties and responsibilities in consultation with the Managing Committee.

7.2.8 To write or to get written the cash book and other books of account of the society regularly.

7.2.9 To withdraw money for the milk purchase and to collect everyday the sale proceeds of local sale of milk and other sales from the concerned persons of the society.

7.2.10 To produce for approval, monthly trading, profit/loss account and other statements of sale/purchase etc. before the Managing Committee.

7.2.11 To deposit the surplus cash in the Bank.

7.2.12 To take necessary steps, subject to the bye-laws for increasing the business of the society in consultation with the Chairman.

7.2.13 To see that the dues of the society are regularly recovered and if it is not possible, to prepare required statements for legal action in consultation with the Managing Committee.

7.2.14 To do all other works as directed by the Chairman and the Managing Committee.

7.3 In the absence of the Secretary, Managing Committee can authorise any other person to attend to the work of the Secretary, if such authority is not given by the Managing Committee, the next senior most staff will be responsible for the secretarial work.

8.0 Distribution of Profit

8.1 The gross profit of the previous year shall be declared in the Annual General Meeting and the following deductions shall be made from it.

(a) Interest payable on loans and deposits;

- (b) Working expenses of the society;
- (c) Losses;
- (d) Depreciation on building and other assets;
- (e) Bad debts sanctioned by the Managing Committee and approved by the District Registrar;
- (f) Contribution if any, to staff Provident Fund and Staff Gratuity.

8.2 The balance remaining after these deductions shall be treated as net profit. The net profit shall be distributed as follows:

8.2.1 A sum not less than 25% shall be taken to the Reserve Fund.

8.2.2 To set aside contribution for the Education Fund in accordance with provisions of the State Co-Operative Societies Act. The society shall pay dividend only after the Education Fund is paid to the District Co-Operative Union.

8.2.3 To pay to the share holders as dividend a sum not exceeding 12% of the paid up share capital.

8.2.4 The balance, after the above deductions, shall be distributed as under:

- 65% as bonus to the members in accordance with the value of milk supplied by them to the society.
- 10% to be set aside for the cattle development fund.
- 10% as bonus to the staff (Bonus to the staff shall be given as may be decided by the Managing Committee, but the amount should not exceed more than two months pay in each case). The excess of amount left from this will be credited to the succeeding years account.
- 10% to be set aside for the charity fund.
- 5% to be set aside for the Co-Operative Propaganda Fund.
- If it is found necessary to make any change in the above pattern of the distribution of profit, it can be done only for one year and that too only with the Sanction of General Meeting and the approval of the District Registrar.
- The Managing Committee shall frame the rule for the utilization of these funds and shall spend only after the approval of these rules by the District Registrar.

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8.2.5 All admission fees, fines, shares, share transfer fees, forfeited amount of share capital and donations shall be carried over to the Reserve Fund.

9.0 Miscellaneous

9.1 Accounts and records shall be maintained in the forms prescribed by the Registrar with such additions and alterations as the Managing Committee think necessary.

9.2 The Chairman or one more member of the Managing Committee and the secretary as may be authorised by the Managing Committee have the power jointly to execute documents, grant receipt, sign share certificates, make transactions with the bank and sign cash book on behalf of the society, while all the receipts issued by the society shall be signed by the person authorised by the Managing Committee.

9.3 Any member of the society may inspect any of the registers or records during office hours so far as it relates to his own business transactions as shown in the provisions of the State Co-Operative Societies Act. The Managing Committee shall decide the office hours of the society.

9.4 Before 31st of July every year, the Managing Committee will prepare statements showing the trading accounts, profit/loss account, balance sheet and the report of previous year.

9.5 The notice which is to be served to any member shall be considered as properly served only when it is sent to the registered address of the member.

9.6 Subject to the State Co-op. Societies Act and Rules framed by the State Government, bye-laws can be amended provided a notice of the amendment has been given to all the members at least ten days prior to the General Meeting and a consent of the milk union to which the society is affiliated is obtained. Amendments shall come into effect only after they are registered by the District Registrar.

9.7 The society shall be affiliated to the District Co-Operative Union, District Central Co-Operative Bank and District Co-Operative Milk Producers' Union and such other institutions which are useful to promote the objectives of the society.

9.8 Each member will be given a pass book and all his transactions with the society will be recorded in it. It shall be the responsibility of the member to get it recorded regularly.

9.9 In case any difference of opinion arises in the interpretation of these bye-laws, the decision of the Registrar shall be the final and binding on both the sides

9.10 The word 'Union' referred in these bye-laws means the District Co-op. Milk Producers' Union to which the society is affiliated.

Annexure IV

**List of national Co-Operative societies under
The Multi-State Co-Operative Societies Act,
2002**

1. National Co-Operative Land Development Banks Federation Limited, Mumbai
2. National Federation of State Co-Operative Banks Limited, Mumbai
3. National Co-Operative Union of India Limited, New Delhi
4. National Agricultural Co-Operative Marketing Federation of India Limited, New Delhi
5. National Co-Operative Consumer's Federation of India Limited, New Delhi
6. National Federation of Co-Operative Sugar Factories Limited, New Delhi
7. National Federation of Industrial Co-Operative Limited, New Delhi
8. National Co-Operative Housing Federation Limited, New Delhi
9. Indian Farmer's Fertiliser Co-Operative Limited, New Delhi
10. All India Federation of Co-Operative Spinning Mills Limited, Mumbai
11. All India Industrial Co-Operative Banks Federation Limited, Bangalore
12. National Co-Operative Dairy Federation of India Limited, Anand
13. Petrofils Co-Operative Limited, Vadodara
14. National Heavy Engineering Co-Operative Limited, Pune
15. All India Handloom Fabrics Marketing Co-Operative Society Limited, New Delhi
16. National Federation of Urban Co-Operative Banks and Credit Societies Limited, New Delhi
17. Krishak Bharati Co-Operative Limited, New Delhi
18. National Federation of Fishermen's Co-Operative Limited, New Delhi

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19. National Federation of Labour Co-Operative Limited, New Delhi
20. National Co-Operative Tobacco Grower's Federation, Anand
21. Tribal Co-Operative Marketing Development Federation of India Limited, New Delhi

Annexure V

Case study of a university promoting a dairy under section 25 for imparting hands-on- training to its B. Tech Students in Dairy Technology/Science

- Vidya Dairy is basically a Students' training Institute to impart hands-on experience to the B. Tech (Dairy Technology) students of SMC College of Dairy Science Anand Agricultural University, Anand.
- It was established in February 1994 under the auspicious of National Dairy Development Board, Indian Council of Agricultural Research.
- The Dairy attained the status of a Company in the year 1998 under section 25 of the Companies Act, 1956.
- The Company is granted registration U/s 12AA of the Income Tax 196.
- The Dairy also organize short-term training programmes for all key stake holders of dairy industry from students employees managerial people on different aspects ranging from milk processing, production, packaging, marketing, sales & distribution, commercial, quality control, engineering & services, MIS, Automation and House-keeping, Total Quality Management.
- The dairy has an installed capacity to process 1 lakh litres of milk per day.
- The raw chilled milk is received from Kaira District Co-Operative Milk Producers Union Ltd (i.e. Amul Dairy) through Gujarat Co-Operative Milk Marketing Federation Ltd.
- The Dairy has both indigenous and imported equipments and machineries to process and manufacture of different dairy products e.g. Liquid Milk, Ghee, Ice Cream, Paneer, Cheese of national and international standards.
- All India Marketing of its products is done by GCMMF Ltd., an apex marketing federation.

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- Sales Turnover of 2011-12 was ₹124.37 Cr . and Surplus was ₹ 2.06 Cr
- There is no Share Capital Sources of funds are Grants for Capital Assets from National Dairy Development Board (NDDB) Agricultural & Processed Food Products Export Development Authority (APEDA) Sardar Patel Renewable Energy Research Institute ((SPRERI).
- The Balance Sheet, the Statement of Income & Expenditure and the Cash Flow Statements are in compliance with Accounting Standards referred to Sec 211(3C) of the Companies Act 1956.
- Vidya Dairy has been adjusted as the recipient of “Certificate of Merit” for the year 2010-11 in the category of non-governmental organization by the South Asian Federation of Accountants (SAFA), an Apex Body of SAARC.

Annexure VI

Method of Accounting under Income Tax Act 1961

Notification: S.O.69(E) Date of Issue: 25/1/1996

Section(s) Referred: 145 145(2)

In exercise of the powers conferred by sub-section (2) of section 145 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies the following accounting standards to be followed by all assesseees following the mercantile system of accounting, namely :

A. Accounting Standard I relating to disclosure of accounting policies :

(1) All significant accounting policies adopted in the preparation and presentation of financial statements shall be disclosed.

(2) The disclosure of the significant accounting policies shall form part of the financial statements and the significant accounting policies shall normally be disclosed in one place.

(3) Any change in an accounting policy which has a material effect in the previous year or in the years subsequent to the previous years shall be disclosed. The impact of, and the adjustments resulting from, such change, if material, shall be shown in the financial statements of the period in which such change is made to reflect the effect of such change. Where the effect of such change is not ascertainable, wholly or in part, the fact shall be indicated. If a change is made in the accounting policies which has no material effect on the financial statements for the previous year but which is reasonably expected to have a material effect in any year subsequent to the previous year, the fact of such change shall be appropriately disclosed in the previous year in which the change is adopted.

(4) Accounting policies adopted by an assessee should be such so as to represent a true and fair view of the state of affairs of the business, profession or vocation in the financial statements prepared and presented on the basis of such accounting policies. For this purpose, the major considerations governing the selection and application of accounting policies are the following, namely :--

(i) Prudence.--Provisions should be made for all known liabilities and losses even though the amount cannot be determined with certainty and represents only a best estimate in the light of available information ;

(ii) Substance over form.--The accounting treatment and presentation in financial statements of transactions and events should be governed by their substance and not merely by the legal form ;

(iii) Materiality.--Financial statements should disclose all material items, the knowledge of which might influence the decisions of the user of the financial statements.

(5) If the fundamental accounting assumptions relating to going concerns, consistency and accrual are followed in financial statements, specific disclosure in respect of such assumptions is not required. If a fundamental accounting assumption is not followed, such fact shall be disclosed.

(6) For the purposes of paragraphs (1) to (5), the expressions,--

(a) "Accounting policies" means the specific accounting principles and the methods of applying those principles adopted by the assessee in the preparation and presentation of financial statements ;

(b) "Accrual" refers to the assumption that revenues and costs are accrued, that is, recognised as they are earned or incurred (and not as money is received or paid) and recorded in the financial statements of the periods to which they relate ;

(c) "Consistency" refers to the assumption that accounting policies are consistent from one period to another ;

(d) "Financial statements" means any statement to provide information about the financial position, performance and changes in the financial position of an assessee and includes balance-sheet, profit and loss account and other statements and explanatory notes forming part thereof ;

(e) "Going concern" refers to the assumption that the assessee has neither the intention nor the necessity of liquidation or of curtailing materially the scale of the business, profession or vocation and intends to continue his business, profession or vocation for the foreseeable future.

B. Accounting standard II relating to disclosure of prior period and extraordinary items and changes in accounting policies :

(7) Prior period items shall be separately disclosed in the profit and loss account in the previous year together with their nature and amount in a

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manner so that their impact on profit or loss in the previous year can be perceived.

(8) Extraordinary items of the enterprise during the previous year shall be disclosed in the profit and loss account as part of income. The nature and amount of each such item shall be separately disclosed in a manner so that their relative significance and effect on the operating results of the previous year can be perceived.

(9) A change in an accounting policy shall be made only if the adoption of a different accounting policy is required by statute or if it is considered that the change would result in a more appropriate preparation or presentation of the financial statements by an assessee.

(10) Any change in an accounting policy which has a material effect shall be disclosed. The impact of, and the adjustments resulting from such change, if material, shall be shown in the financial statements of the period in which such change is made to reflect the effect of such change. Where the effect of such change is not ascertainable, wholly or in part, the fact shall be indicated. If a change is made in the accounting policies which has no material effect on the financial statements for the previous year but which is reasonably expected to have a material effect in years subsequent to the previous years, the fact of such change shall be appropriately disclosed in the previous year in which the change is adopted.

(11) A change in an accounting estimate that has a material effect in the previous year shall be disclosed and quantified. Any change in an accounting estimate which is reasonably expected to have a material effect in years subsequent to the previous year shall also be disclosed.

(12) If a question arises as to whether a change is a change in accounting policy or a change in an accounting estimate, such a question shall be referred to the Board for decision.

(13) For the purposes of paragraphs (7) to (12), the expressions :--

(a) "Accounting estimate" means an estimate made for the purpose of preparation of financial statements which is based on the circumstances existing at the time when the financial statements are prepared ;

(b) "Accounting policies" means the specific accounting principles and the method of applying those principles adopted by the assessee in the preparation and presentation of financial statements ;

(c) "Extraordinary items" means gains or losses which arise from events or transactions which are distinct from the ordinary activities of the business and which are both material and expected not to recur frequently or regularly. Extraordinary items include material adjustments necessitated by circumstances which though related to the years preceding the previous years are determined in the previous year :

Provided that income or expenses arising from the ordinary activities of the business or profession or vocation of an assessee though abnormal in amount or infrequent in occurrence shall not qualify as extraordinary items.

(d) "Financial statements" means any statement to provide information about the financial position, performance and changes in the financial position of an assessee and includes balance-sheet, profit and loss account and other statements and explanatory notes forming part thereof ;

(e) "Prior period items" means material charges or credits which arise in the previous year as a result of errors or omissions in the preparation of the financial statements of one or more previous years :

Provided that the charge or credit arising on the outcome of a contingency, which at the time of occurrence could not be estimated accurately shall not constitute the correction of an error but a change in estimate and such an item shall not be treated as a prior period item.

This notification shall come into force with effect from 1st day of April, 1996, and shall accordingly apply to the assessment year 1997-98 and subsequent assessment years.

Annexure VII

Statement of Foreign Contribution received during 2009-10 by 15 major States/Unions

State / Union Territory	Number of Associations	Amount received (₹ in Core)
Delhi	1385	1815.91
Tamil Nadu	3218	1663.31
Andhra Pradesh	2521	1324.87
Karnataka	1581	982.96
Maharashtra	1702	920.98
Kerala	1632	891.83
West Bangal	1821	558.72
Gujarat	1011	393.97
Uttar Pradesh	1305	217.87
Orissa	1240	214.32
Jharkhand	465	159.65
Himachal Pradesh	109	145.02
Madhya Pradesh	419	142.62
Bihar	832	138.78
Rajasthan	374	127.79
Total	19615	9698.60

Source: Annual Report 2009-10 of Ministry of Home Affairs, Foreigners Division, FCRA Wing,

Annexure VIII

Extract of Scope of Accounts and Audit formalities under different Co-Operative Societies Acts and Rules

I.A The Multi-State Co-Operative Societies Act, 2002

Chapter VIII: Audit, Inquiry, Inspection and Surcharge

70. Appointment and remuneration of auditors

- (1) Every Multi-State Co-Operative Society shall cause to be audited by an auditor referred to in sub-section (2), its accounts at least once in each year.
- (2) Every Multi-State Co-Operative Society shall, at each annual general meeting, appoint an auditor or auditors to hold office from the conclusion of that meeting until the conclusion of the next annual general meeting and shall, within seven days of the appointment, give intimation thereof to every auditor so appointed. Provided that such auditor or auditors may be appointed from a panel of auditors approved by the Central Registrar or from a panel of auditors, if any, prepared by the Multi-State Co-Operative Society.
- (3) Every auditor appointed under sub-section (1) shall, within thirty days of the receipt from the Multi-State Co-Operative Society of the intimation of his appointment, inform the Central Registrar in writing that he has accepted, or refused to accept, the appointment.
- (4) A retiring auditor shall be re-appointed unless-
 - (a) he is not qualified for re-appointment;
 - (b) he has given the Multi-State Co-Operative Society a notice in writing of his unwillingness to be re-appointed;
 - (c) a resolution has been passed at the general meeting of members appointing some body instead of him or providing expressly that he shall not be re-appointed; or
 - (d) where notice has been given of an intended resolution to appoint some person or persons in the place of a retiring auditor, and by reason of the death, incapacity or disqualification of that person or

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all those persons, as the case may be, the resolution cannot be proceeded with.

(5) Where at an annual general meeting no auditors are appointed or re-appointed, the Central Registrar may appoint a person to fill the vacancy.

(6) First auditor or auditors of a Multi-State Co-Operative Society shall be appointed by the board within one month of the date of registration of such society and the auditor or auditors so appointed shall hold office until the conclusion of the first annual general meeting: Provided that-

(a) the Multi-State Co-Operative Society may, at a general meeting, remove any such auditor or all or any of such auditors and appoint in his or their places any other person or persons who have been nominated for appointment by any member of the Multi-State Co-Operative Society and of whose nomination notice has been given to the members of the Multi-State Co-Operative Society not less than fourteen days before the date of the meeting; and

(b) if the Board fails to exercise its powers under this sub-section, the Multi-State Co-Operative Society in the general meeting may appoint the first auditor or auditors.

(7) (a) The Multi-State Co-Operative Society may fill any causal vacancy in the office of an auditor; but while any such vacancy continues, the remaining auditor or auditors, if any, may act:

Provided that where such vacancy is caused by the resignation of an auditor, the vacancy shall only be filled by the Multi-State Co-Operative Society in general meeting.

(b) Any auditor appointed in a causal vacancy shall hold office until the conclusion of the next annual general meeting.

(8) Any auditor appointed under this section may be removed from office before the expiry of his term by the Multi-State Co-Operative Society in general meeting.

(9) The remuneration of the auditors of a Multi-State Co-Operative Society -

(a) in the case of an auditor appointed by the board or the Central Registrar may be fixed by the board or the Central Registrar, as the case may be; and

- (b) subject to clause (a), shall be fixed by the Multi-State Co-Operative Society in general meeting or in such manner as the Multi-State Co-Operative Society in general meeting may determine.

Explanation- For the purposes of this sub-section, any sums paid by the Multi-State Co-Operative Society in respect of the auditors' expenses shall be deemed to be included in the expression "remuneration"

71. Provision as to resolutions for appointing or removing auditors

- (1) A special notice shall be required for a resolution at an annual general meeting appointing as auditor a person other than a retiring auditor, or providing expressly that a retiring auditor shall not be reappointed.
- (2) On receipt of notice of such a resolution, the Multi-State Co-Operative Society shall forthwith send a copy thereof to the retiring auditor.
- (3) Where notice is given of such a resolution and the retiring auditor makes with respect thereto representations in writing to the Multi-State Co-Operative Society (not exceeding a reasonable length) and requests their notification to members of the Multi-State Co-Operative Society the Multi-State Co-Operative shall, unless the representations are received by it too late for it to do so,
 - (a) in any notice of the resolution given to members of the Multi-State Co-Operative Society state the fact of the representations having been made; and
 - (b) send a copy of the representation to every member of the Multi-State Co-Operative Society to whom notice of the meeting is sent, whether before or after the receipt of the representations by the Multi-State Co-Operative Society and if a copy of the representations is not sent as aforesaid because they were received too late or because of the Multi-State Co-Operative Society's default, the auditor may (without prejudice to his right to be heard orally) require that the representations shall be read out at the meeting.

72. Qualifications and disqualifications of auditors

- (1) A person shall not be qualified for appointment as an auditor of a Multi-State Co-Operative Society unless he is a **chartered accountant** within the meaning of the **Chartered Accountants Act 1949** (38 of 1949).
- (2) None of the following persons shall be qualified for appointment as auditor of a Multi-State Co-Operative Society -

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- (a) a body corporate;
 - (b) an officer or employee of the Multi-State Co-Operative Society ;
 - (c) a person who is a member, or who is in the employment, of an officer or employee of the Multi-State Co-Operative Society ;
 - (d) a person who is indebted to the Multi-State Co-Operative Society or who has given any guarantee or provided any security in connection with the indebtedness of any third person to the Multi-State Co-Operative Society for an amount exceeding one thousand rupees.
- (3) A person shall also not be qualified for appointment as an auditor of a Multi-State Co-Operative Society if he is, by virtue of sub-section (2), disqualified for appointment as an auditor of any other body corporate or Multi-State Co-Operative Society or Co-Operative Society .
- (4) If an auditor becomes subject, after his appointment, to any of the disqualifications specified in sub-sections (2) and (3), he shall be deemed to have vacated his office as such.

73. Powers and duties of auditors

- (1) Every auditor of a Multi-State Co-Operative Society shall have a right of access at all times to the books, accounts and vouchers of the Multi-State Co-Operative Society whether kept at the head office of the Multi-State Co-Operative Society or elsewhere, and shall be entitled to require from the officers or other employees of the multi48 state Co-Operative Society such information and explanations as the auditor may think necessary for the performance of his duties as an auditor.
- (2) Without prejudice to provisions of sub-section (1), the auditor shall inquire,-
- (a) whether loans and advances made by the Multi-State Co-Operative Society on the basis of security have been properly secured and whether the terms on which they have been made are not prejudicial to the interests of the Multi-State Co-Operative Society or its members;
 - (b) whether transactions of the Multi-State Co-Operative Society which are represented merely by book entries are not prejudicial to the interests of the Multi-State Co-Operative Society ;
 - (c) whether personal expenses have been charged to revenue account; and

- (d) where it is stated in the books and papers of the Multi-State Co-Operative Society that any shares have been allotted for cash, whether case has actually been received in respect of such allotment, and if no cash has actually been so received, whether the position as stated in the account books and the balance-sheet is correct, regular and not misleading.
- (3) The auditor shall make a report to the members of the Multi-State Co-Operative Society on the accounts examined by him and on every balance-sheet and profit and loss account and on every other document required to be part or annexed to the balance-sheet or profit and loss account, which are laid before the Multi-State Co-Operative Society in general meeting during his tenure of office, and the report shall state whether, in his opinion and to the best of his information and according to the explanations given to him, the said accounts give the information required by this Act in the manner so required and give a true and fair view-
 - (a) in the case of the balance-sheet, of the state of the Multi-State Co-Operative Society 's affairs as at the end of its financial year; And
 - (b) in the case of the profit and loss account, of the profit or loss for its financial year.
- (4) The auditor's report shall also state-
 - (a) whether he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purposes of his audit;
 - (b) whether, in his opinion, proper books of account have been kept by the Multi-State Co-Operative Society so far as appears from his examination of those books, and proper returns adequate for the purposes of his audit have been received from branches or offices of the Multi-State Co-Operative Society not visited by him;
 - (c) whether the report on the accounts of any branch office audited by a person other than the Multi-State Co-Operative Society 's auditor has been forwarded to him and how he has dealt with the same in preparing the auditor's report;
 - (d) whether the Multi-State Co-Operative Society 's balance-sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns.

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(5) Where any of the matters referred to in clauses (a) and (b) of sub-section (3) or in clauses (a), (b), (c) and (d) of sub-section (4) is answered in the negative or with a qualification, the auditor's report shall state the reason for the answer.

74. Signature of audit report etc

Only the person appointed as an auditor of the Multi-State Co-Operative Society shall sign the auditor's report, or sign or authenticate any other document of the Multi-State Co-Operative Society required by law to be signed or authenticated by the auditor.

75. Reading and inspection of auditor's report

The auditor's report shall be read before the Multi-State Co-Operative Society in the general meeting and shall be open to inspection by any member of the Multi-State Co-Operative Society .

77. Power of Central Government to direct special audit in certain cases

- (1) Where the Central Government is of the opinion-
 - (a) that the affairs of any Multi-State Co-Operative Society are not being managed in accordance with self-help and mutual aid and Co-Operative principles or prudent commercial practices; or with sound business principles; or
 - (b) that any Multi-State Co-Operative Society is being managed in a manner likely to cause serious injury or damage to the interest of the trade, industry or business to which it pertains; or
 - (c) that the financial position of any Multi-State Co-Operative Society is such as to endanger its solvency, the Central Government may at any time by order direct that a special audit of the Multi-State Co-Operative Society 's accounts for such period or periods as may be specified in the order, shall be conducted and may by the same or a different order appoint either a chartered accountant as defined in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 (38 of 1949) or the Multi-State Co-Operative Society 's auditor himself to conduct with special audit: Provided that the Central Government shall not order for special audit of a Multi-State Co-Operative Society 's accounts if that Government or the State Government either by itself or both hold less than fifty-one per cent of the paid up share capital or of the shares in such Multi-State Co-Operative Society .

(2) The chartered accountant or the Multi-State Co-Operative Society's auditor appointed under sub-section (1) to conduct a special audit as aforesaid is hereafter in this section referred to as the special auditor.

(3) The special auditor shall have the same powers and duties in relation to the special audit as an auditor of a Multi-State Co-Operative Society has under section 73: Provided that the special auditor shall, instead of making his report to the members of the Multi-State Co-Operative Society make the same to the Central Government.

(4) The report of the special auditor shall, as far as may be, include all the matters required to be included in the auditors' report under section 73 and, if the Central Government so directs, shall also include a statement on any other matter which may be referred to him by that Government.

(5) The Central Government may by order direct any person specified in the order to furnish to the special auditor within such time as may be specified therein such information or additional information as may be required by the special auditor in connection with the special audit.

(6) On receipt of the report of the special auditor, the Central Government may take such action on the report as it considers necessary in accordance with the provisions of this Act or any other law for the time being in force: Provided that if the Central Government does not take any action on the report within four months from the date of its receipt, that Government shall send to the Multi-State Co-Operative Society either a copy of, or relevant extract from, the report with its comments thereon and require the Multi-State Co-Operative Society either to circulate that copy or those extracts to the members or to have such copy or extracts read before the Multi-State Co-Operative Society at its next general meeting.

(7) The expenses of, and incidental to, any special audit under this section (including the remuneration of the special auditor) shall be determined by the Central Government which determination shall be final and paid by the Multi-State Co-Operative Society and in default of such payment, shall be recoverable from the Multi-State Co-Operative Society as an arrear of land revenue.

109 Annual accounts and balance sheet

At every annual general meeting of a Multi-State Co-Operative Society the board shall lay before the Multi-State Co-Operative Society -

- (a) a balance-sheet as at the end of every Co-Operative year; and
- (b) a profit and loss account for that year.

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

I. B Multi-State Societies Registration Bill, 2012 (Proposed)

SECOND SCHEDULE

TABLE A

REGULATION 4

MAINTENANCE OF ACCOUNTS

- (1) The Governing Body shall ensure that accounting records are kept in respect of the Multi-State society which are sufficient to show and explain all the Multi-State society's transactions, and which are such as to:
- (a) disclose at any time, with reasonable accuracy, the financial position of the Multi-State society at that time; and
 - (b) enable the Governing Body to ensure that, where any statements of accounts are prepared by them the Act or these regulations contained in Table A of Schedule I, those statements of accounts comply with the requirements as laid down in the Act and the regulations.
- (2) The financial year of the Multi-State Society shall be from 1st April to 31st March.
- (32) The accounting records shall in particular contain:
- (a) entries showing from day to day all sums of money received and expended by the Multi-State Society, and the matters in respect of which the receipt and expenditure takes place; and
 - (b) a record of the assets and liabilities of the Multi-State Society;
 - (c) encumbrances created on the property of the Multi-State Society and of all alienations made and loans taken or advanced on behalf of the Multi-State Society.
- (4) The Treasurer, on behalf of the Governing Body, shall be required to maintain the books of account at the Registered Office of the Multi-State Society.
- (5) The books of account shall be open for inspection by any member of the Multi-State Society during normal business hours and with prior notice of 2 days to the Treasurer and Governing Body.

REGULATION 5

FORM OF BALANCE SHEET AND OTHER ACCOUNTS

(1) Every balance sheet of a Multi-State Society shall give a **true and fair view** of the state of affairs of the Multi-State Society as at the end of the financial year and shall be in the form as may be prescribed by the Government or as near thereto as circumstances admit or in such other form as may be approved by the Government either generally or in any particular case.

(2) Every profit and loss account of a Multi-State Society shall give a **true and fair view** of the profit or loss of the Multi-State Society for the financial year and shall, subject as aforesaid, comply with the requirements of as may be prescribed by the Government, so far as they are applicable there to.

(3) Every profit and loss account and balance sheet of the Multi-State Society shall comply with the standards of accounting recommended by the Institute of **Chartered Accountants** of India constituted under the **Chartered Accountants Act, 1949** as may be prescribed by the Government. Where the profit and loss account and the balance sheet of the Multi-State Society do not comply with the **accounting standards**, such societies shall disclose in its profit and loss account and balance sheet, the following, namely:

- (a) the deviation from the **accounting standards**;
- (b) the reasons for such deviation; and
- (c) the financial effect, if any, arising due to such deviation.

REGUALTION 6

ANNUAL AUDIT OR EXAMINATION OF Multi-State Society'S ACCOUNTS

(1) The accounts of a Multi-State Society shall be audited by the auditors of the Multi-State Society, if the Multi-State Society's gross receipts or expenditure in the financial year exceeds ₹ five lakhs.

(2) The auditors shall be appointed by the General Body to audit the accounts and hold office till the conclusion of the next Annual General Body Meeting.

(3) The auditors shall have a right of access at all times to the books of account and vouchers of the Multi-State Society, whether kept at the head office of the Multi-State Society.

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

- (4) Explanation as the auditor may think necessary for the performance of his duties as auditor.
- (5) In case of casual vacancy of the auditors, the General Body shall fill the vacancy by making an appointment within three months of the vacancy being notified to the General Body.
- (6) The General Body may remove the auditors before the expiry of its terms of office. However, the auditor so removed shall have the right to give representation to be read out at the General Body meeting.
- (7) The bank account of the Multi-State Society shall be opened in the name of the Multi-State Society. All receipts of the Multi-State Society will be paid into this account and all debits would only be made in accordance with the Act and the rules of the Multi-State Society.

REGULATION 7

MEMBERS RIGHT OF INSPECTION OF ANNUAL REPORTS ETC.

- (1) The annual report and all other documents of the Multi-State Society shall be open to inspection by the members at all reasonable times.
- (2) Where any member requests the Governing Body of a Multi-State Society in writing to provide him with a copy of the Multi-State Society's most recent accounts the Governing Body of the Multi-State Society shall comply with the request within a period of fifteen days from the date on which the request is made.

REGULATION 8

DISCLOSURES

- (1) Every member of the Governing Body of a Multi-State Society who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into, by or on behalf of the Multi-State Society, shall disclose the nature of his concern or interest at a meeting of the Governing Body of the Multi-State Society.
- (2) Every member of the Multi-State Society who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into, by or on behalf of the Multi-State Society, shall disclose the nature of his concern or interest at a meeting of the Governing Body of the Multi-State Society.

- (3) The disclosure required to be made under this regulation shall be made at the meeting of the Governing Body at which the question of entering into the contract or arrangement is first taken into consideration.
- (4) For the purposes of this regulation, a general notice given to the Governing Body by an interested member of the Multi-State Society or member of the Governing Body, to the effect that he is a member of a specified body corporate or firm or any other entity and is to be regarded as concerned or interested in any contract or arrangement which may, after the date of the notice, be entered into with that body corporate or firm along with the nature of his concern or interest, shall be deemed to be a sufficient disclosure of concern or interest in relation to any contract or arrangement so made.
- (5) No member of the Multi-State Society or member of the Governing Body shall take any part in the discussion of, or vote on, and contract or arrangement entered into, or to be entered into, by or on behalf of the society, if he is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement; nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void.
- (6) Every member of the Governing Body or of the Multi-State Society who contravenes the provisions of this regulation shall be punishable with fine which may extend to [insert amount].

REGULATION 9

WHISTLE BLOWER POLICY

- (1) The Multi-State Society may establish a mechanism for its members or employees of the Multi-State Society to report to the Governing Body concerns about unethical behavior, actual or suspected fraud or violation of the Act or rules made there under.
- (2) The policy shall compulsorily provide for protection from criminal or civil liability, departmental inquiry, demotion, harassment and discrimination of **whistle blowers**, i.e., the persons who bring to light specific instances of illegality, criminality, corruption, miscarriage of justice, any danger to public health and safety in the multistate society.
- (3) The Governing Body may by policy provide that the identity of the **whistle blower** shall be kept secret at all times.

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

Rules and Regulations of a Multi-State Society registered under the multi-State

Societies Registration Act, 2011 (Proposed)

12. MEETINGS OF THE GENERAL BODY

12.3 The First General Meeting of the Members of the society shall be held within 3 months from the date of the registration of the society under the Act. Thereafter, a General Meeting shall be held at-least once every year at such time and place as be determined by the Governing Body. There should not be a gap of more than 15 months between two General Body meetings. The ordinary business of the Annual General Meeting shall be:

- (a) To receive and consider the Annual Report of the Governing Body on the working affairs of the Multi-State Society in the past year;
- (b) To receive, consider and approve the Annual Audited Accounts along-with auditors report for the preceding year; (The accounts must be for a period ending less than 6 months laid down at the General Body).
- (c) To appoint Chartered Accountants as auditors as defined under the Chartered Accountants Act, 1949 and determine their remuneration.

II. A The Andhra Pradesh Co-Operative Societies Act, 1964

CHAPTER VII

Audit, Inquiry, Inspection and Surcharge

50. Audit:— [Rule 45,46]

- (1) There shall be a separate wing for audit in the Co-Operative Department headed by the Chief Auditor who will work under the general superintendence and control of the Registrar of Co-Operative Societies. The Chief Auditor shall audit or cause to be audited by a person authorised by him by a general or special order in this behalf, the accounts of a society at least once in every year and shall issue or cause to be issued an audit certificate with such particulars as may be prescribed, before the end of the succeeding Co-Operative year. Such audit shall primarily cover an examination of the debts, overdue, if any, verification of the cash balance and securities and valuations of the assets and liabilities of the society, including prudent management of the affairs of the society in accordance

with the Act, rules and byelaws. Provided that in respect of a society not in receipt of State aid as specified in Section 43 of the Act, the committee of such society shall cause the audit of accounts of the society, every year as per the audit manual prescribed by the Registrar, either through the Chief Auditor or a Chartered Accountant authorized by the Chief Auditor, and the Chief Auditor or the officer authorized by him shall issue Audit Certificate of such society. Where such society opts to get the accounts of the society audited by the Chief Auditor, the latter shall audit or cause to be audited the accounts of such society in the manner prescribed.

(2) Every person who is, or has at any time being, an officer or employee of the society and every member including a past member shall furnish such information in regard to, any transaction, working and affairs of the society as Chief Auditor or such person authorised by him may require.

(3) The committee shall prepare and submit or cause to be prepared and submitted within such period not exceeding six months as may be prescribed for different classes of societies after the end of the Co-Operative year, to the Chief Auditor or the person authorised by him as the case may be, such statements and reports as may be prescribed for the purpose of the audit of accounts of the Society for the Co-Operative year.

(4) The audit shall be completed within a period of six months from the close of the Co-Operative year of the registered society concerned and such other further period not exceeding six months as the Chief Auditor may permit for reasons to be recorded in writing.

55-A. Maintenance of Accounts and Books, etc.:— [Rule 58,59]

(1) The Chief Executive Officer of every society by whatsoever designation he is called, and the President of the society jointly and severally or the President of such society if there is no such chief executive officer for that society, shall be bound to keep, maintain or cause to maintain, sign and authenticate such accounts and books relating to that society in such manner as may be prescribed and shall be responsible for the correct and up-to-date maintenance and authentication of such accounts and books and for producing or causing production of the same when called for in connection with audit, inquiry, inspection or election ;

(2) If such accounts and books are not maintained the Registrar may direct the person who is responsible to bring the accounts and books upto date to make them upto date, and he shall be bound to comply with such direction within the period specified therein.

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

(3) If the person fails to comply with the direction under sub-section (1) the Registrar may suspend such person for such period as he may consider necessary and authorise any person to take action for bringing such accounts and books upto date at the expenses of the society and such expenses shall be recoverable from the society as if it were an arrear of land revenue.

(4) Where the Registrar takes action under sub-section (3) the Registrar may call upon the person concerned whom he considers to be responsible for not complying with the direction made under sub-section (2) and after giving such person an opportunity of being heard, may require him to pay the society the expenses paid or payable by it to the Government as a result of his failure to take action.

(5) The Chief Executive Officer of the society or the President where there is no such Chief Executive Officer for that society shall be the custodian of all books of account of the society,

II.B The Andhra Pradesh Co-Operative Societies Rules, 1964

CHAPTER III

MANAGEMENT AND ADMINISTRATION

1. Every society shall keep at its office, the following accounts records, and documents, namely:-

- (a) a copy of this Act with up-to date amendments incorporated;
- (b) a copy of its registered Memorandum along with upto date bye-laws with amendments made from time to time;
- (c) the minutes book;
- (d) accounts of all sums of money received and expended by the society and their respective purposes;
- (e) accounts of all purchases and sales of goods by the society;
- (f) accounts of all assets and liabilities of the society;
- (g) an up date register and a list of all member with voting rights for the current year prepared within thirty days of closure of the society's financial year;
- (h) copies of the audit reports and if any and compliance reports thereon; and

- (i) All such other accounts, records and documents as may be required by this Act.

III The Arunachal Pradesh Co-Operative Societies Act, 1978

2 (4) “Auditor” means a person appointed by the Registrar or by a society to audit the accounts of the society;

CHAPTER VIII

Audit, Inquiry, Inspection and Supervision

82. (1) The Registrar shall audit, or cause to be audited by a person authorized by him by general or special order in writing in this behalf, the accounts of every society at least once in

each year.

(2) The audit under the foregoing sub-section shall include an examination of overdue debts, if any, the verification of the cash balance and securities, and a valuation of the assets and liabilities of the society.

(3) The Registrar or the person authorized shall, for the purpose of audit, at all times have access to all the books, accounts, documents, papers, securities, cash and other properties belonging to, or in the custody of the society, and may summon any person in possession, or responsible for the custody, of any such books, accounts, documents, papers, securities, cash or other properties, to produce the same at any place at the headquarters of the society or any branch thereof.

(4) Person who is, or has at any time been, an officer or employee of the society, and every member and past member of the society, shall furnish such information in regard to the transactions and working of the society as the Registrar, or the person authorized by him, may require.

(5) The auditor appointed under sub-section (1) shall have the right to receive all notes, and every communication relating to the annual general meeting of the society and to attend such meeting and to be heard thereat, in respect of any part of the business with which he is concerned as auditor.

(6) If it appears to the registrar, on an application by a society or otherwise, that it is necessary or expedient to re-audit any accounts of the society, the Registrar may by order provide for such re-audit and the provisions of this Act applicable to audit of accounts of the society shall apply to such re-audit.

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

(7) If at the time of audit the accounts of the society are not complete, the registrar or the person authorized by him under sub-section (1) may cause the accounts to be written upto- date at the expense of the society.

(8) Audit fee if any due from any society shall be recoverable in the same manner as is provided in section 123.

IV .A The Assam Co-Operative Societies Act 1949

1.(d) **“Audit Officer”** Means a person appointed under the provision of this Act to Audit the Accounts of a registered society.

AUDIT

55. Registrar is responsible for audit.

(1) The Registrar shall audit or cause to be audited by some person authorized by him by general or special order in writing in this behalf, the accounts or every registered society and society under liquidation once at least in every year.

(2) The Registrar or the person authorized by him in this behalf shall at all reasonable times have free access to the books, accounts, documents, securities, cash and other properties belonging to or in the custody of the society and may summon any person in possession or responsible for custody of any such books, accounts, accounts, documents, securities, cash or other properties to produce the same and furnish such information in regard to the transactions and working of the society at any convenient place or at the headquarters of the society or any branch thereof by the same means and, so far as may be in the same manner as provided in the Code of Civil Procedure, 1908 (V f 1908).

(3) In respect of every and audit of the accounts, a registered society shall such audit fee as may be prescribed and such fee shall be deemed to be outstanding dues from the society.

56. Power of the Registrar to have the accounts written up.

If at the time of the audit account of a registered society are not complete, the Registrar or with his sanction, the audit officer, may cause the accounts to be written up at the expense of the society.

Such expenses shall at the first instance be met form the grant under the head “Contingencies” be the Registrar and shall be reimbursed later on from the society concerned along with fee.

57. Nature of audit.

The audit shall include –

- a verification of the balance and securities;
- a verification of the balance at the credit of the depositors and creditors and the amounts due from the debtors of the society;
- an examination of overdue debts, if any;
- valuation of the assets including stock verification, and liabilities of the society;
- an examination of the statement of accounts and balance sheets to be prepared by the managing body of the society in such forms as may be prescribed;
- a certification of the realized profits; and
- any other relevant matter.

58. Audit report.

The audit officer shall, within a week from the date of completion of audit, submit to the registered society, and to the Registrar, together with the statement of accounts audited, and audit report including a statement of –

- (i) every transaction which appears to him to be contrary to law or to the rules or bye-laws;
- (ii) every sum which ought to have been but has not been brought into account;
- (iii) the amount of deficiency or loss which appears to have resulted from any negligence or misconduct or to require further investigation.
- (iv) any money or property belonging to the society which appears to have been misappropriated or fraudulently retained by any person.
- (v) any of the assets which appears to him to be bad or doubtful;
- (vi) any irregularity in maintaining account; and
- (vii) any other relevant matter.

IV.B The Assam Co-Operative Societies Rules 1953

36. Duties of the Administrative Council and Managing Body.

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

- (1) The administrative council or the managing body shall observe in all their transaction the provisions of the Act, Rules, by-laws and direction of the Registrar and shall cause to perform the following duties, namely :
- (a) to provide for the management of the affairs of the society;
 - (b) to receive and disburse money;
 - (c) to maintain true accounts of money received and expended and of assets and liabilities;
 - (d) to prepare for submission to the annual meeting of the general assembly –
 - (i) an annual report on the working of the society;
 - (ii) an annual statement of accounts which shall include –
 - a) cash account;
 - b) balance sheet;
 - c) trading account (if any);
 - d) profit and loss account; and
 - e) profit and loss appropriation account ;
 - (e) to prepare the statement of accounts required for audit and to place them before the auditors;
 - (f) to prepare and submit all statements and returns required by the Registrar in such forms as he may direct;
 - (g) to enter account's of the society regularly in proper registers;
 - (h) to maintain a register of members up-to-date;
 - (i) to facilitate the inspection of books and records by the inspecting officers;
 - (j) to convene meeting of the general assembly on requisition;
 - (k) to convene the annual meeting of general assembly in due time;
 - (l) to watch that the loans are applied for the purposes they are advanced and that they are repaid punctually;
 - (m) to examine and take prompt action in cases of all arrears and defaults in respect of repayment of loans;
 - (n) to examine the stock register and verify the actual stock;

- (o) to supervise and examine the work of the sub-committees and the office-bearers ; and
 - (p) to perform such other duties as may be entrusted by the general assembly.
- (2) (a) No. society, without prior approval of the Registrar, shall take into consideration any balance sheet at its annual general meeting or make any distribution of its profits by way of dividend or bonus or otherwise among its office-bearers, employees and members, unless and until the balance sheet (for the period during which such profits have accrued) shall have been certified to be a true and correct statement of the financial position of the society by the Registrar of the person authorized by him that behalf.
- (b) All societies with limited liabilities shall obtain the Registrar's approval to their proposal of the distribution of the profits whether to their office-bearers or employees or members before considering it at the annual general meeting.

CHAPTER VII

Audit

69. Date of audit of Co-Operative Society .

Unless the Registrar directs otherwise for any society or class of societies, the annual statutory audit as provided in S 55, shall be conducted and the audit report shall be submitted –

- (i) in case of a primary agricultural credit society, within nine months, and
- (ii) in case of any other society, within six months from the date of the close of the Co-Operative year.

70. Procedure of audit.

- (1) Unless the Registrar directs otherwise the audit of a Co-Operative Society shall always be conducted in the registered office of the society.
- (2) Previous and timely intimation shall always be given to the society by the audit officer before the audit is commenced :
Provided that the verification or examination required under Cls. (i) (ii) and (ii) of S, 57 may be carried out by any audit officer without any previous intimation to the society.

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

- (3) The defects and errors detected in course of audit and which can be remedied on the spot shall be rectified by the audit officer and he shall also convene a meeting of the managing body for rectification of all defects including account irregularities, which can be remedied by the managing committee. All other defects of a serious nature shall be remedied in the annual meeting of the general assembly subject to provisions under Ss. 58 and 59.
- (4) The officers and employees of the society shall give the audit officer all assistance necessary for the conduct and completion of the audit and for this purpose in particular prepare such statements and take such action with regard to the verification or examination of its accounts as he may require.

71. (1) When the annual audit of a Co-Operative Society is completed, the audit officer will record a certificate in the cashbook in the following from :

“Certified that I have this day completed the audit of the for the period from to..... and that a copy of the balance sheet together with the statement of accounts audited and the audit report with the statement as required S. 58 shall be sent within a week to the society for record”.

(2) The audit certificate in the balance sheets of the audit officer shall be in the following form :

“I report that I have audited the balance sheet as at and the annexed profit and loss account for the year ended and have obtained all the information and explanation I required. In my separate report of even date, the balance sheet exhibits a true and correct view of the state of the society's affairs according to the best of my information and the explanation given to me and as shown by the books of the society.”

72. Form of Audit Statements.

The statement of accounts shall be prepared by the managing body in such forms as the Registrar may prescribe or approve.

73. Audit fee.

- (1) (a) For the purpose of audit, the physical stock taking shall be done by appropriate Co-Operative societies to ascertain the actual value of the stock as it stands on the last date of the operative year, as may be fixed by the Registrar of Co-Operative Society .

- (b) Any reference to Co-Operative [This part of the original printed matter is not visible.]

Every registered society shall be assessed audit fees at the rate and in the manner as prescribed in sub- ₹ (3) and (4) of this rule and 'such fees shall be collected at the time of audit for the year to which the audit relates.

- (2) Audit fees of a registered society shall be assessed on the net working capital of the society as it stood at the close of the previous year which shall include (a) share capital, (b) deposits, (c) borrowings, (d) undistributed profits and all other funds of the society utilised in the business of the society.
- (3) Audit fees of registered society or a class of registered societies shall be assessed at the following rates : -
- (a) Primary Credit Society – at annas 8 per one hundred rupees subject to a maximum of ₹ 150.
- (b) All other Co-Operative Societies – at ₹ 1 per One hundred rupees subject to a maximum of ₹ 5000 unless the society has regional branches in which case in which case the maximum shall be ₹ 10,000.
- (4) The Registrar may at his discretion for reasons to be recorded in writing remit wholly or in part the audit fees payable by any registered society under these Rules.

V.1 Bihar Co-Operative Societies Act, 1935

33. Audit.- (1) The Registrar shall audit or cause to be audited by some person (hereinafter referred to as the auditor) authorised by him by general or special order in writing in this behalf the accounts of every registered society once at least in very year.

(2) Every officer or member of the society shall furnish such information in regard to the transactions and working of the society as the Registrar or the auditor any require.

(3) The audit under sub-section (1) shall be conducted according to the rules, and shall include an examination of over due debts, if any, the verification of the cash balance and a securities a valuation of the assets and liabilities of the society.

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

- (4) The auditor shall submit a report on such examination, verification and valuation, and shall include in his report a statement of –
- (a) every transaction which appears to the auditor to be contrary to law or to the rules or bye-laws of the society;
 - (b) the amount of any deficiency or loss which appears to have been incurred by the culpable negligence or misconduct of any person;
 - (c) the amount of any sum which ought to have been but has not been brought into account by any person; and
 - (d) any money or property belonging to the society which has been misappropriated or fraudulently retained by any person taking part in the organization or management of the society or by any past or present officer of the society or any other person.
- (5) The Registrar may determine the sum to be paid by any society towards the cost of auditing its accounts under this section, and such sum shall be paid by the society in such manner as the Registrar may direct.

V.2 Bihar Co-Operative Societies Rules, 1959

Audit and Account

57. **Audit.-** The audit of a registered society shall be conducted and the audit report drawn up in such manner and submitted to the Registrar and such other authority as may from time to time be prescribed by the Registrar.
- (2) The Registrar may revise any statement made in the audit report if, in his opinion, it does not represent the actual position of the working of the society and may order necessary modification to be made therein.
58. **Statement of accounts and balance sheets.-** (1) (a) The managing committee of a registered society shall prepare such statement of accounts (including balance sheet, profit and loss account and statement of receipts and expenditures) as may from time to time be prescribed by the Registrar and submit the same to Registrar within three months of the close of the Co-Operative year and also produce it before the auditor.
- (b) On the failure of the managing committee to prepare the account as prescribed, the Registrar may get accounts prepared and assess the cost thereof on the society and same shall be realisable from the society as audit fee.
 - (c) A registered society shall exhibit at its office, its last annual balance sheet as audited and certified by the auditor, as also audit report. The

Registrar may direct the publication in the official gazette of the audited balance sheet of a registered society.

62. Custody of account books and registers.- Unless otherwise provided in its bye-laws or its rules of business approved by the Registrar, the account books, registers and records of a registered society shall be kept in the custody of the secretary or such other officer or paid staff of the society as the managing committee may authorise.

63. Preservation of records. – The books and records of registered society shall be preserved for and destroyed after such period and in such manner as may, from time to time, be prescribed by the Registrar.

VI.1 Delhi Co-Operative Societies Act 1972

53. Audit

- (a) The Registrar shall audit or cause to be audited by a person authorized by him by general or special order in writing in this behalf, the accounts of every Co-Operative Society at least once in each year.
 - (b) The audit under sub-section (1) shall include an examination of overdue debts, if any, the verification of the cash balance and securities, and a valuation of the assets and liabilities of the society.
 - (c) The person auditing the accounts of a Co-Operative Society shall have free access to the books accounts, papers, vouchers, stock and other property of such society and shall be allowed to verify its cash balance and securities.
 - (d) The directors, managers, administrators and other officers of the society shall furnish to the person auditing the accounts of a Co-Operative all such information as to its transactions and working as such person may require.
 - (e) The Registrar or the person authorized by him under sub-section (1) to audit the accounts of a Co-Operative Society shall have power where necessary.
1. To summon at the time of his audit any officer, agent, servant or member of the society past or present, who he has reason to believe can give valuable information in regard to transactions of the society or the management of its affairs; and

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

2. To require the production of any book or document relating to a the affairs of, or any cash or securities belonging to, the society by any officer, agent, servant, or member in possession of, such books, documents, cash or securities and in the event of serious irregularities discovered during audit, to take them into custody.
3. If at the time to audit the accounts of a society are not complete, the Registrar or the person authorized by him under sub-section (1) to audit, may cause the accounts to be written up at the expense of the society.
4. Audit fee, if any due from Co-Operative Society shall be recoverable in the same manner as is provided in section 75.

VI.2 Delhi Co-Operative Societies Rules: 2007

38. Closing of Accounts: - Every Co-Operative Society shall maintain accounts and books for the purpose of recording business transactions by it and close them every year on 31st March, by the 30th April. Each closing entry in the cashbook, in each ledger account shall be signed by the president or secretary or the treasurer or any other authorised officials of the society authorised by the committee in this behalf. The closing balances, which are thus authenticated, shall be carried forward to the following year commencing on the 1st April. For the purpose of calling the annual general body meeting as provided in section 31 of the Act, the date fixed for making up the accounts, for the year shall be 30th April of each year. The closing accounts shall be signed by the secretary or the treasurer or any other officers of the society/bank authorized by the committee.

39. Accounts and other books to be maintained by Co-Operative Societies: - Every Co-Operative Society shall keep and maintain the following books of accounts for the purpose of recording the business transacted by it, namely:-

- (a) Minutes book for recording the proceedings of the general body, Committee/any sub committee;
- (b) Register of applications for membership containing the name and address of the applicant, number of shares applied for, and in case of refusal, the date of communication of the decision refusing application of the applicant;
- (c) Membership Register, containing the date of membership, name of member, name of father/husband, address of member, no. of shares purchased, name of the nominee with relationship, date of cessation

- of membership, signature of the member and remarks. In case of housing Co-Operative societies, the Bank account of the member and address of the bank, the PAN, Electoral photo identity card (EPIC), certificate of gazetted officer attesting signature and photograph of member and an affidavit as prescribed shall be maintained by Co-Operative housing society;
- (d) Share allotment register along with details of amount paid therefore;
 - (e) Cash book, showing daily receipts and expenditure, and the balance at the end of each day;
 - (f) Receipt book, containing forms in duplicate, one of each set to be issued for money received by the society and the other to serve as counterfoil;
 - (g) Voucher file, containing all vouchers for contingent expenditure incurred by the society, numbered serially and filed chronologically;
 - (h) Ledger of borrowings, showing deposits and other borrowings of all kinds;
 - (i) In the case of societies issuing loans,
 - (i) Loan ledger, showing the number and date of disbursement of each loan issued to member, the amount of loan, the purpose for which the loan is granted and the date or dates of repayment, distinguishing principal and interest;
 - (ii) Liability/surety register showing the indebtedness of each member to the society whether on account of loan taken directly by the member or on account of loan for which the member stands as surety;
 - (j) In the case of a Co-Operative Society if the working capital exceeds twenty thousand rupees, a general ledger showing receipts and disbursements and the outstanding under various heads from day to day;
 - (k) In the case of a Co-Operative bank, a register of fluid resources showing the immediate liabilities of the Co-Operative bank and the extent of fluid resources available to which the Banking Regulation Act, 1949 (10 of 1949) applies according to the instructions of the Reserve Bank of India;
 - (l) Monthly register of receipts and disbursements; and
 - (m) Register of dividend.

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

79. Procedure for appointment of auditors and for conducting Audit -

(1) The audit of the accounts of the Co-Operative Society shall be conducted by an auditor selected by the Co-Operative Society from the panel of **Chartered Accountant** drawn by the Registrar after every three years by giving due publicity through two leading daily newspapers. The committee of the Co-Operative Society while selecting the **Chartered Accountant** as auditor shall inform the Registrar within fifteen days of such selection and shall follow the guidelines and instructions issued by Registrar from time to time:

Provided that the Registrar shall draw a panel of auditors atleast six months before the expiring of the term of previous panel so that the statutory audit is complete in time as required under section 60 of the Act, or also to file Income Tax Returns as prescribed under the law.

(2) The committee shall ensure that the audit of the Co-Operative Society is complete within the period as provided under sub- section (1) of section 60 of the Act to enable it to place the report before annual general body meeting and also to file Tax Returns in time as prescribed under the Tax Laws. The committee shall also ensure that the Auditor selected by the Co-Operative Society has not exceeded the limit of prescribed number of audits specified by the Registrar under these rules. The auditor appointed out of the panel of **Chartered Accountants** shall conduct audit of at least three Co-Operative societies whose turnover is less than rupees five lakhs and shall charge audit fee at the rate of rupees five hundred from each Co-Operative Society per year and may conduct audit of any other five Co-Operative societies-

Provided further that in-case of special audit, the auditor shall be appointed by the Registrar.

(3) If in the opinion of the Registrar, any of the auditor included in the panel of auditors is found indulging in corruption, malpractice, mis-conduct or professional misconduct and refusing (at least twice) to accept the audit assigned to him repeatedly, the Registrar, may, delete his name from the panel of auditors.

(4) The audit fee fixed by the Registrar shall be paid to the auditor by the co-operative society directly on the receipt of audit report acknowledged by the Co-Operative Department.

(5) While fixing charges on account of services rendered by the auditors which are payable to them, the Government shall beside other things' have

regards to the turnover or sale or working capital of the Co-Operative Society.

(6) The amount fixed under sub-rule (2) above, and the amount payable to the certified auditors, appointed by the Registrar, shall be paid to them directly.

(7) An auditor can undertake the audit of a Co-Operative Society for a maximum period of not more than three years continuously.

(8) A **Chartered Accountant** shall not be appointed as auditor of the Co-Operative Society if, he holds membership in that Co-Operative Society or an employee of that Co-Operative Society.

Explanation -

I For purposes of this Chapter, audit shall include **technical and special audit, concurrent audit and re-audit**. However in case of re-audit and special audit Registrar shall not pass order without giving reasonable opportunity to the Co-Operative Society and the auditor concerned.

II **Concurrent Audit** shall be conducted in respect of the following type of Co-Operative societies by the auditor appointed under the Act: -

- (a) All Co-Operative housing societies, which have been allotted land until the construction of buildings and super structure is completed;
- (b) Delhi Co-Operative Housing Finance Corporation Limited and Delhi Consumer Co-Operative Wholesale Store Limited, in case **internal auditor** has not been appointed;
- (c) Co-Operative Societies / Federations whose turnover exceeds rupees five crores:

Provided that in case of Financing bank and Co-Operative urban banks, concurrent auditor shall be appointed in terms of guidelines issued by NABARD/Reserve Bank of India, as the case may be.

80. POWER OF REGISTRAR TO DIRECT SPECIAL AUDIT IN CERTAIN CASES AND PROCESS OF CONDUCTING AUDIT IN ALL SOCIETIES -

- (1) Where the Registrar is of the opinion, -
 - (a) that the affairs of a Co-Operative Society are not being managed in accordance with the Co-Operative principles or prudent commercial practices or sound business principles:

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

- b) that a Co-Operative Society is being managed in a manner likely to cause serious injuries or damage to the interest of business to which it pertains;
 - c) that the financial position of a Co-Operative Society is such as to endanger its insolvency to the society; - the Registrar may at any time by written order, direct that a special audit of the accounts of Co-Operative Society for such period or periods and for such purpose, as may be specified in the order, shall be conducted and may by the same or different order appoint an auditor out of the panel drawn by Registrar to conduct special audit after giving a show cause notice to the Co-Operative Society . The Special Auditor shall have same powers and duties as are given to an Auditor under the Act. The Special Auditor shall submit its report to the Registrar for taking suitable action on the report as he considers necessary in accordance with the provision of the Act or any other law for the time being enforce. Registrar may direct the Co-Operative Society to submit comments on the auditor report or direct the Co-Operative Society to place the report in the general body meeting to be called for this purpose by the committee. The expenses incurred for conducting special audit shall be decided by the Registrar, which shall be paid by the Co-Operative Society from its funds and in default of such payment, the same shall be recovered from the Co-Operative Society as arrears of land revenue. (2) The audit under sub-section (1) of section 60 shall in all cases extend back to the last date of the previous audit and shall be carried out up to the last date of the Co-Operative year immediately, preceding the audit or where the Registrar so directs in the case of any particular Co-Operative Society or class of Co-Operative societies, such other date as may be specified by the Registrar.
- (3) if in the opinion of Registrar, it is necessary to do so in relation to any co-operative society, he may, by order direct that an audit of cost accounts of the Co-Operative Society shall be conducted in such manner as may be specified in the order by an auditor (who shall be Cost Accountant within the meaning of Cost and Work Accountant Act 1959 (23 of 1959). An audit conducted under this rule shall be in addition to the audit conducted by an auditor appointed under section 60 of the Act

- (4) Unless the Registrar directs other wise, the audit of a Co-Operative Society shall be conducted at the registered office of the Co-Operative Society .
- (5) Previous intimation shall be given to the Co-Operative Society before the audit is commenced.
- (6) (a) The audit report shall state the following, namely:-
- (i) Whether or not the auditor has obtained all the information and explanations required;
 - (ii) Whether or not in the opinion of the auditor, the balance-sheet and the profit and loss accounts referred to in the report are drawn up in conformity with the Act, these rules and the bye laws thereunder;
 - (iii) Whether or not such balance-sheet exhibits a true and correct account of the state of affairs of the Co-Operative Society according to the best of his information and the explanations given to him and as shown by the books of the Co-Operative Society ;
 - (iv) Whether, in the opinion of the auditor, books and accounts have been kept by the Co-Operative Society as required under the Act, these rules and the bye-laws;
 - (v) Whether there has been any material impropriety or irregularity in the expenditure or in the realisation of money due to the Co-Operative Society ;
 - (vi) Whether there was any material impropriety or irregularity in the expenditure, realization of money due to the Co-Operative Society or any defect or observation pointed out in the previous audit which required rectification, has been rectified or not;
 - (vii) Whether in case of a Co-Operative bank, the guidelines issued by the Reserve Bank of India and National Bank for Agriculture and Rural Development established under the National Bank for Agriculture and Rural Development Act, 1981 (61 of 1981) have been adhered to or not;
 - (viii) Whether the loan and advance made by the Co-Operative Society;

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- (ix) Whether the members have been enrolled as per the provisions of Act and these rules;
 - (x) Whether the Co-Operative Society has accounted the deposits of equalization charges in the books of accounts. In case of enrolment and refund of money in case of resignation/ expulsion of member from society, it should be specifically noted, whether an actual debit has been shown in the books of accounts in case of resignation or expulsion;
 - (xi) In case any of the matter referred to in sub-clauses (i), (ii), (iii) or (iv) of clause (a) of sub rule (b) is answered in the negative or in the affirmative with any remarks, the report shall state the reason for such answer with facts and figures;
- (7) The audit report shall also contain schedules with full particulars of :-
- (a) all transactions which appear to be contrary to the provisions of the Act, these rules or the bye-laws of the Co-Operative Society ;
 - (b) all sums which ought to have been brought, and have not been brought into account by the Co-Operative Society ;
 - (c) any material impropriety or irregularity in the expenditure or in the realisation of money due to the Co-Operative Society ;
 - (d) any money or property belonging to the Co-Operative Society which appears to the auditor to be bad or doubtful of recovery;
 - (e) information in prescribed form giving details of the Co-Operative Society for display on website of Co-Operative Department;
 - (f) any other matter specified by the Registrar in this behalf;
 - (g) The name of the members of committee along with their addresses;
 - (h) In case of Co-Operative housing societies the details of members enrolled, resigned and expelled and detail of the decisions of the committee and refund of dues or contribution of such members and list of members with their addresses;
 - (i) All transactions which appear to be contrary to the guidelines issued by the Reserve Bank of India and National Bank for Agriculture and Rural Development;
 - (j) The loans given by the Co-Operative Society to the members of the board or the committee;

- (k) Any violation of guidelines, conditions etc. issued by the Reserve Bank of India or National Bank for Agriculture and Rural Development by any Co-Operative Bank;
 - (l) Working status of the society that is to say, working or defunct.
 - (8) The summary of audit report as prepared by auditor shall be read out in general body meeting. The audit report together with its accompaniments shall be open to inspection by any member of the Co-Operative Society. The Registrar may, however, direct that any portion of the audit report, which appears to him to be of objectionable nature or not justified by facts shall be expunged and the portion so expunged shall not form part of the audit report.
 - (9) The auditor shall examine the monetary transactions of a Co-Operative Society in so far as may be necessary for the purpose of ascertaining as to whether there has been any material impropriety or irregularity in the expenditure or on the realization of money due to the Co-Operative Society and whether any transaction infringes any provisions of the Act, these rules or bye-laws, or any directions of the committee. In case of difference of opinion between the auditor and the Co-Operative Society in regard to the propriety of any of its monetary transactions, the Registrar shall decide the matter and his decision shall be final.
 - (10) If the result of the audit discloses any defects in the working of a Co-Operative Society the Co-Operative Society shall, within three months from the date of audit report, explain to the Registrar the defects or the irregularities pointed out by the auditor, and take steps to rectify the defects and remedy irregularities, and report to the Registrar the action taken by it thereon, the compliance report shall continue to be submitted till all the defects are rectified or irregularities remedied to the satisfaction of the Registrar. The Registrar may also make an order directing the Co-Operative Society or the officers to take such action as may be specified in the order to remedy the defects, within the time specified therein.
11. (a) The audit reports shall be submitted to the Registrar within a period of thirty days of the completion of the audit. All audit reports submitted by the auditor to the Registrar, shall be examined by the authorized officer. In audit reports where no short-comings or irregularities have been pointed out, the authorized officer shall have the authority to accept the report. The authorized officer may recommend, after proper examination of a audit report, to the Registrar that the same may be examined by any other officer

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or a committee of auditors or experts, and the decision of the Registrar in this regard shall be final;

(b) The authorized officer shall also examine whether the auditor has taken all care to conduct the audit as per these rules. If it is found otherwise the authorized officer shall submit the report for consideration of the Registrar with his comments for re-audit;

(c) In case, short-comings or irregularities have been pointed out by the authorized officer, the same shall be brought to the notice of the Registrar. The fact of acceptance or non-acceptance of the audit report may be communicated to the Co-Operative Society by the Registrar, at the cost of the society

VII.1 The Goa Co-Operative Societies Act, 2001

CHAPTER - VIII

[Accounts, Audit, Inquiry and Inspection]

73. **Accounts and records.**— (l) Every society shall maintain at its office the following accounts, records and documents, namely:—

- (a) copy of its registered bye-laws with amendments made from time to time;
- (b) the minute book of the board of directors meetings and committee meetings;
- (c) the minute book of the general meetings;
- (d) accounts of all sums of money received and expended by the society;
- (e) accounts of all purchases and sales of goods made by the society;
- (f) accounts of all assets and liabilities of the society;
- (g) a register showing member wise patronage of various services provided by the society;
- (h) an up-to-date register of all members;
- (i) copies of the annual statement of accounts, directors report and auditors report;
- (j) all such other accounts, records and documents as may be required by this Act or other laws.

(2) The books of accounts and other records shall be open for perusal by any director during business hours.

(3) The books of accounts of every society, together with supporting records and vouchers, shall be preserved for such period as may be prescribed subject to any other laws for the time being in force.

(4) Every society, immediately after close of the financial year, shall prepare the Receipt and Payment statements/Trial Balance/Trading/Manufacturing Accounts, Profit and Loss Account/Income and Expenditure Account and Balance Sheet and shall submit the same to the Registrar, within a period of 45 days prior to filing the returns as specified under section 81.

74. Audit.— (1) The Registrar shall constitute a panel of auditors from among the chartered accountants within the meaning of the **Chartered Accountants Act, 1949 (XXXVIII of 1949)** and who are fellow members of the **Institute of Chartered Accountants of India**, holding certificate of practice, who have their registered address within the State of Goa, and retired officers of the Government, who are holding higher Diploma in Co-operation or having working experience of ten years in Co-Operative Audit.

(2) The Registrar shall appoint auditors to audit the accounts of State aided societies, and other societies with paid up capital exceeding Rupees one lakh as may be notified by the Registrar from time to time, from among the departmental auditors or the panel of auditors.

Provided that any society which is not notified under sub-section (2) may request in writing to the Registrar that its audit shall be conducted by the departmental auditors and the Registrar may allow to do so for such period as may be requested by the society.

[Explanation.— For the purpose of this sub-section any society or class of societies irrespective of share capital limit which are either been assisted by the Government in the form of subsidy, loan, trade and commercial concession, price support and/or offered any type of incentives, relaxation, considering the social, circumstantial aspects and in the interest of particular occupation, community or public interest at large, and involving the deposit of the public, the Registrar shall decide over the nature as to whether such society is to be notified or otherwise and accordingly the audit of such society or class of societies shall be entrusted to the departmental auditors or the panel of auditors, by general or special order. The decision of the Registrar in this matter shall be final].

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(3) A mutually aided society which is not notified under sub-section (2) above shall appoint an auditor from among the panel of auditors by resolution in the annual general meeting and such appointment shall be valid till the conclusion of next annual general meeting:

Provided that the first auditor shall be appointed from among the said panel by the Board of Directors in the first meeting held after the registration of the society and such appointment shall be valid till the conclusion of the first annual general meeting.

(4) The remuneration of all auditors shall be fixed by the Registrar.

(5) The auditor shall be given notice of every general meeting and will be entitled to attend the meeting.

(6) Where a mutually aided society fails to get its accounts audited within nine months from the end of the Co-Operative year, the Registrar shall be empowered to appoint the auditor and get the accounts audited.

(7) If the Registrar finds it necessary or expedient to re-audit any or all accounts of the society, he may, by Order, direct such re-audit and the provisions of this Act, applicable to audit of accounts of society, shall apply to such re-audit.

75. Powers and duties of the auditor.— (1) Every auditor of a society shall have right of access at all times to the books of accounts and vouchers of the society, whether maintained at the head office or at the branches or elsewhere, and shall be entitled to require from the society such information and explanations as the auditor may think necessary for the performance of his duties as an auditor.

(2) The auditor shall, after examination of the books of accounts and records, report:-

- (a) Whether the society has maintained proper books of accounts and records as required by this Act;
- (b) Whether he has obtained all the information and explanations, which to the best of his knowledge and belief were necessary for the purposes of his audit;
- (c) Whether the final statement of accounts prepared are in agreement with the books of accounts and records maintained;
- (d)
 - (i) in the case of balance sheet, of the state of affairs of the society as at the end of the Co-Operative year.

- (ii) in the case of income and expenditure account, of the surplus or deficit for the Co-Operative year.
- (e) Whether report of the branch auditors, not audited by him has been considered, and how he has dealt with the same in preparing his report;
- (3) The auditor of the society shall also examine the following before he submits his report.
 - (a) Whether a society has maintained proper records showing particulars including quantitative details and situation of fixed assets;
 - (b) Whether the fixed assets have been periodically physically verified by the management of the society and the discrepancy, if any, is considered in the books;
 - (c) Whether loans and advances made by the society on the basis of security have been properly secured and whether the terms and conditions are not prejudicial to the interest of the society;
 - (d) Whether any personal expenses have been charged to income and expenditure account;
 - (e) Whether capital expenses have been charged to income and expenditure account;
 - (f) Whether any expenditure incurred by the society is not in accordance with or not in consonance with its objectives;
 - (g) Whether the society has utilised the financial assistance granted by the Government or any Government undertakings, for the purpose it is granted;
 - (h) Whether there are adequate internal control procedures, commensurate with the size of the society and nature of its business;
 - (i) Whether any purchases and sales are made during the year exceeding ₹ 50,000/- in aggregate from any relative of any Director or any company or firm in which directors are interested;
 - (j) Whether any manpower requirement is assessed and recruited as per the recruitment rules.
- (4) The auditor of the society shall submit a copy of the audit report together with the accounts to the Registrar in such form as may be specified by the Registrar, within thirty days from the date of the audit.

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(5) On completion of the statutory audit, the auditor shall award audit classification to the society whose accounts he has audited in accordance with the instructions issued by the Registrar from time to time.

(6) The Registrar or the person authorized by him to conduct the audit may summon any person in possession or responsible for the custody of any such books, accounts, papers, documents to produce the same at any place at the Headquarters of the society or any branch thereof.

80. Audit rectification report.— If the auditor of a society has pointed out any defects in the working of the society, the society shall, within three months from the date of audit report, explain to the Registrar, the defects or the irregularities pointed out by the auditor and steps taken to rectify the defects and remedy the irregularities. The Registrar may make an order directing the society, to take such action as may be specified in the order to remedy the defects within the time specified therein.

VII.2 Goa Co-Operative Societies Rules, 2003.

48. Preparation of annual financial statements.— (1) In preparing the annual financial statements, the society shall prepare the accounts in accordance with the Mercantile accounting system, and after following the accounting standards issued by the Institute of Chartered Accountants of India from time to time, incorporated under the Chartered Accountants Act, 1949 (38 of 1949).

(2) Before arriving at the net profit or loss, the society shall provide adequate resources for fulfilment of guarantees given by the Government or Federal society or any other authority.

(3) Adequate provision shall be made for redemption of share capital contributed by the Government or federal society or any other authority.

50. Form for the balance sheet and the profit and loss account.—

(1) The balance sheet and the profit and loss account to be prepared and placed before the annual general meeting of a society by the board of directors shall be either in horizontal form or in vertical form in Form as per format prescribed.

(2) A copy of the balance sheet and profit and loss account to be presented at the annual general meeting under sub-clause (i) of clause (c) of sub-section (3) of section 58 of the Act and a copy of the annual report of the Board of Directors under sub-clause (ii) of clause (c) of sub-section (3) of section 58 of the Act shall be fixed on the notice board of the society at least fifteen days before the date fixed for the annual general meeting.

VIII.1 The Gujarat Co-Operative Societies Act, 1961

84. Auditor. – (1) The Register shall audit, or cause to be audited by a person possessing prescribed qualifications and authorised by the Registrar by general or special order in writing in this behalf, the accounts of every society at least once in each year. The person so authorised shall be an auditor for the purposes of this Act.

(2) The audit under the foregoing sub-section shall include an examination of overdue debts, if any, verification of the cash balance and securities and a valuation of the assets and liabilities of the society.

(3) The Register or the auditor shall, for the purpose of audit, at all times have access to all the books accounts, documents, papers, securities, cash and other properties belonging to, or in the custody of the society, and may summon any person in possession or responsible for the custody of any such books, accounts, documents, papers, securities, cash or other properties, to produce the same at any place at the head-quarters of the society or any branch thereof.

(4) Every person who is, or has at any time been, an officer or employee of the society, and every member and past member of the society shall furnish such information in regard to the transactions and working of the society as the Registrar, or the auditor may require.

(5) The auditor shall have the right to receive all notices, and every, communications relating to the annual general meeting of the society and to attend such meeting and to be heard thereat, in respect of any part of the business with which he is concerned as auditor.

(6) If it appears to the Registrar, on an application by a society or otherwise, that it is necessary or expedient to re-audit any accounts of the society, the Registrar may be order provide for such re-audit and the provision of this Act applicable to audit of accounts of the society shall apply to such re-audit.

(7) For auditing the accounts of a society under this section, every society shall be liable to pay to the Registrar or, as the case may be, to the auditor, audit fee, -

(i) in relation to any period beginning from the date of the commencement of this Act and ending on the day immediately before the date of general or, as the case may be, special order made under clause (ii) at the existing rates;

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(ii) in relation to any other period at such rates or scales as the State Government may, from time to time, by general or special order, determine.

(8) The State Government may, if it considers it necessary to do so in public interest, exempt, by notification in Official Gazette, and for reasons to be specified therein, any for reasons to be specified therein, any society or class of societies wholly or partially from payment of audit fees.

(9) The amount of audit fees payable by any society for any period, whether before or after the commencement of this Act, shall be deemed to be a sum due to the Government for the purpose of section 157.

Explanation:- For the purpose of clause (1) of sub-section (7), “existing rates” means the rates of fees for auditing the accounts of societies, which were in force immediately before the commencement of this Act under the Bombay Co-Operative Societies Act, 1925 (VII of 1925) as then force and such rates shall be deemed to be the rates or scales prescribed under sub-section (7) as in force during the period referred to in the said clause (I).]

VIII.2 The Gujarat Co-Operative Societies Rules 1965

Books of accounts, etc : -Every society shall keep the following books of accounts :-

- (a) A register of members (including persons nominated) under section 39.
- (b) A register of shares (where capital is raised by shares).
- (c) A register of debentures (where capital is raised by debentures).
- (d) A register of declaration made under section 49.
- (e) A share transfer register (Where capital is raised by shares).
- (f) A debenture transfer register (where capital is raised by debentures).
- (g) Cash Account.
- (h) General Ledger.
- (i) Stock Register.
- (j) Member 's Loan Register.
- (k) Deposit Account.
- (l) Loan register.

- (m) Interest Account.
- (n) Expense Account.
- (o) Bank Account.
- (p) Minute Book, recording the proceeding of general meetings.
- (q) Minute Book, recording the proceedings of the committee.
- (r) Register of member 's credit worthiness.
- (s) Such other accounts and Books as may from time to time be specified by the Registrar.

Qualification for auditors :- A person shall be qualified for being authorised by the Registrar under sub-section (1) of section 84 if –

- (a) he is a **Chartered Accountant** within the meaning of the **Chartered Accountants Act, 1949**, or
- (b) he holds a Government Diploma in Co-Operative accounts or a Government diploma in co-operation and accountancy, or
- (c) he has served as an auditor in the Co-Operative department of the State Government and,

whose name has been included by the Register in panel of auditors maintained by him and published in the Official Gazette at least once every three years.

IX. The Haryana Co-Operative Societies Act 1984

ACCOUNTS AND RECORD

47. **Accounts books:-** A Co-Operative Society or a class of Co-Operative Societies shall maintain the accounts books and other record in such form and manner as may be directed by the Registrar by a general or special order, from time to time.

48. **Balance sheet and other periodical statements:-**

(1) A Co-Operative Society shall prepare a balance sheet, profit and loss account, trading account and such other statements relating to the working of the society on such intervals as may be specified by the Registrar from time to time.

(2) If the Registrar so directs, a copy of the statements referred to in sub-section (1) shall be supplied by a Co-Operative Society to him or cadre society as the case may be by such date as may be specified by him.

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(3) Co-Operative Credit Structure other than Co-Operative bank shall abide by all such directions regarding financial norms as may be specified by the Registrar in consultation with the National Bank.

AUDIT, INQUIRY, INSPECTION AND SURCHARGE

95. **Audit:** (1) Every Co-Operative Society shall get its accounts audited at least once in each year by a person authorized by the Registrar by general or special order in this behalf failing which the Registrar shall get the accounts of the society audited at the expense of the society :

Provided that the Registrar will make necessary arrangement of the audit of societies through his officers or other auditors duly authorized by him.

(2) The audit under sub-section (1), shall include valuation of assets and liabilities, an examination of balance sheet, profit and loss account and overdue debts, if any, the verification of the cash balance and securities.

(3) The person auditing the accounts of a Co-Operative Society shall have free access to the books, accounts, papers, vouchers, stock and other property of such society and shall be allowed to verify its cash balance and securities.

(4) The members of the committee, managers, administrators or any officer, employee and agent of the society shall furnish to the person auditing the accounts of a Co-Operative Society all such information as to its transactions and working, as such person may require.

(5) The Registrar or the person authorized by him under sub-section (1) to audit the accounts of a society shall have power where necessary,—

(a) to summon at the time of its audit any officer, agent, servant or member of the society, past or present, who, he has reason to believe can give valuable information in regard to transactions of the society or the management of its affairs; and

(b) to require the production of any book or document relating to the affairs of, or any cash or securities belonging to the society, by officer, agent, servant or member in the possession of such books, documents, cash or securities and in the event of serious irregularities discovered during audit to take these into custody.

(6) If at the time of audit the accounts of a society are not complete, the Registrar or the person authorized by him under sub-section (1) to audit may cause the accounts to be written up at the expense of the society or the person responsible to maintain the accounts.

- (7) Where the accounts have been caused to be written up under sub-section (6), the Registrar may after giving the person concerned an opportunity of being heard make an order requiring the person concerned or society to pay such costs and compensation as the Registrar may determine.
- *(7-A)(i) The Registrar may get the accounts of a society audited by a chartered accountant in accordance with the guidelines approved by him. The remuneration of the chartered accountant shall be approved by the Registrar and the expenditure on this account shall be met out of the funds of the society.
- (ii) The audit of the Co-Operative Banks may be conducted by the chartered accountant appointed by the Registrar.
- (iii) The Registrar shall prepare a panel of qualified chartered accountants and fix the remuneration in lieu of audit fees. The Registrar shall also prepare the guidelines for these auditors as to make the audit more meaningful and effective.
- (iv) None of the following persons shall be qualified for appointment as a chartered accountant:-
- (a) a body Corporate;
 - (b) an officer or employee of the Co-Operative Society ;
 - (c) a person who is a member, or who is in the employment, or an officer or employee of the Co-Operative Society ;
 - (d) a person who is indebted to the Co-Operative Society or who has given any guarantee or provided any security in connection with the indebtedness of any third person to the Co-Operative Society for an amount exceeding five thousand rupees.
- (v) A person shall also not be qualified for appointment as a chartered accountant if he is, by virtue of clause (ii) disqualified for appointment as a chartered accountant of any other body corporate or Co-Operative Society .
- (vi) If a chartered accountant becomes subject, after his appointment, to any of the disqualification specified in clauses (ii) and (iii), he shall be deemed to have vacated his office as such.
- (8) Audit fee, if any, due from any Co-Operative Society shall be recoverable in the same manner as is provided in section 104.

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(9) Notwithstanding anything contained in sub-section (7A), Co-Operative Credit Structure other than Primary Agriculture Co-Operative Societies shall get its accounts audited by **chartered accountant** from a panel prepared by the Registrar in consultation with the National Bank.

(10) The Registrar shall get conducted a special audit of Co-Operative Credit Structure other than Primary Agriculture Co-Operative Societies on the request of the Reserve Bank and shall endorse a copy of the report of such special audit to the Reserve Bank and National Bank.

X.1 The Himachal Pradesh Co-Operative Societies Act, 1968

61. Audit.-

(1) The accounts of every society shall, at least once in each Co-Operative year and by such date as may be prescribed, be audited by the Registrar, or any person authorised by him in this behalf by general or special order in writing.

(2) In respect of the audit of accounts the society shall pay such audit fee, if any, and within such time limit, as may be prescribed.

(3) If at the time of audit, the accounts of a society are not complete, the Registrar, or the person authorised by him under sub-section (1) to audit, may cause the accounts to be written up at the expense of the society.

(4) The audit, fee, if any, due from any society or the expenses incurred in writing up the accounts of a society shall be recoverable in the manner as provided in section 90.

62. Nature of audit.-(1) The audit under section 61 shall include,-

- (a) a verification of the cash balance, securities and stocks;
- (b) a verification of the balance at the credit of the depositors and creditors and of the amounts due from the debtors of the society;
- (c) an examination of the overdue debts, if any;
- (d) a valuation of the assets and liabilities of the society;
- (e) an examination of the transactions including the monetary transactions of the society;
- (f) an examination of the statement of accounts to be prepared by the managing committee in such form as may be prescribed;
- (g) a certificate of the profits realised; and
- (h) any other matter that may be prescribed.

(2) The statement of accounts thus audited, together with the modifications, if any, made therein by the Registrar or any person authorised by him shall be final and binding on the Co-Operative Society.

63. Auditor's report.-The auditor shall, within 10 days from the date of the completion of the audit, submit to the Co-Operative Society and to the Registrar, together with the statement of accounts audited, an audit report including a statement of,-

- (a) every transaction which appears to him to be contrary to law or to the rules or bye-laws;
- (b) every sum which ought to have been but has not been brought into account;
- (c) the amount of any deficiency or loss which appears to have resulted from any negligence or misconduct or which requires further investigation;
- (d) any money or property belonging to the society which appears to have been misappropriated or fraudulently retained by any person;
- (e) any of the assets which appear to him to be bad or doubtful; and
- (f) any other matter prescribed.

64. Rectification of defects.-A Co-Operative Society shall be afforded by the Registrar an opportunity of explaining any defects or irregularities pointed out by the auditor, and thereafter the society shall, within such time, and in such manner, as the Registrar may direct, remedy such defects and irregularities and report to the Registrar the action taken by it thereon.

X.2 The Himachal Pradesh Co-Operative Societies Rules 1971

60. Books and registers to be maintained by the society -

(1) The following registers and papers shall be maintained, and shall be open to inspection by any member interested in the funds except that no one except an authorised officer of the Himachal Pradesh Government Co-Operative Department shall see the deposit account of any other person without that person's consent in writing :-

- (a) File Board containing :-
 - (i) Registration Certificate issued under section 9 of the Act;
 - (ii) a copy of Act, rules, bye-laws and consecutive amendments to the Act, rules and the bye-laws;

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- (iii) copies of such other circulars, as may be required by the Registrar from time to time, to be maintained;
 - (b) a register of members showing the name, age, parentage, address and occupation of every member, the number of shares held by him, the date of his admission to membership and the nominee appointed, where necessary, and in case of past members the date of termination of membership;
 - (c) a cash book showing the receipts, disbursements and balance of each day on which business is done;
 - (d) a ledger account of each member depositor and creditor and contingent income and expenditure;
 - (e) a register showing periodical installments for repayment of loans where necessary;
 - (f) a minute book;
 - (g) a register showing the maximum credit limit of each member;
 - (h) a hand book showing all loans issued;
 - (i) a pass book for each member and depositor;
 - (j) a register containing the day to day position of articles in trade and fixed assets;
 - (k) a visit book containing the particulars of visits made to the society by the Registrar, or a person working under his general or special orders.
- (2) The entries duly authenticated by an officer of the society in the pass books issued to each member or creditor under sub-rule (1) shall have equal evidential value to the entries in the books of accounts of the society.

61. Custody of accounts books and record - The books and record of a society shall be kept in the custody of the Secretary or such other officer as the managing committee may authorise.

62. Preparation of statements at the expense of the society -

- (1) If a society fails to send to the Registrar within the time allowed, any statement or return required by the Act, the rules and the Registrar from time to time, the Registrar may cause such statement or returns to be prepared by employing such staff as he may deem to be necessary and may assess upon the society the cost of such staff.

(2) The cost assessed under sub-rule (1) if not paid shall be recoverable from the society as laid down in section 90.

63. Publication of the Balance-Sheet -

(1) Every society shall publish in such manner as the Registrar may direct, its audited balance-sheet within 60 days from the date it is adopted by the general meeting by displaying it in any conspicuous place in the registered office of the society, and in every branch of the society.

(2) The managing committee of a society shall, in every Co-Operative year, lay before the general meeting of the society an audited balance-sheet.

(3) The audited balance-sheet, so published and displayed every year, shall be kept open to inspection in addition to the documents mentioned under section 26 of the Act.

64. Annual Statements - The managing committee of every society, or any officer of the society appointed for the purpose by the managing committee, shall prepare yearly, in such forms as may be prescribed by the Registrar :-

- (a) an account showing the receipt and disbursements of the year;
- (b) a profit and loss account;
- (c) a balance-sheet;
- (d) any other statement prescribed by the Registrar from time to time.

83. Date of audit - Unless the Registrar directs otherwise for any society or class of societies, the audit of every society, except the societies which are audited concurrently, for the preceding Co-Operative year, shall be completed and the audit report submitted within the current Co-Operative year but not later than 15 months from the previous date of audit of the society.

84. Audit fee - (1) Audit fee in respect of audit of accounts shall be paid by all, or any types of societies at such rates as may be fixed by the Registrar, from time to time. Provided that the Government may in special circumstances in its discretion exempt any society, or class of societies from the payment of audit fee assessed, in whole or in part, for such period as it may specify.

(2) All fees payable under this rule shall be recoverable in the manner specified in section 90 of the Act.

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(3) The audit fee assessed under sub-rule (1) shall be deposited by the society in the Government treasury within a period of one year after the close of Co-Operative year for which it was assessed.

85. Statements of Accounts- For the purpose of audit under section 61, besides producing the books and the registers maintained by the society under rule 60, the managing committee of the society shall keep ready for audit the following statements in the form specified by the Registrar :-

- (1) list of members, shares, held and the arrear of share subscription, if any;
- (2) list of depositors and creditors;
- (3) list of debtors including outstanding loans and overdues, if any;
- (4) lists of stocks with value of dead stock and stock in trade;
- (5) statement of receipts and disbursements for the period under audit; and such other statements as may be required by the auditor at the time of audit;
- (6) statement of trading, manufacturing and profit and loss accounts and balance sheet.

XI. A The Jammu And Kashmir Co-Operative Societies Act. 1989

64. Audit

(1) The Registrar shall audit or cause to be audited by a person authorised by him by general or special order in writing in this behalf, the accounts of every Co-Operative Society at least once in each year.

(2) The audit under sub-section (1) shall include an examination of over due debts. If any, the verification of cash balance and securities valuation of the assets and liabilities of the society.

(3) The Registrar of the authorised person shall at all times have access to all the books, accounts, documents, papers, securities, cash and other properties belonging to, or in the custody of, the society and may summon any person in possession or responsible for the custody of any such books, accounts, documents, papers, securities, cash or other properties, to produce the same at any place at the headquarters of the society or any branch thereof.

(4) Every person who is, or has at any time been, an officer or employee of the society and every member and past member of the society

shall furnish such information in regard to the transaction and working of the society as the Registrar or the person authorised by him may require.

Explanation:-

For purposes of this section:-

- (1) 'Audit' shall mean annual audit of accounts of a Co-Operative Society for each Co-Operative year and shall include Recurring Audit and Re-audit.
- (2) Recurring audit shall mean audit of accounts of a Co-Operative Society within a Co-Operative year on monthly or quarterly basis as the Registrar may decide.
- (3) 'Re-audit' shall mean audit of the accounts of a Co-Operative Society for checking up the quality or standard of any previous audit. A Co-Operative Society shall pay for every audit recurring audit or re-audit such audit fee in such manner as may be prescribed.

XI.B Jammu & Kashmir Self Reliant Co-operatives Act, 1999

44. Accounts, records and documents to be maintained

- (1) Every Co-Operative shall keep at its head office, the following accounts, records and documents:
 - (a) a copy of this Act, with amendments made from time to time;
 - (b) copies of other laws and regulations to which the Co-Operative is subject;
 - (c) a copy of its articles of association, with amendments made from time to time;
 - (d) the minutes books;
 - (e) account of all sums of money received and expended by the Co-Operative and their respective purposes;
 - (f) account of all purchases and sales of goods by the Co-operative;
 - (g) account of all the assets and liabilities of the Co-operative;
 - (h) a list of members, their fulfillment of responsibilities over the previous financial year, their eligibility to exercise their rights for the current financial year updated within forty five days of closure of the Co-operative's financial year; and

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- (j) all such other accounts, records and documents as may be required by this Act or other laws and regulations;

provided that where a Co-Operative has branch offices, summarized statements of accounts relating to such branch office/s, shall be available at the head office for each quarter, within fifteen days of the end of that quarter.

- (2) Every Co-Operative shall keep open the books of account and other records for inspection by any director during business hours.

- (3) Every Co-Operative shall make available during its business hours to any member who so requests, copies of this Act, articles of association, minutes book of the general body, voters' list and such accounts and records of transactions that relate to that member.

- (4) Every Co-Operative shall preserve its books of accounts relating to a period of at least eight years before the current year together with supporting records and vouchers.

45. Audit

- (1) A Co-Operative shall get its accounts audited by a Chartered Accountant within the meaning of the Chartered Accountants Act, 1949.

- (2) A Co-operative, at its annual general meeting, shall resolve to appoint a Chartered Accountant as auditor. This resolution will be valid only until the close of the next succeeding annual general meeting.

- (3) The remuneration of an auditor may be fixed by the general body or, if not so fixed, by the Board.

- (4) An auditor ceases to hold office when the auditor

- (a) resigns;

- (b) is removed from office under sub-section (6); or

- (c) completes his/her term of office.

- (5) The resignation of an auditor becomes effective at the time a written resignation is received by the Co-operative, or at the time specified in the resignation whichever is later.

- (6) The general body may, by a special resolution, remove an auditor from office.

- (7) An auditor, who

- (a) resigns; or

- (b) receives a notice or otherwise learns of a general meeting called for the purpose of removing him/her from office;

is entitled to submit to the general body a written statement giving the reasons for his/her resignation or the comments on the proposed removal, as the case may be.

- (8) A vacancy created by the resignation or the removal shall be filled up by the general body. An auditor appointed to fill a vacancy holds office for the remaining term of his/her predecessor.

- (9) The auditor shall be given notice of every general meeting and, at the expense of the Co-operative, will be entitled to attend and be heard thereat on matters relating to his/her duties as auditor and their exercise.

- (10) It shall be the duty of the board to ensure that annual financial statements are prepared and presented for audit within forty-five days of closure of the Co-operative's financial year.

- (11) Upon the reasonable demand of the auditor of a Co-operative, the present or former directors, members, managers or employees of the Co-Operative shall

- (a) provide such access to records, documents, books, accounts and vouchers of the Co-operative; and
- (b) furnish such information and explanations, as are, in the opinion of the auditor, necessary to enable him/her to make the examination and report, and as the present or former director, members, managers or employees are reasonably able to furnish.

- (12) It shall be the duty of the auditor to ensure that audited annual financial statements and his/her accompanying report are furnished to the Co-Operative within forty five days of the submission of annual financial statements by the board.

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- (13) The auditor's report to the members of the Co-Operative shall:
- (a) state whether the auditor has obtained all the information and explanations which to the best of his/her knowledge and belief were necessary for the purpose of his/her audit;
 - (b) state whether the Co-operative's balance sheet and income and expenditure account dealt with by the report are in agreement with the books of accounts;
 - (c) indicate the basis on which each asset and liability was valued, and make specific mention of any change in the manner in which such valuation was done in the year under examination and its effect on surplus/deficit;
 - (d) indicate the amount of surplus earned/deficit incurred from provision of services to non-members as distinct from surplus/deficit accruing because of members or in normal course of business;
 - (e) indicate every deviation in actual expenses and income from the estimated expenses and income in the approved budget;
 - (f) state whether or not any of the directors had at any time during the year under review, become ineligible under this Act to continue in office as a director; and
 - (g) state whether the decisions on disposal of surplus or assessment of deficit, of the general body, at its previous annual general meeting were implemented correctly and completely or not.

XII.1 Jharkhand Co-Operative Societies Act, 2008

33.A. Audit. - (1) The Registrar shall audit or cause to be audited, by an auditor selected from the panel prepared by him, accounts of every registered society once at least in every year. Such auditor shall either be a **Chartered Accountant** within the meaning of **Chartered Accountant Act, 1949** or from the office of the Registrar by general or special order in writing in this behalf.

(2) (1) It shall be the duty of the Board/ Managing Committee to ensure that annual financial statements are prepared and presented for audit within forty five days of closure of the Co-Operative year.

(2) Every officer or member of the society shall furnish such information in regard to the transactions and working of the society as the Registrar or the auditor may require.

- (3) The audit under sub-section (1) shall be conducted according to the Rules, and shall include an examination of over due debts, if any, the verification of the cash balance, fund management, and securities and valuation of the assets and liabilities of the society.
- (4) The auditor shall submit a report on such examination, verification and valuation within thirty days of such examination in case of Primary Societies and forty five days in case of Central and Apex Societies and shall include in his report a statement of :-
- (a) every transaction which appears to the auditor to be contrary to law or to the Rules or bye-laws of the society;
 - (b) the amount of any deficiency, waste or loss which appears to have been caused by the culpable negligence or misconduct of any person in the performance of duties
 - (c) the amount of any sum received which ought to have been but has not been brought into account by any person.
 - (d) any material impropriety or irregularity which he may observe in the expenditure or in the recovery of money due
 - (e) any money or property belonging to the society which has been misappropriated or fraudulently retained by any person taking part in the organization or management of the society or by any past or present officer of the society or by any other person.
- (5) The auditor's report, in addition to the report on the accounts of the registered society shall also contain report on the attendance at meetings by Directors, loans and advances sanctioned to or business done with the registered society by the Directors, expenditure of board meetings, remuneration paid to Directors, expenses reimbursed to Directors, expenditure on education and training for members, staff, directors and others.
- (6) The Registrar may determine the sum to be paid by any society towards the cost of auditing its accounts under this section, and such shall be paid by the society in such manner as the Registrar may direct.

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XII.2 The Jharkhand Co-Operative Societies Rules, 2008

Audit and Account.

57. **Audit.** – (1) The audit of a registered society shall be conducted and the audit report drawn up in such manner and submitted to the Registrar and such other authority as may from time to time be prescribed by the Registrar.

(2) The Registrar may revise any statement made in the audit report if, in his opinion, it does not represent the actual position of the working of the society and may order necessary modification to be made therein.

58. **Statement of accounts and balance sheets.** – (1)(a) The managing committee of a registered society shall prepare such statement of accounts (including balance sheet, profit and loss account and statement of receipts and expenditures) as may from time to time be prescribed by the Registrar and submit the same to the Registrar within three months of the close of the Co-Operative year and also produce it before the auditor.

(b) On the failure of the managing committee to prepare the account as prescribed, the Registrar may get accounts prepared and assess the cost thereof on the society and the same shall be realizable from the society as audit fee.

(c) A registered society shall exhibit at its office, its last annual balance sheet as audited and

certified by the auditor, as also audit report. The Registrar may direct the publication in the official gazette of the audited balance sheet of a registered society.

59. **Audit of wound up societies.**– A registered society ordered to be wound up under section 42 shall be audited on the issue of the order for winding up and again before the cancellation of the registration of the society.

60. **Payment of the audit fee.** – (1) The Registrar may from time to time determine the rate of audit fee payable by a registered society or a class of such societies.

(2) The Registrar may remit in part the audit fee payable by a registered society or a class of such societies

XIII. The Karnataka Co-Operative Societies Act, 1959

AUDIT, INQUIRY, INSPECTION AND SURCHARGE.

63. Audit -

(1) The Director of Co-Operative Audit shall audit or cause to be audited by a person authorized by him by general or special order in writing in this behalf, the accounts of every Co-Operative Society at least once in each year

(2) The audit under sub-section (1) shall include an examination of overdue debts, if any, the verification of the cash balance and securities, a valuation of the assets and liabilities, and an examination of the working and the other prescribed particulars of the society.

(3) The Director of Co-Operative Audit or the authorized person shall at all times have access to all the books, accounts, documents, papers, securities, cash and other properties belonging to, or in the custody of, the society and may summon any person in possession or responsible for the custody of any such books, accounts, documents, papers, securities, cash or other properties, to produce the same at any public office at the headquarters of the society or any branch thereof.

(4) Every person who is, or has at any time been, an officer or employee of the society and every member and past member of the society shall furnish such information in regard to the transactions and working of the society as the Director of Co-Operative Audit or the person authorized may require.

(4A) Every Co-Operative Society shall for each Co-Operative year, prepare and furnish within two months from the end of that year, to the Registrar and the Director of Co-Operative Audit, a statement showing the receipts and disbursements, profit and loss and the balance sheet for the year and such other statements and returns as the Registrar or the Director of Co-Operative Audit may direct.

(5) The Director of Co-Operative Audit shall send copies of the audit report and communicate the results of audit to the Co-Operative Society the Registrar and to the financing bank or credit agency, and if the society is affiliated to any other Co-Operative Society to such Co-Operative Society ;

(6) The Director of Co-Operative Audit or any officer authorized by him shall have right to receive all notices and every communication relating to the

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annual general meeting of a Co-Operative Society and to attend such meeting and to be heard thereat, in respect of any part of the business with which he is concerned as auditor.

(7) If the result of the audit held under sub-section (1) discloses any defects in the working of society, the society shall within six months from the date of the audit report explain to the Director of Co-Operative Audit and to the Registrar the defects or the irregularities pointed out in audit, and take steps to rectify the defects and remedy the irregularities and report to the Registrar the action taken by it thereon. The Registrar may also make an order directing the society or its office bearers to take such action, as may be specified in the order to remedy the defects within the time specified therein.

(8) (a) Any society aggrieved by any item held under objection in the audit report may apply to the Director of Co-Operative Audit for its deletion within six months of the receipt of the audit report.

(b) The Director of Co-Operative Audit may on receipt of the application under clause (a) summon the production of documents, if any, pertaining to the objection and examine the same. He may also examine any person including the auditor and order for deletion or confirmation of the audit objection and on deletion, the objection shall stand removed from the balance sheet of the society and on confirmation the amount held under objection shall be recoverable.

(9) The Registrar shall submit half yearly reports to the State Government furnishing details of the number of defects disclosed in audit, number of defects rectified, action taken to remedy the defects and the reasons for pendency, if any. A copy of such report may be forwarded to the Director of Co-Operative Audit.

(10) If it appears to the State Government on an application by a Co-Operative Society or otherwise that it is necessary or expedient to re-audit any account of a society, the State Government may, by an order provide for such re-audit and the provisions of the Act and the rules applicable to the audit shall apply to such re-audit:

Provided also that such re-audit shall be ordered only when there is a prima facie case of fraud or mis-appropriation or embezzlement of funds not detected or properly examined by the auditor during regular audit or misclassification of accounts or for any other valid reasons with a view to truly reflect the financial position of the society;

(11) Notwithstanding anything contained in the preceding sub-sections, the Director of Co-Operative Audit shall have power to re-examine or re-verify the audited accounts of any Co-Operative Society pertaining to any year and incorporate the lapses observed during such re-examination or re-verification in the next audit report to be issued.

XIV. Kerala Co-Operative Societies Act, 1969

CHAPTER VIII

PART – A

AUDIT

63. Director of Co-Operative Audit.- (1) the Government shall by notification in the official gazette, appoint a person to be the Director of Co-Operative Audit with jurisdiction over the whole of the State.

(2) The qualification and the terms and conditions of the person to be appointed as the Director of Co-Operative Audit shall be such, as may be prescribed.

(3) The Government may by general or special order, confer on any officer all or any of the powers of the Director of Co-Operative Audit under this Act.

(4) It shall be the duty of the Director of Co-Operative Audit to audit or to cause to be audited through persons authorized by him, the accounts of every society, at least once in each year.

64. Scope of audit, powers of the Director of Co-Operative Audit and procedure for audit. (1) the audit shall include an examination of overdue debts, if any, the verification of the cash balance and securities and a valuation of the assets and liabilities of the society concerned and such other audit matters, as may be prescribed.

(2) For the purpose of audit, the Director of Co-Operative Audit or the person authorised by him under section 63 shall have the following powers, namely:-

- (a) he shall, at all reasonable times, have access to all the books, accounts, documents, papers and all other relevant records, securities, cash and other properties belonging to, or in the custody or control of the society;
- (b) he may summon any person in possession of, or responsible for the custody, of any such books, accounts, documents, papers, other

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records, securities, cash or other properties, to produce the same at any place at the headquarters of the society or any branch thereof or, where there is no working office for a society, at the office of the Director of Co-Operative Audit or at the office of any of his subordinate officers, as maybe specified by him; and

- (c) such other powers as may be prescribed.
- (3) Every person who is or has been, at any time, an officer or employee of the society and every member and past member of the society, who is in possession of any information and records in regard to the transactions and working of the society, shall furnish such information in regard to the transactions and working of the society, as the Director or the person authorised by the Government under sub-section (3) of section 63 may require.
- (4) The financial statement and other details required for the completion of audit shall be prepared by the society, within three months from the date of completion of the year and the fact shall be reported to the Director of Co-Operative Audit or to the person authorised by him in this behalf.
- (5) The audit shall be commenced within one month from the date of receipt of the report under sub-section (4) by the Director of Co-Operative Audit or the person authorised by him, as the case may be, and shall be completed within a period of nine months.
- (6) The amount of fee for the audit of accounts of society for each year shall be such, as may be fixed by the Director of Co-Operative Audit, in accordance with the rules made in this behalf.
- (7) The fee shall be paid by the society concerned within thirty days of intimation thereof and in case of non-payment of the fee within the period it shall be recoverable in the manner specified in section 79.
- (8) The procedure for payment of the fee shall be such, as may be prescribed.
- (9) If the result of the audit held under section 63 discloses any defects in the working of a society, the Director of Co-Operative Audit may bring such defects to the notice of the society and if the society is affiliated to another society, also to the notice of that other society.
- (10) If the result of the audit held under section 63 discloses any serious defect in the working of the society, the Director of Co-Operative Audit or the

person authorized by him shall communicate the same forthwith to the Registrar for immediate further action.

(11) The Director of Co-Operative Audit may, by order in writing, direct the society or its officers to take such action, as may be specified in the order, within the time mentioned therein to rectify the defects disclosed in the audit, under intimation to the Registrar.

XV. Madhya Pradesh/Chhattisgarh Co-Operative Societies Act, 1960

58. Audit and audit-fee.-(1) Every society shall get the accounts audited once at least every year by the person authorized by the Registrar in writing, by general or special order in this behalf, and shall pay the audit fee as may be prescribed:

Provided that-

- (i) the State Government may, by notification, for reasons to be specified therein, exempt any class of societies;
- (ii) the Registrar may, for reasons to be recorded in writing, exempt any society from the payment of audit fees or part thereof, under this sub-section:

Provided further that a Central Society or an Apex Society or an Urban Co-Operative Bank may get the accounts audited by a **Chartered Accountant** approved by the Registrar:

Provided further that Co-Operative Bank may get the accounts audited by a **Chartered Accountant** approved by the National Bank, and the audit fees shall be paid by the Bank as may be determined by them:

Provided further that the Primary Agriculture Credit Co-Operative Society shall have option to get the accounts audited by the **Chartered Accountant** or the Registrar:

Provided also that after the completion or issuance of the audit report, the Registrar has reason to believe or the Reserve Bank has instructed that the accounts be audited again or if there is complaint of financial irregularities or embezzlement, he may order special audit for the purpose.

(2) The audit under sub-section (1) shall include an examination of the accounts and the overdue debts, if any compliance of the instructions and orders of the Registrar issued under this Act, Rules made there under and Bye laws of the society, the verification of cash balance and securities and

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valuation of the assets and liabilities of the societies and such other items as may be specified by the Registrar.

(3) The Registrar or the authorized person shall at all times have access to all the books, accounts, documents, papers, securities, cash and other properties belonging to, or in the custody of, the society and may summon any person in possession of, or responsible for, the custody of any such books, accounts, documents, papers, securities, cash or other properties, to produce the same at any place at the headquarters of the society or any branch thereof.

(4) Every person who is, or has at any time been, an officer or employee of the society, and every member and past member of a society shall furnish such information in regard to the transactions and working of the society as the Registrar or the person authorized by him may, require.

XVI. The Maharashtra Co-Operative Societies Act, 1960

Section 81 - Audit

(1) (a) The Registrar shall audit, or cause to be audited at least once in each Co-Operative year, by a person authorised by him by general or special order in writing in this behalf the account of every society which has been given financial assistance including guarantee by the State Government, or Government undertakings, from time to time, and the accounts of the apex societies, State and District Level Federal Societies, District Central Co-Operative Banks, Co-Operative Sugar Factories, Urban Co-Operative banks, Co-Operative Spinning Mills, District and Taluka Co-Operative Sale and Purchase Organizations', and any such Society or class of Societies which the State Government may, from time to time, by notification in the Official Gazette, specify.

(b) The societies other than the societies referred to in clause (a) shall arrange to get their account audited, at least once in each Co-Operative year by an auditor from the panel of auditors maintained by the Registrar, or by a **Chartered Accountant** holding a certificate in Co-Operative audit issued by the Institute of **Chartered Accountants of India**:

Provided that every third year the accounts of such societies shall be audited by the Registrar or by a person authorised by him in this behalf.

Provided that, the Registrar may, for reasons to be recorded in writing, audit or cause to be audited accounts of any such societies or any year and at any time.

(2) The audit under sub -section (1) shall include examination or verification of the following items, namely:--

- (i) overdues of debts, if any;
- (ii) cash balance and securities and a valuation of the assets and liabilities of the society;
- (iii) whether loan and advances and debts made by the society on the basis of security have been properly secured and the terms on which such loans and advances are made or debts are incurred are not prejudicial to the interest of the society and its members;
- (iv) whether transactions of the society which are represented merely by book entries are not prejudicial to the interest of the society;
- (v) whether loans and advances made by the society have been shown as deposits;
- (vi) whether personal expenses have been charged to revenue account;
- (vii) whether the society has incurred any expenditure in furtherance of its objects;
- (viii) whether the society has properly utilised the financial assistance granted by Government or Government undertakings or financial institutions, for the purpose for which such assistance was granted;
- (ix) whether the society is properly carrying-out its objects and obligations towards members.

(2A) Where, in the opinion of the State Government, it is necessary in the public interest to do so in relation to any society or class of societies for ensuring management thereof in accordance with sound business principles or prudent commercial practices, the State Government may, by order, direct that such society or class of societies shall prepare and maintain its accounts in the form determined by the State Government, from time to time and] that cost audit or performance audit or both, of such society or class of societies, as may be specified in the order, shall be conducted.

(2B) Where any order is issued under sub -section (2A), the Registrar shall cause such audit of such society or class of societies to be conducted by a cost accountant who is a member of the Institute of Cost and Works Accountants of India constituted under section 3 of the Cost and Works Accountants Act, 1959.]

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(3) (a) The Registrar or the person authorised shall, for the purpose of audit, at all times have access to all the books, accounts, documents, papers, securities, cash and other properties belonging to, or in the custody of, the society, and may summon any person in possession or responsible for the custody of any such books, accounts, documents, papers, securities, cash or other properties, to produce the same at any place at the headquarters of the society or any branch thereof.

(b) The Registrar shall be competent to depute Flying Squad to a society or societies for examination of books, records, accounts, and such other papers and for verification of cash balance. The report of the Flying Squad shall be deemed to be an audit report for the purpose of taking further action, if necessary.

(c) The Registrar or the person authorised by him in this behalf may carry out or cause to be carried out the test audit of the accounts of any society. The test audit shall include the examination of such items as may be prescribed.

(4) Every person who is, or has at any time been, an officer or employee of the society, and every member and past member of the society, shall furnish such information in regard to the transaction and working of the society as the Registrar, or the person authorised by him, may require.

(5) The auditor appointed under sub-section (1) shall have the right to receive all notices and every communication relating to the annual general meeting of the society and to attend such meeting and to be heard thereat, in respect of any part of the business with which he is concerned as auditor.

(5A) If, during the course of audit of any society, the auditor is satisfied that some books of accounts or other documents contain any incriminatory evidence against past or present officer or employee of the society the auditor shall immediately report the matter to the Registrar and, with previous permission of the Registrar, may impound the books or documents and give a receipt thereof at the society.

(5B) The auditor shall submit an audit memorandum duly signed by him to the society and to the Registrar in such form as may be specified by the Registrar, on the accounts examined by him and on the balance sheet and profit and loss account as on the date and for the period up to which the accounts have been audited, and shall state whether in his opinion and to the best of his information and according to the explanation given to him by the

society the said accounts give all information required by or under this Act and present the true and fair view of the financial transaction of the society.]

(6) If it appears to the Registrar, on an application by a society or otherwise, that it is necessary or expedient to re-audit any accounts of the society, the Registrar may by order provide for such re-audit and the provisions of this Act, applicable to audit of accounts of the society shall apply to such re-audit.

XVII. The Meghalaya Co-Operative Societies Act

Audit

(1) The Registrar shall audit or cause to be audited by some person authorised by him by general or special order in writing in this the accounts of every registered society and society under liquidation responsible once at least in every year.

(2) The Registrar or the person authorized by him in this behalf shall at all reasonable times have free access to the books, accounts, documents, securities, cash and other properties belonging to or in the custody of the society and may summon any person in possession or responsible for custody of any such books, accounts, documents, securities, cash or other properties to produce the same and furnish such information in regard to the transactions and working of the society at any convenient place or at the headquarters of the society or any branch thereof by the same means and, so far as may be, in the same manner as provided in the Code of Civil Procedure, 1908.

(3) In respect of every audit of the account, a registered society shall pay such audit fee as may be prescribed and such fee shall be deemed to be outstanding dues from the society.

56. If at the time of the audit the accounts of a registered society are not complete, the Registrar or with his sanction, the audit officer, may cause the accounts to be written up at the expense of the society. (Such expense shall at the first instance be met from the grant under the head 'Contingencies' by the Registrar and Written up. Shall be reimbursed later on from the society concerned alongwith the audit fees)¹.

57. The audit shall include –

- (i) a verification of the cash balance and security;
- (ii) a verification of the balance at the credit of the depositors and creditors and of the amounts due from the debtors of the society;

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- (iii) an examination of overdue debts, if any;
- (iv) the valuation of the assets including stocks verifications, and liabilities of the society;
- (v) an examination of the statement of accounts and balance sheets to be prepared by the managing body of the society in such forms as may be prescribed;
- (vi) a certification of the realized profit ; and
- (vii) any other relevant matter.

58. The audit officer shall, within a week from the date of completion of audit, submit to the registered society, and to the Registrar, together with the statement of accounts audited, an audit report including a statement of –

- (i) every transaction which appears to him to be contrary to law or to the rules or bye-laws;
- (ii) every sum which ought to have been but has not been brought into account ;
- (iii) the amount of deficiency or loss which appears to have resulted from any negligence or misconduct or to require further investigation;
- (iv) any money or property belonging to the society which appears to have been misappropriated or fraudulently retained by any person;
- (v) any of the assets which appears to him to be bad or doubtful;
- (vi) any irregularity in maintaining account; and
- (vii) any other relevant matter.

59. A registered society shall be afforded by the Registrar an opportunity of explaining any defects, or irregularities pointed out and objected to by the audit officer, and thereafter the society shall within such time and in such manner as the Registrar may direct, remedy such defects and irregularities and report to the Registrar the action taken by it thereon.

XVIII. The Mizoram Co-Operative Societies Act, 2006

2. Definitions:

2(45) “Qualified Auditor” means Department Auditor appointed by the Registrar.

CHAPTER-IX

REGULATION OF CO-OPERATIVES (Audit, inquiry, inspection and surcharge)

85. Audit:

- (1) The Registrar shall audit or cause to be audited by person authorized by him by general or special order in writing in this behalf, the accounts of every registered Society and Society under liquidation once at least every year.
- (2) The Auditor so appointed shall hold Office until the conclusion of the next general body meeting.
- (3) The Auditor's Report, in addition to the report on the accounts of the Co-operatives, shall contain a report on the attendance at meetings by directors, loans and advances sanctioned to or the business done with the Co-Operative by the directors, remuneration paid to Directors, expenses reimbursed to Directors, expenditure incurred on education and training for members, directors, officers, employees and others.
- (4) It shall be the duty of the Board of Management Committee to ensure that the annual financial statement of accounts are prepared and presented for audit within forty five days of closure of the corresponding financial year.
- (5) In every audit of the accounts, a registered society shall pay audit fee as may be prescribed and such fee shall be deemed to be outstanding dues from the Society.

86. Remuneration of Auditor:

The remuneration of Auditor appointed under section 85(2) shall be fixed by the Registrar.

87. Powers and duties of auditor:

- (1) Every auditor shall:
 - (a) have right of access at all times to the books, accounts vouchers and all other related documents of a co-operative;
 - (b) be entitled to require from officers or other employees of a Co-Operative such information and explanations found necessary for the performance of his duties as an auditor;
 - (c) have right to enquire as to whether:

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- (i) the loans and advances made by a Co-Operative on the basis of security have been properly secured;
 - (ii) the terms on which such loans and advanced have been made are not prejudicial to the interest of the Co-Operative or its members;
 - (iii) the transactions of Co-Operative which are represented merely by book entries are not prejudicial to the interests of Co-Operative;
 - (iv) personal expenses have been charged to revenue account;
 - (v) cash has actually been received or not in respect of share allotment made on cash wherever indicated;
 - (vi) the position stated in the books of accounts and balance-sheet is correct, regular and not misleading in the event of cash mentioned under previous sub clause has actually not been received;
- (d) in his report also state as to whether:
 - (i) he has obtained all the information and explanations which in his opinion, were necessary for the purpose of carrying out audit;
 - (ii) proper books of account have been kept by the Co-Operative for his examination and proper returns adequate for the purposes of his audit have been received from branches, units or offices of the Co-Operative not visited by him;
 - (iii) the balance sheet and profit and loss account of Co-Operative dealt with by the report are in agreement with the books of accounts and returns;
- (e) also undertake examination or verification of following items such as-:
 - (i) overdues of debts, if any;
 - (ii) cash balance and securities and a valuation of assets and liabilities;
 - (iii) whether loans and advances made by Co-Operative have been shown as deposits;

- (iv) whether the Co-Operative has properly utilized financial assistance granted by government, Government undertaking or financial institutions for the purpose for which such assistance were actually granted;
 - (v) whether the Co-Operative is properly carrying out its objects, purpose and obligations towards members;
 - (f) indicate every deviation observed in actual expenditure and income vis-a-vis the estimated expenditure and income indicated in the approved budget;
 - (g) specify the gross remuneration or honorarium or allowances, or any other payment made, if any, to the chief executive, officer bearers, Directors and others during the financial year under audit;
 - (h) state whether or not any of the office bearers or Directors had become ineligible, at any time during the financial year under review to continue in the office as an office bearer or director, as the case may be;
 - (i) state whether the decisions on disposal of surplus or assessment of deficit by the general body at its previous annual general meeting were implemented completely or not.
- (2) The government or Registrar, as the case may be, in such co-operatives which are substantially funded by government or government undertakings or financial institutions in public interest, if found necessary and appropriate, may order or direct for the conduct of internal audit or cost audit or performance audit or special audit or test audit or any other audit for such Co-operative.

XIX. The Orissa Self-Help Co-Operative Societies Act, 2001

CHAPTER VI

ACCOUNTABILITY

44. Accounts, records and documents to be maintained

- (1) Every Co-Operative shall keep at its registered office, at least the following accounts, records and documents, namely–
- (a) an up-to date copy of this Act;
 - (b) objectives of the Co-operative;
 - (c) an up-to date copy of its articles of association;

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- (d) the minutes books;
- (e) account of all sums of money received and expended by the Co-Operative and their respective purposes;
- (f) account of all purchases and sales of goods by the Co-operative;
- (g) account of the assets and liabilities of the Co-operative;
- (h) a list of members, their fulfilment of responsibilities over the previous financial year, their eligibility to exercise their rights for the current financial year updated within forty five days of closure of the Co-operative's financial year; and
- (i) all such other accounts, records and documents as may be required by this Act or other laws and regulations.

(2) Where a Co-Operative has branch offices, summarised statements of accounts relating to such branch office(s), shall be available at the registered office for each quarter, within fifteen days of the end of that quarter.

(3) Every Co-Operative shall keep the books of account and other records for inspection by any director during business hours.

(4) Every Co-Operative shall make available during its business hours to any member who so request, copies of this Act, articles of association, minutes book of the general body, voters' list and such accounts and records of transactions that relate to that member, on payment of such fees, as may be decided by the board.

45. Audit

(1) A Co-Operative shall get its accounts audited by -

(a) a **Chartered Accountant** within the meaning of the **Chartered Accountants Act, 1949**; or

(b) by any other auditor in service under Auditor general of Co-Operative Societies, on payment of fees to be decided by the Auditor General of Co-Operative Societies; or

(c) by a retired Co-Operative Auditor/Retired Government Auditor with minimum three years of experience.

(2) A Co-operative, at its annual general body meeting, shall resolve to appoint an auditor. This appointment will be valid only until the close of the next succeeding annual general body meeting.

- (3) The remuneration of an auditor may be fixed by the general body or, if not so fixed, by the board
- (4) An auditor ceases to hold office when the auditor -
 - (a) resigns; or
 - (b) is removed from office under sub-section (6); or
 - (c) completes his/her term of office.
- (5) The resignation of an auditor becomes effective when a written resignation is received by the Co-operative, or at the time specified in the resignation which ever is later, subject to acceptance by the board.
- (6) The general body may, by a special resolution, remove an auditor from office.
- (7) An auditor, who -
 - (a) resigns; or
 - (b) receives a notice of a general body meeting called for the purpose of removing him/her from office, is entitled to submit to the general body a written statement giving the reasons for his/her resignation or the comments on the proposed removal, as the case may be.
- (8) A vacancy created by the resignation, death or the removal shall be filled up by the general body. An auditor appointed to fill a vacancy shall hold office for the unexpired term of his/her predecessor.
- (9) The auditor shall be given notice of every general body meeting and, at the expense of the Co-operative, will be entitled to attend and be heard on matters relating to his/her duties as auditor and their exercise.
- (10) It shall be the duty of the board to ensure that annual financial statements are prepared and presented for audit within forty-five days of closure of the Co-operative's financial year.
- (11) Upon the reasonable demand of the auditor of a Co-operative, the present or former directors, members, managers or employees of the Co-Operative shall -
 - (a) provide such access to records, documents, books, accounts and vouchers of the Co-operative; and
 - (b) furnish such information and explanations, as are, in the opinion of the auditor, necessary to enable him/her to make the examination and report.

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

- (12) It shall be the duty of the auditor to ensure that audited annual financial statements and his/her accompanying report are furnished to the Co-Operative within forty five days of the submission of annual financial statements by the board.
- (13) The auditor's report to the Co-Operative shall -
- (a) state whether the auditor has obtained all the information and explanations which, to the best of his/her knowledge and belief, were necessary for the purpose of his/her audit;
 - (b) state whether the Co-operative's balance sheet and income and expenditure account dealt with by the report are in agreement with the books of accounts;
 - (c) indicate the basis on which each asset and liability was valued, and make specific mention of any change in the manner in which such valuation was done in the year under examination and its effect on surplus/deficit;
 - (d) indicate the amount of surplus earned/deficit incurred from providing services to potential members as distinct from surplus/deficit accruing because of members in normal course of business;
 - (e) indicate every deviation in actual expenses and income from the estimated expenses and income in the approved budget;
 - (f) state whether or not any of the directors had, at any time during the Co-Operative business year under audit, become ineligible under this Act to continue in office as a director; and
 - (g) state whether the decisions on disposal of surplus or assessment of deficit, of the general body, at its previous annual general body meeting were implemented correctly and completely or not.

XX. The Pondicherry Co-Operative Societies Act, 1972

74. Audit.- (1) The Registrar shall audit or cause to be audited by some person authorised by him by general or special order in writing in this behalf, the accounts of every registered society once at least in every year : Provided that the accounts of any apex society or Central Society, or of any society under Sugar Mills or Spinning Mills, or any Urban Bank with deposits of not less than fifty khs of rupees, shall be audited by a **Chartered Accountant** authorised by the Registrar in consultation with the committee of such society.

(2) The audit under sub-section (1) shall include an examination of overdue debts, if any, the verification of the cash balance and securities and a valuation of the assets and liabilities of the society.

(3) The Registrar or the person authorised by him under sub-section (1), shall, at all reasonable times, have free access to the books, accounts, documents, securities, cash and other properties belonging to or in the custody of the society and may summon any person in possession of, or responsible for, the custody of any such books, accounts, documents, securities, cash or other properties to produce the same at any place at the headquarters of the society or any branch thereof.

(4) Every person who is, or has at any time been, an officer or employee of the society and every member and past member of the society shall furnish such information in regard to the transactions and working of the society as the Registrar or the person authorised by him may require.

(5) If at the time of audit, the accounts of a society are not complete, the Registrar or the person authorised by him under subsection

(1) to audit may cause the accounts to be written up at the expense of the society.

(6) Every registered society shall pay to the Government such fee for the audit of its accounts for each Co-Operative year as may be fixed by the Registrar in accordance with the rules made in this behalf and the fee levied for audit shall be recoverable in the manner specified in section

Provided that the Government may, by general or special order, exempt any society or class of societies from the payment of the whole or any part of the fee payable for audit for any Co-Operative year.

(7) (a) If the result of the audit discloses defects and irregularities, the society shall within three months from the date of receipt of the audit memorandum take steps to rectify the defects and remedy the irregularities and report to the Registrar the action taken by it thereon.

(b) The Registrar may also make an order directing the society or its officers to take such action as may be specified in the order to remedy the defects within time specified therein.

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

XXI.1 The Punjab Co-Operative Societies Act, 1961

Audit, Inquiry, Inspection and Surcharge

48. **Audit :** (1) The Registrar shall audit or cause to be audited by a person authorised by him by general order in writing in this behalf, the accounts of every Co-Operative Society at least once in each year,
- (2) The audit under sub-section (1) shall include an examination of over-due debts, if any, the verification of the cash balance and securities, and a valuation of the assets and liabilities of the societies.
- (2) The person auditing the accounts of a Co-Operative Society shall have free access to the books, accounts, papers, vouchers, stock and other property of such society and shall be allowed to verify its cash balance and securities.
- (3) The Director, managers, administrators and other officers of the society shall furnish to the person auditing the accounts of a Co-Operative Society all such information as to its transactions and working as such person may require.
- (4) The Registrar or the person authorised by him under sub-section (1) to audit the accounts of a Co-Operative Society shall have power where necessary-
- (a) to summon at the time his audit any officer agent, servant or member of the society, past or present who he has reason to believe can give valuable information in regard to transactions of the society or the management of its affairs; and
- (b) to require production of any book or document relating to the affairs of, or any cash or securities belonging to the society by officer, agent, servant, or member in possession of such books, documents, cash or securities and in the event of serious irregularities discovered during audit to take them into custody.
- (5) If at the time of audit the accounts of a society are not complete, the Registrar or the person authorised by him under sub-section (1) to audit, may cause the account to be written up at the expense of the society.
- (6) Audit fee, if any due from any Co-Operative Society shall be recoverable in the same manner as is provided in Section 67.

XX1.2 The Punjab Co-Operative Societies Rules, 1963

CHAPTER-VI

AUDIT AND ACCOUNT

47. **Auditing of Accounts-** The accounts of a Co-Operative Society shall be audited in such manner as the Registrar may specify from time to time.

48. **Maintenance of account books and other record.** -A Co-Operative Society or class of Co-Operative societies shall maintain the account books and other records in such form and manner as may be directed by the Registrar by a general or special order from time to time.

49. **Preparation of balance-sheet and other accounts-(1)** A Co-operative society shall prepare a balance sheet, profit and loss account, trading account and such other statements relating to accounts as may be specified, from time to time, by the Registrar, as soon as practicable after the close of the Co-Operative year in such form, as may be laid down by the Registrar.

(2) If the Registrar so directs a copy each of the statements referred to in sub-rule (1) shall be supplied by a Co-Operative Society to the Registrar by such date as he may specify.

50 **AUDIT FEES.** (1) Every Co-Operative Society shall pay to the Government a fee for the audit of its accounts for each Co-Operative year in accordance with the scale fixed by the Registrar with the previous approval of the Government in respect of the class of Co-Operative societies to which it belongs.

(2) The Registrar may, subject to such conditions as may be laid down by the Government, remit the whole or any part of the fees payable under sub-rule (1) by a Co-Operative Society or a class of Co-Operative societies for any year or other specified period.

XXII.1 The Sikkim Co-Operative Societies Act, 1978

Chapter VII

Audit Inquiry, Inspection and Surcharge

Audit

64.(1) The Registrar shall audit or cause to be audited by a person authorised by him by general or special order in writing in this behalf the accounts of every society at least once in each Co-Operative year.

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

- (2) The audit under sub-section (1) shall include an examination of overdue debt if any, the verification of the case balance and securities and a valuation of the assets and liabilities of the society.
- (3) The person auditing the accounts of a society shall have re access to the books, accounts papers, vouchers, stocks and other property of such society and shall be allowed to verify its case balance and securities.
- (4) the directors, managers, administrators and other officers of the society shall furnish to the person auditing the accounts of a society all such information as to the society's transactions and working as such person may require.
- (5) The Registrar or the person authorised by him under sub-section
- (1) to audit the accounts of a society shall have power where necessary
 - (a) to summon at the time of his audit any officer, agent, servant or member of the society, past or present, who he has reason to believed can give valuable information in regard to transactions of the society or the management of its affairs ; and
 - (b) to require the production of any book or document relating to the affairs of or any cash securities belonging to the society by any officer, agent, servant or member in possession of such books, documents, cash or securities and in the event of serious irregularities discovered during audit, to take them into custody.
- (6) If at the time of audit the accounts of a society are not complete, the Registrar or the person authorised by him under sub-section
- (1) to audit may cause the accounts to be written up at the expense of the society.
- (7) Audit fee, if any, due from any society shall be recoverable in the same murmur as is provided in section 85

XXII.2 The Sikkim Co-Operative Societies Rules, 1981

35. Closing of accounts:

Every society shall maintain accounts and books for the purpose of recording business transacted by it and close them every year on the 30th June. Each closing entry in the cash book in each shall be signed by the President/Chairman, the Secretary and the treasurer or any other approved

member of the society authorized by its managing committee. The closing balances which are thus authenticated shall be carried forward to the following year commencing on 1st July.

36 Annual statement of accounts:

1 Within four-five days of every Co-Operative years or within such extended period as may be allowed by the Register, the case of any society or class of societies, the committee of every society shall prepare annual statements of accounts showing:-

- I receipts and payment during the previous Co-Operative year in the Form D.
- li the profit and loss account for the year, in Form E, and
- lii the balance sheet as at the close of the year in form F.

Provided that it shall be open to the Registrar to permit a society or class of societies to adopt such other form as he may deem fit.

2 Copies of the balance sheet and profit and loss account to be presented at the annual meeting and a copy of the report of the committee shall be circulated amongst the members of the general body and also fixed on the notice board of a society at least fourteen days before the date of the annual general meeting and shall be submitted to the Registrar within 15 days of their adoption by the general body.

38. Account and other books to be maintained by Societies :

- i Every society shall maintain the following accounts and Books;-
- ii A register of member in form G
- iii Register of bonds, where necessary.
- iv Minute book recording proceeding of general meeting
- v Minute book recording proceeding of committee meeting.
- vi Cash book.
- vii General ledger and personal ledger
- viii Stock register, where necessary
- ix Property register, where necessary
- x Register of audit objections and their rectification,
- xi Liability register, where necessary

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

- xii Such other account and books as may be necessary and specified by the Registrar from time to time.

Chapter VII

AUDIT, INQUIRY, INSPECTION AND SURCHARGE

59. Procedure for appointment of Auditors and for conducting Audit :

1 The audit of a society shall be conducted by any of the Department Auditor appointed by the Registrar or by a certified auditor approved by the Registrar from time to time on such terms and conditions as he deems fit.

Explanation :

- i For purpose of this chapter, audit shall include annual or periodical audit, continuous or concurrent audit and test or super audit and re—audit.
 - ii For purpose of this rule, “a certified auditor” includes.
 - a A Chartered Accountant within the meaning of the Chartered Accounts Act, 1949
 - b a person who holds a government diploma in Co-Operative Department of any State Government or under the Registrar and whose name has included by the Registrar in the panel of certified auditors maintained and published by him in the official Gazette at least once in every years.
- 2 The audit under sub section(1) of section 64 shall in all cases extend back to the last date of the previous audit and shall be carried out upto the last date of the Co-Operative years immediately preceding the audit or where the Registrar so directs in the case of any particular society or class of societies such other date as may be specified by the Registrar.
- 3 Unless the Registrar directs otherwise, the audit of a society shall be conducted in specified by the Registrar.
- 4 Previous intimation shall be given to the society before the audit is commenced.
- 5 The officers and employees of the society shall give the audit officer all assistances necessary for the completion of the audit and for this purpose, prepare such statement and take such action with regard to the verification or examination of its accounts as he may require.
- 6 (i) The audit report shall state;-

- a whether or not the audit officer has obtained all the information and explanations which he required:
- b Whether or not in his opinion the balance sheet and the profit and loss accounts referred to in the report are drawn up in conformity with the law:
- c whether or not such balance sheet exhibit a true and correct account of the state of affairs of the society according to the best of his information and the explanation given to him and as shown by the books of the society:
- d whether, in his opinion, books, and account have been kept by the society as required under the Act, the Rules and the Bye-laws;
- e whether there has been any material impropriety or irregularity in the expenditure or in the realization of money due to the society; and
- f whether any net profits are available for distribution amongst the members.

(ii) where any of the matters referred to in sub clauses (a), (b), (c) or (d) of sub clauses (i) of clause (6) is answered in the negative or in the affirmative with any remarks, the report shall state the reason for such answer with facts and figures, in support of such reasons.

7 The audit report shall also contain schedules with the full particular of:-

- i all transactions which appear to be contrary to the of the Act, the Rules or the Bye-laws of the society.
- ii all sums which ought to have been but have not been brought into account by the society.
- iii any material impropriety or irregularity in the expenditure or in the realization of money due to the society.
- iv an estimate of the overdue of the society and its proportion to demand ;
- v any money or property belonging to the society which appears to the auditor to be bad or doubtful debt; and
- vi any other matter specified by the Registrar in this behalf .

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

8 The summary of audit report as prepared by the auditor shall be read out in the annual general meeting next following audit. The audit report together with its accompaniments shall be open to inspection by any member of society. The Registrar may, now ever, direct that any portion of the audit report which appears to him to be of objectionable nature or not justified by facts shall be expunged and the portion so expunged shall not form part of the audit report.

9 If the result of the audit held under the last preceding rules discloses any defects in the working of a society, the society shall, within three month from the date of audit report explain to the Registrar the defects or the irregularities pointed out by the auditor, and take steps to rectify the defects and remedy irregularities and report to the Registrar in Form J the action taken by it thereon. This compliance report shall continue to be submitted at such interval as the Registrar may direct, till all the defects are rectified or irregularities remedied to the satisfaction of the Registrar. The Registrar may also make an order directing the society to take such action as may be specified in the order to remedy the defects within the time specified therein.

60. Audit Fee :

1 A society shall pay on or before the 31st March of each year, and audit fee at such rates as may be fixed by the Registrar with the prior approval of the Government.

2 The Registrar shall have power to increase the prescribed audit fee in special cases, for reasons to be recorded in writing.

3 The Registrar may, at his discretion, remit either wholly or in part the audit fee.

XXIII. Uttaranchal Self-Reliant Co-Operatives Act, 2003

Chapter VI

Accountability

43. Accounts, records and documents to be maintained

(1) Every Co-Operative shall keep at its registered office, the following accounts, records and documents:

- (a) a copy of this Act, with amendments made from time to time;
- (b) a copy of its articles of association, with amendments made from time to time;
- (c) the minutes books;

- (d) account of all sums of money received and expended by the Co-Operative and their respective purposes;
- (e) account of all purchases and sales of goods by the Co-operative;
- (f) account of the assets and liabilities of the Co-operative;
- (g) a list of members, their fulfillment of responsibilities over the previous financial year, their eligibility to exercise their rights for the current financial year updated within forty five days of closure of the Co-operative's financial year; and
- (h) all such other accounts, records and documents as may be required by this Act or other laws and regulations;

provided that where a Co-operatives has branch offices, summarised statements of accounts relating to such branch office/s, shall be available at the registered office for each quarter, within fifteen days of the end of that quarter.

(2) Every Co-Operative shall keep open the books of account and other records for inspection by any Director during business hours, in accordance with the procedure framed by the Board.

(3) Every Co-Operative shall make available during its business hours to any member who so requests, copies of this Act, articles of association, minutes book of the general body, voters' list and such accounts and records of transactions that relate to that member.

(4) Every Co-Operative shall preserve its books of accounts relating to a period of at least eight years before the current year together with supporting records and vouchers.

44. Audit

(1) A Co-Operative shall get its accounts audited by a **Chartered Accountant** within the meaning of the **Chartered Accountants Act, 1949**;

Provided that where a Co-operative's business turnover is less than ₹ ten lakhs, it may appoint as auditor, any person/s from within its membership or outside, with such qualifications as are specified in the articles of association. [Explanation: For the purpose of this section, business turnover shall mean the value of sales, services provided and/or loans recovered]

(2) A Co-operative, at its Annual General Meeting, shall appoint an auditor. This appointment will be valid only until the close of the next succeeding Annual General Meeting.

Harmonization of Accounting Practices for Co-Operative & NPO Sectors

- (3) The remuneration of an auditor may be fixed by the general body or, if not so fixed, by the Arbitral Tribunal.
- (4) An auditor ceases to hold office when the auditor
 - (a) resigns;
 - (b) is removed from office under sub-section (6); or
 - (c) completes his/her term of office.
- (5) The resignation of an auditor becomes effective at the time a written resignation is received by the Co-operative, or at the time specified in the resignation whichever is later.
- (6) The general body may, by a special resolution, remove an auditor from office.
- (7) An auditor, who
 - (a) resigns; or
 - (b) receives a notice or otherwise learns of a Board's meeting called for the purpose of removing him/her from office; is entitled to submit to the Board a written statement giving the reasons for the auditor's resignation or the comments on the proposed removal, as the case may be.
- (8) A vacancy created by the resignation of an auditor shall be filled up by the arbitral tribunal.
- (9) A vacancy created by the removal of an auditor, too, shall be filled up by the arbitral tribunal.
- (10) An auditor appointed to fill a vacancy holds office for the unexpired term of his/her predecessor.
- (11) The auditor shall be given notice of every general meeting and, at the expense of the Co-operative, will be entitled to attend and be heard thereat on matters relating to the auditor's duties as auditor and their exercise.
- (12) It shall be the duty of the Board to ensure that annual financial statements are prepared and presented for audit within forty-five days of closure of the Co-operative's financial year.
- (13) Upon the reasonable demand of the auditor or a Co-operative, the chief executive shall arrange to

- (a) provide such access to records, documents, books, accounts and vouchers of the Co-operative; and
 - (b) furnish such information and explanations as are, in the opinion of the auditor, necessary to enable him/her to make the examination and report, and as the chief executive or a present or former Director, members, managers, or employees are reasonably able to furnish.
- (14) It shall be the duty of the auditor to ensure that audited annual financial statements and the auditor's accompanying report are furnished to the Co-Operative within sixty days of the submission of annual financial statements by the Board.
- (15) The auditor's report to the members of the Co-Operative shall:
- (a) state whether the auditor has obtained all the information and explanations which to the best of the auditor's knowledge and belief were necessary for the purpose of the auditor's audit;
 - (b) state whether the Co-operative's balance sheet and income and expenditure account dealt with by the report are in agreement with the books of accounts;
 - (c) indicate the basis on which each asset and liability was valued, and make specific mention of any change in the manner in which such valuation was done in the year under examination and its effect on surplus/deficit;
 - (d) indicate the amount of surplus earned/deficit incurred from provision of services to non-members as distinct from surplus/deficit accruing because of members or in normal course of business;
 - (e) indicate every deviation in actual expenses and income from the estimated expenses and income in the approved budget;
 - (f) specify the gross remuneration and/or honorarium and/or allowances paid and/or value of benefits provided, if any, to the chief executive, any of the office bearers, or Directors, in the financial year under audit;
 - (g) state whether or not any of the office bearers or Directors had become, at any time during the year under review, ineligible under this Act to continue in office as an office bearer or Director; and

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- (h) state whether the decisions on disposal of surplus or assessment of deficit, of the general body, at its previous annual general meeting were implemented correctly and completely or not.

Extract of Scope of Accounts and Audit formalities under The Uttar Pradesh Co-Operative Societies Act, 1965

Chapter: VIII : Audit, Inquiry, Inspection And Surcharge

64. Audit. – (1) The Registrar, or any other person appointed by the State Government, shall audit or cause to be audited by a person authorised by him by general or special order in writing and possessing such qualifications as may be specified by the State Government in this behalf, accounts of every Co-Operative Society at least once in each Co-Operative year.

Provided that the audit of a Co-Operative Bank shall be conducted by the Chartered Accountants appointed by the Committee of Management of the concerned bank from the panel approved by the Registrar for this purpose. The Registrar shall also determine the fees of such Chartered Accountants which shall be paid by the concerned bank.

(2) The audit under sub-section (1) shall include an examination of overdue debts, if any, the verification of the cash balance and securities, and a valuation of the assets and liabilities of the society.

(3) The Registrar, or any other person appointed by the State Government under sub-section (1) or any other person authorised by him or the Registrar, as the case may be, shall at all times, have access to all the books, accounts, documents, papers, securities, cash and other properties, belonging to, or in the custody of, the society and may summon any person in possession of, or responsible for the custody of, any such books, accounts, documents, papers, securities, cash or other properties, to produce the same at the headquarters of the society or branch thereof.

(4) Every person who is or has at any time been an officer or employee of a society and every member and past member of the society, shall furnish such information in regard to the transaction and working of the society as the Registrar or any other person appointed by the State Government under sub-section (1) or any person authorised by him or the Registrar, as the case may be, may require.

(5) Where the Reserve Bank requests for the special audit of a Co-Operative bank it shall be conducted and the report of such special audit

shall be submitted to the Reserve Bank within the time stipulated in such request.

Chapter: XXIV: Uttar Pradesh Co-Operative Societies Rules, 1968

Account Books And Registers To Be Kept By A Co-Operative Society

364. (1) Every Co-Operative Society shall keep and maintain up-to-date and in such form as the Registrar may specify from time to time the under-mentioned account books and registers for recording the business transaction of the society.

- (a) minute-book or books for recording the proceeding of the meeting of the general body, committee of management and of any other committees or sub-committees of the society;
- (b) register of application for membership of the society containing the name and address of the applicant, the number of the shares applied for and in case of refusal, the date of communication of the decision refusing admission to the applicant;
- (c) register of members showing the name and address of each member, the date of admission, the shares taken and the amount paid by the member towards such shares and the date of and the reasons for cessation of his membership;
- (d) register of nominations (made by members under Rule 77)
- (e) register of delegates of the members where general body of the society is constituted by delegates;
- (f) cash book showing daily receipts and expenditure and the balance at the end of each day;
- (g) receipt book;
- (h) a ledger for each member of the society;
- (i) voucher file containing all vouchers for expenditure made by the society numbered serially and filed chronologically;
- (j) a general ledger showing receipts and disbursements and the outstanding under various heads from day to day;
- (k) register of officers and office-bearers including delegates appointed if any;
- (i) register of dividend except in societies having no share capital;

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- (m) such other books and registers as may be specified by the Registrar from time to time for a particular Co-Operative Society or societies or class of Co-Operative Society or societies conducted by a Co-Operative Society or societies or class of Co-Operative societies :

Provided that a Co-Operative Society –

- (i) which takes loans or deposits shall also maintain –
 - (a) a ledger of borrowings showing deposits and other borrowings of all kinds; and
 - (b) a register of fluid resources ;
- (ii) which takes loans or deposits and also gives loans shall also maintain –
 - (a) loan ledger, showing the number and date of disbursement of loan, the purpose for which it is granted and the date or dates on which repayment of principal and interest becomes due and is made, and
 - (b) liability register showing the indebtedness of each member to the society, whether on account of loans taken directly by him or on account of loan for which he stands as surety;
- (iii) with unlimited liability, shall also maintain a register containing the property statements of members showing the assets and liabilities of each ordinary member on the date of his admission to membership, with full details of the property including Khasra number of the plots of land. Such statements being duly verified as often as necessary and in any case, at least once in three Co-Operative years.

(2) (a) No Co-Operative Society shall weed out any title deeds, deeds of agreement or contract, any vouchers, books of accounts or any other records which may be required for purpose of audit, inspection or enquiry.

(b) Records other than those mentioned in sub-section (a) may, by a resolution of the committee of management of the society, be weeded out with the prior sanction of the Registrar :

Provided that no such record shall be weeded out which relates to transactions or deals made within five years before the date of the passing of the resolution by the committee of management of weeding out records.

(c) The Registrar, before giving his sanction for weeding the records under sub-clause (b) shall ascertain from the Range Audit Officer concerned

that no audit compliance, for the period to which the records related is pending.

365. The Registrar may, by an order in writing, direct a Co-Operative Society to get any or all of the account books and registers written up to such date, in such form and within such time as may be specified in the order. In case of inability or failure on the part of the society to do so, the Registrar may depute any person to assist the Secretary of the society to have the account books and registers written up.

366. In case where the account books have been written up with the assistance of the person deputed by the Registrar under Rule 365, the Registrar shall be competent to determine, with reference to the time and labour involved in the work, the expenses which the society concerned shall pay. In case of default in payment of the amount of expenses, the same shall be recoverable as arrears of land revenue, the society having in its turn a right to claim the amount from the person or persons whose duty it was to maintain such accounts.

XXV. The West Bengal Co-Operative Societies Act, 2006

The Director of Co-Operative Audit shall not appoint the same audit officer to audit the accounts of the same Co-Operative Society for more than 3 successive Co-Operative years.

The accounts of the State Co-Operative Bank, A Central Co-Operative Bank and the State Co-Operative agricultural and Rural Development bank shall be audited and certified by Chartered Accountants appointed by it from the panel approved by the panel approved by the National Bank.

The agenda of the annual general meeting shall be as follows :-

- (a) election of directors of the board, if any :
Provided that such election shall be held once in every five Co-Operative years :
Provided further that after constitution of the Co-Operative Election Commission, such election shall be held in an annual general meeting or a special general meeting under the provision of sections 29 and 31 :
- (b) confirmation of the proceedings of the last half-yearly and annual general meeting and special general meeting, if any :

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- (c) consideration of the annual report prepared and presented by the board :
- (d) consideration of the latest audit report and compliance there of and audited statement of accounts referred to in section 98 :
- (e) approval of the annual budget:
- (f) consideration of any report of inspection or inquiry made in accorded with the provision of this Act and by-laws, if any
- (g) consideration of matters relating to loans and advances given to the directors and their relatives and action to be taken for recovery thereof in case of default :
- (h) approval of appointments, if any, or the relative of Directors of the Board other than those selected by the Co-Operative Service Commission.
- (i) creation of specific reserves and other funds and review of the actual deployment of reserves and other funds :
- (j) distribution of net profit, if any :
- (k) review of operational deficit or loss and consideration of the plan to make good the losses, if any;
- (l) approval of the long-term perspective plan and annual operational plan;
- (m) fixation of borrowing limit as may be necessary ;
- (n) approval of code of conduct of members of the Board formulated by it ;
- (o) amendment of by-laws, if any ;
- (p) expulsion of members, if any ;
- (q) consideration of such other matter as specified in by-laws ;
- (r) consideration of any other matter which may be brought at the meeting as miscellaneous items in accordance with the provisions of this Act and by-laws of the Co-Operative Society .

CHAPTER X

Audit, inspection and inquiry

97. Audit of Accounts of Co-Operative Society – (1) Every Co-Operative Society must send to the Director of Co-Operative Audit and to the

Registrar within three months from the closing date of each Co-Operative year an annual return consisting of a cash account, profit and loss account, a balance sheet and trading account where applicable in the Form as prescribed.

(b) Account of every Co-Operative Society shall at least in each Co-Operative year, be audited at the expenses of the Co-Operative Society by the Director of Co-Operative Audit or by a person appointed or authorised by him to act as audit officer by general or special order in writing in this behalf from among the officers under his administrative control or from the panel or auditor which shall include the members of the Institute of Cost and Works Accountant of India constituted under the Cost and Works Accountant Act, 1959 and members of the Institute of chartered Accountants of India both having certificate of practice issued by the respective Institutions. Such panel of auditors shall be prepared either by the State Government in the manner as may be prescribed, from the members of the above named two institutions by obtaining applications from them and the panel shall remain valid for three years.

(2) (a) The Directors of Co-Operative Audit shall draw up an audit programme and issue appointment letters to the audit officer under intimation of such appointment to the Co-Operative Societies not later than 28th February of each Co-Operative year. In the case of running audit, the audit programme shall be drawn up and intimated two months before commencement of each Co-Operative year. All apex Co-Operative Societies, Central Co-Operative societies, primary urban Co-Operative Banks, Primary Agriculture and Rural Development Bank and such other Co-Operative Society whose working capital on the last day of the Co-Operative year exceeds rupees two crore rupees, shall come under the purview of running audit.

(b) An audit officer shall complete the annual audit within nine months from the closing date of the relevant Co-Operative year, failing which the audit officer shall explain in writing to the Director of Co-Operative Audit the reasons for non-completion of audit.

(c) If the audit officer appointed from the panel of auditors does not take up the audit within two months from the closing date of the Co-Operative year or of the date of his appointment and does not intimate sufficient reason for not taking up audit, his appointment shall stand cancelled and the Director of Co-Operative Audit shall appoint another audit officer in his place :

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Provided that nothing in this clause shall apply to officers of the Directorate of Co-Operative Audit of the State Government but the audit officer shall submit report in writing to the Director of Co-Operative Audit stating the reasons for which he, has failed to take up the audit within two months from the closing date of the Co-Operative year; failing which it would be treated as negligence on the part of the audit officer.

(3) (a) The Director of Co-Operative Audit shall not appoint the same audit officer to audit the accounts of the same Co-Operative Society for more than three successive Co-Operative years.

(b) Unless otherwise directed by the State Government the accounts of the apex Co-Operative Society Central Co-Operative Banks, Urban Co-Operative Banks and the Agriculture and Rural development banks shall be audited by the panel of auditors appointed by the State Government or by the Director of Co-Operative Audit:

Provided that when the audit of the accounts of a Co-Operative Society is in arrear for three years or more, an audit officer may be entrusted by the Director of Co-Operative Audit to audit the accounts of the Co-Operative Society for all such Co-Operative years.

(4) (a) If at the time of audit, the audit officer finds the accounts of the Co-operative societies are not complete, he shall report the matter to the Director of Co-Operative audit who shall cause the accounts to be completed at the expense of the Co-Operative Society by an accountant from the panel of accountants to be maintained in the range office. The panel shall be prepared by obtaining application from the persons who have qualification in commerce and live in range area.

(b) A Co-Operative Society may, at its discretion, get its accounts prepared with the help of an accountant empanelled under clause (a) of this sub-section.

(5) The audited statement of accounts of a Co-Operative Society together with the auditor's report shall be final and binding on the Co-Operative Society.

(6) An audit under clause (b) of sub-section (1) shall include annual audit, monthly running audit, concurrent audit and re-audit and other matters as may be prescribed.

Explanation I.-"annual audit" shall mean audit of accounts of Co-Operative Society annually for each Co-Operative year.

Explanation II.-"running audit" shall mean audit of accounts of the Co-operative society within a Co-Operative year on monthly basis. The auditor shall issue running audit memo monthly pointing out the irregularities noticed and the board of the Co-Operative Society shall submit rectification report after considering the audit memo in its next meeting.

Explanation III.-"concurrent audit" shall mean audit of accounts of Co-operative society within a Co-Operative year on daily basis. The auditor shall issue audit memo pointing out the errors and irregularities daily and the Co-operative society shall submit a rectification report within three days from the date of receipt of the audit memo.

Explanation IV.-"re-audit" of accounts of the Co-Operative Society shall mean fresh audit of accounts of the Co-Operative Society by a senior auditor appointed by the Director of the Co-Operative Audit. The order for re-audit shall be issued by the Director of Co-Operative Audit when a major discrepancy in the audited accounts of the Co-Operative Society in particular Co-Operative year is noticed by him or when such re-audit is demanded by the Co-Operative Society on the basis of a resolution passed in its general meeting.

(7) **Other types of audit are as follows :-**

- (a) "cost and performance audit"-where in the opinion of the State Government, it is necessary in the public interest so to do in relation to any Co-Operative Society or a class of Co-Operative societies for ensuring management thereof in accordance with sound business principles and prudent commercial practices, the State Government may, by order, which shall be issued at least one month prior to the closing date of a Co-Operative year, direct that the cost audit or performance audit or both of such Co-Operative Society or a class of Co-Operative societies, as may be specified in the order, shall be conducted. On receipt of the order of the State Government, the Director of Co-Operative Audit shall appoint under clause (a) of sub-section (2) a member or members of the Institute of Cost and Works Accountant from the panel of the auditors referred to in clause (b) of sub-section (1) to be the audit officer to conduct the cost audit or performance audit or both of such Co-Operative Society or a class of Co-Operative societies and such audit officer shall complete the audit within the period specified in sub-section (2) and shall submit the report in accordance with the provisions of clause (b) of sub-section (1). The Director of Co-Operative Audit may also appoint such audit officers for conducting cost audit or performance audit, or

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both, at the instance of any Co-Operative Society at the expenses to be borne by it.

- (b) "internal audit"-the Co-Operative Society mentioned in clause (a) of sub-section (2) or any other Co-Operative Society may appoint internal auditor to get its accounts internally audited so that the Board of Director can get a report from the internal auditor in each month and take appropriate decision.
- (8) The audit officer appointed from the panel of auditors shall be paid by the concerned Co-Operative audit fees as may be prescribed.
- (9) The Director of Co-Operative Audit may, as and when exigency arises, depute an auditor or a group of auditors for examination of books, accounts and such other papers and for verification of cash balance. The report thereof shall be deemed to be an audit report for the purpose of taking further action.
- (10) Every person, who is or has, any time within the period of 5 years from the date of audit, been an officer or employee or a member or a director of the Co-Operative Society shall furnish such information in regard to the transactions and working of the Co-Operative Society as the Director of Co-Operative Audit or the person authorised by him may require.
- (11) If during the course of audit of any Co-Operative Society the auditor is satisfied that some books of accounts or other documents contained any incriminatory evidence against the past or present officer or employee of the Co-Operative Society the auditor shall immediately report the matter to the Director of Co-Operative Audit and with the previous permission of the Director may seize the books of accounts and give a receipt thereof to the Co-Operative society.
- (12) The audit or accounts of a Co-Operative Society shall be conducted in the manner and place as may be prescribed by the State Government. However, such Co-Operative Society shall give the audit officer all assistance necessary for completion of the audit and for this purpose, the audit officer shall prepare such statements and take such actions with regard to verification or examination of its accounts as he may require.
- (13) A Co-Operative Society shall pay an Audit fee calculated in such manner and at such rate as may be prescribed :
- Provided that State Government may by notification exempt or remit such payment of audit fees for certain categories of Co-Operative societies as may be prescribed.
- (14) The Director of Co-Operative audit may undertake audit of accounts

of organisations other than Co-Operative societies only with the prior approval of the State Government on such terms and conditions as may be prescribed or specified by the Government.

98. Audit report.-(1) After completion of audit of accounts of any Co-operative society, the audit officer shall submit his report to the Director of Co-operative Audit, to the Registrar of Co-Operative societies and to the Co-Operative Society together with the audited statement of accounts within the period of thirty days from the date of completion of audit specified in sub-section (2) of section 97. The audit report shall be prepared and submitted in such manner and with such information as may be prescribed. (2) A Co-Operative Society shall rectify the defects pointed out in the audit report and submit to the Director of Co-Operative Audit a report of compliance within forty-five days from the date of receipt of the audit report. The Co-operative society shall acknowledge the receipt of the audit report as soon as the same is delivered to it.

(3) Where the Director of Co-Operative Audit is of opinion that the defects pointed out in the audit report have not been fully rectified by the Co-Operative society, he may direct the Co-Operative Society to rectify the defects still persisting in the accounts and to submit a further report of compliance with explanations within forty-five days from the date of receipt of such direction, and the Co-Operative Society shall rectify such defects and submit a further report of compliance accordingly.

Annexure IX

Resources

1. Referencer 2011-12 of EIRC of ICAI.
2. Technical Guide for Accounting for Not-for-Profit Organization of ICAI-March 2012 Edn;
3. Taxation of Trust and NGOs with FCRA and FEMA, 5th Edition 2010 by Manoj Fogla;
4. An Overview of Corporate Social Responsibility by Shri CA. Rajkumar S. Adukia;
5. Handbook on IFRS and IND AS by Shri CA. Rajkumar S. Adukia;
6. Taxation of Co-Operative & NPO Sectors- Draft issued by ICAI 2012;
7. Annual Report of National Dairy Development Board 2010-11;
8. Annual Repot of Vidya Dairy 2011-12;
9. Quick Referencer of ICAI 2012 issued by Committee for Co-operatives and NPO Sectors;
10. Report of the Expert Group on Societies Registration Act 1860 and Multi -State Societies Registration Bill 2012;
11. Technical Guide on Accounting for Not-for-Profit Organizaion of ICAI-2009
12. Annual Report 2009-10-Ministry of Home Affairs, Foreigners Division, FCRA Wing;
13. Technical Guide of Charitable Trust and Institutions- A Study by ICAI-February 2009 Edn;
14. Code of Governance for NGOs by ICAI-January 2009;
15. Annual Reports of Gujarat Co-Operative Milk Marketing Federation Ltd.