

CIRCULAR No.3/2011

Sub:- Amendment to Kerala Co-operative Societies Act 1969 and the Rules 1969- Important matters relating to Audit of Co-operative Societies – Intimation – reg.

- Ref:- 1) The Kerala Co-operative Societies (Amendment) Act, 2008 (Act 9 of 2009) Published by Government Notification No.11297/Leg.B2/2008/Law dated 5th January 2009, published In Kerala Gazette Extra ordinary No.30 dated 5th January 2009.
- 2) The Kerala Co-operative Societies(Amendment) Act,2010 (Act 7 of 2010)published by Government Notification No.14953/Leg.B2/09/LW dated 28th April 2010, published in Kerala Gazette Extra ordinary No.1033 dated 28th April 2010.
- 3) Kerala Co-operative Societies (Third amendment) Rules, 2010 -G.O.(P) No. 172/2010/Co-op dated 2nd November 2010 (S.R.O.No.1005/2010) published in Kerala Gazette Extra Ordinary No.2427, dated 2nd November 2010.
- 4) Kerala Co-operative Societies (Fifth Amendment) Rules 2010-G.O.(P) No.225/2010/Co-op dated 31st December 2010, Published in Kerala Gazette Extra Ordinary No.4 dated 01.01.2011.

In the reference first cited, the matters relating to Audit of Co-operative Societies are given below,

(A) Amendment of Section 63- After sub section (4) of Section 63, the following sub-sections (5) and (6) were inserted.

(5) The Government shall prescribe the manner in which audit is to be conducted by the Director of Co-operative Audit.

(6) Notwithstanding anything contained in any other law for the time being in force, the Audit Certificate issued by the Director of Co-operative Audit or by any officer authorized by him shall be valid for all purposes required to be filed before the State Government and non Governmental authorities.

(B) In the reference second cited, the matters relating to Audit of Co-operative Societies are given below.

(1) The existing clause (hb) of Section 2 of the Act was amended as follows – Director of Co-operative Audit means Director of Co-operative Audit appointed under sub-section (1) of section 63 and any officer to whom all or any of the powers of the Director of Co-operative Audit may be delegated by the Government by general or special order under sub-section (3) of Section 63.

(2) Amendment to Section 56

Clause (C) of sub-section (1) omitted. In clause (a) of sub-section (2), dividend "not exceeding 20%" is changed as "not exceeding 25%". Contribution towards Agricultural Credit Stabilisation Fund is reduced from 15% to 7%. Clause (CC) to sub-section (2) is newly introduced, So that 5% of the net profit shall be transferred to Professional Education Fund maintained by Registrar. Clause (e) to sub-section (2) has been amended as follows. "Balance of net profit may be utilized for purposes specified in the byelaws except for payment of bonus to employees".

NOTE - Amendment to Section 56 as above will be effective from the actual audit period ie 2010-11 to which the accounts relate.

(C) Amendment of Section 63

(1) The existing sub-section (3) is amended as follows. - "The Government may by general or special order, delegate all or any of the powers of the Director of Co-operative Audit in the Act to his subordinate officers".

(2) Sub-section (12) has been newly inserted to section 63 as follows. It shall be the duty of the committee of the society to request the Director of audit to get its accounts audited every year by remitting the audit fee for cost of advance. It is also the duty of the committee to place the audit certificate before the General body and to read over the general body the defects in the audit certificate and also to place the rectification reports before the general body. It shall also be the duty of the committee to submit rectification report to the Director and Registrar within two months of receipt of Audit Certificate.

(D) Section 74 D is newly inserted in the Act as follows- It shall be the duty of the chief Executive of a society to supply confirmation certificate to the Auditor.

(E) In the reference third cited, The Kerala Co-operative Societies Rules have been amended as follows.-(Rule 65)

- 1) Clause (a) to sub rule (2) of Rule 65 is amended to the effect that Director of Audit shall be competent to appoint one or more auditors to societies each having working capital or annual sales turn over exceeds Rs. 25 lakhs.
- 2) After Clause (a) to sub- rule (3), the following proviso added – Apex SC/ST society need pay only half of the rate of audit fee chargeable.
- 3) Clause (b) of sub- rule (3) is amended to the effect that farming societies which accept deposits and grants loans shall pay audit fees.
- 4) Clause (c) of Sub- rule (3) is amended to the effect that social welfare societies which accept deposits and grant loans shall pay audit fees.
- 5) Sub- Rule (3A) has been newly inserted to the effect that Vanitha Co-operative Societies need pay only half of the rate of audit fees chargeable.
- 6) Sub- Rule (4) has been amended to raise the limit of audit fee from Rs. 25000 to Rs one lakh.

NOTE – Amendment to Rule 65 will only be effective from the actual audit period to which the 2010 -11 period accounts relate.

(F) Rule 53 has been amended in respect of Agricultural Credit Stabilisation Fund, Professional Education Fund, dividend in tune with the amendment to section 56 of the Act as in Para (B) (2) above.

(G) In the reference 4th cited, sub-rule (10) has been newly added to Rule 64 as follows-
"Where a misappropriation of money is detected after completion of the audit of a society and no such misappropriation was reported by auditor /Auditors while auditing the accounts, the Director of Co-operative Audit may proceed against Auditor/Auditors who conducted the respective audit for dereliction of duty or for laches in duty".

Joint Directors in District Offices and Deputy Director KCMMF shall communicate the contents of this circular to Assistant Directors in circle level Officers and milk Unions and also to all of the Auditors.

Sd/-
K.G.RAJU, IAS
DIRECTOR OF CO-OPERATIVE AUDIT

To,

- 1) Joint Director of Co-operative Audit in all Districts
- 2) Deputy Director of Co-operative Audit, Kerala Co-operative Milk Marketing Federation, Pattom, Trivandrum - 4
- 3) Joint Director/Deputy Director /Assistant Directors in all Apex Federation and Regional Societies.
- 4) Officers and Sections in this Office
- 5) Spare

//Forwarded by Order//


Joint
Assistant Director