

No. Coop: 3-32/95-A-IV
DIRECTORATE OF COOPERATION
HIMACHAL PRADESH

To

All Assistant Registrar,
Cooperative Societies in Himachal Pradesh.

Dated; Shimla –9 the 25th March 2006.

Subject: - **Instructions regarding submission of Audit notes of Cooperative Societies.**

Memo:

It has been observed that the audit notes of Coop. Societies are not submitted to the quarter concerned soon after the completion of audit or within 10-days from the date of the completion of audit as required under section 63 of the H.P. Cooperative Societies Act, 1968.

For the timely completion and submission of audit notes, the following :

A procedure is laid down for conducting the audit of Cooperative Institutions:

1. The auditor shall carry out the audit at the headquarter of the Society according to the annual audit.
2. The Auditor shall prepare 4 copies of audit notes in case of State partnered Proforma and shall append all the statement as prescribed under Act and Rules without fail.
3. After completion of audit, auditor shall explain and discuss the audit report with the Managing Committee. The auditor shall explain the working, discrepancies, corrective action and also the duties and required responsibility of Managing Committee. The audit report shall be discussed in the general meeting of the society if it is scheduled during that period or if it is possible to convene such meeting.
4. One copy of audit note shall be placed on the record of society and auditor shall not leave the premises, before he has done so.
5. District Audit Officer will examine the audit notes and shall issue his comments. He will submit his comments to the Asstt. Registrar, Coop. Societies to further submit it to the Registrar, Cooperative Societies, and H.P. in case of State partnered Cooperative Society along with audit note within a fortnight. Audit note should be entered in the register, maintained in the office, so that proper check is kept in his office.
6. Other instructions issued from this Directorate from time to time shall also be strictly adhered to while conducting audit.

You are directed to instruct all the field staff to follow the instruction, otherwise T.A. bills of such auditors, who fail to submit the audit notes, may not be passed & necessary action may be initiated against the auditor.

Registrar Cooperative Societies,
Himachal Pradesh .

No. As above

Dated: Shimla-9 the 25th March.06

Copy to: -

1. Additional Registrar, cooperative Societies, Dharamshala for information & necessary action.
2. Deputy Registrar, Cooperative Societies, Shimla /Mandi for information.
3. Cured file audit section

Registrar Cooperative Societies,
Himachal Pradesh .

No. 10-20/99-06(A&S)
Directorate of Co-operation
Himachal Pradesh.

To

The entire Assistant Registrar,
Co-operative Societies, in H.P.

Dated: - Shimla –9 the 29th April, 2006

Subject: - Instructions regarding proper follow up Statutory actions /duties of
Departmental officers/officials for improving management and control
Systems in all types of Coop. Societies.

Memo:

1. Inquiries /Surcharge proceedings:

It has been observed that the cases of irregularities detected in Co-operative Societies are not being dealt effectively and efficiently. Either no action is taken against the offender or the pace of action is very slow which results in encouraging such irregularities in other societies as well thereby adversely affecting the credibility of cooperative movement as a whole. The lapses on the part of co-operation Department have been viewed very seriously by the Govt. as huge public funds and public trust is involved in the running of different types of Co-operative Societies.

Following instructions are issued to deal with irregularities which may be detected during audit under section 61 to 63, Inspection under section 65 &66, enquiry under section 67 of the H.P. Cooperative Societies Act, during annual /periodical physical verifications of stocks or on the complaints of any member or general public.

- i) The cases of irregularities are reported to the Directorate immediately after detection.
- ii) The surcharge proceedings under section 69 of the Act (ibid) be initiated immediately against the offenders & such proceedings be finalized /completed in a time bound manner but in any case, final order under section 69 (2) shall be passed within one year after detection of financial irregularities. Failure to do so shall be treated as negligence of duty.
- iii) Property of the person involved in such irregularities is attached as per Rule 95 of H.P. Co. Operative Societies Rules, 1971 before passing the final orders. All efforts are made to seek details of their properties.
- iv) If the person(s) involved in such irregularities is / are committee member(s) then action under section- 37 of the ibid Act may be initiated, in addition to surcharge proceedings under section 69 of the Act (ibid).
- v) Service conditions have been laid down for the employee of PACS & for certain other Co-operative Societies. The Disciplinary proceedings may also be initiated against such employees who are involved in the irregularities in addition to

surcharge proceedings under section 69. Violation of any provision of service Rules such as retirement age, qualification, recruitment procedures etc. shall be treated as personal responsibility of AR's.

- vi) If the Service conditions of the employee of any co-operative society do not provide for disciplinary action then action under rule 56(5) to (8) of the Rules (ibid) may be initiated against such employees.
- vii) There may be instances where in FIR is required to be lodged against such person(s) who is/ are involved in the irregularities. It may be ensured that timely action is taken to file FIR and up to date audit is completed before the same so that it is simpler and easier to prove the case in the court of law as the record of the Society concerned is sealed and taken away by the Police Deptt. For investigation & it becomes difficult to depict true picture in the absence of up to date audit.
- viii) On receipt of up to date Audit report, the enquiry under section-69 (1) be immediately ordered. It has been seen that proper show cause notice is not issued to the person(s) involved. The show cause notice under section-69 (1) should be detailed one and the charges leveled should be supported with documents and witnessed if any. Report under section 69 (1) should be finalized only after perusal of supporting documents and examination/cross examination of witnesses. As far as possible, exparte proceedings be avoided. On receipt of report under section-69 (1), the Assistant Registrar, Cooperative Societies Societies, or officer concerned shall afford opportunity of being heard to the person involved and pass appropriate order. The whole proceedings should not take a period of more than one year as explained earlier. However, FIR may be lodged on receipt of enquiry report under section 69(1) taking into consideration the culpability of various officers in irregularities / breach of trust.
- ix) Full cooperation is extended during investigation/ trial of the cases to the Police Authorities and Distt. Attorney / Asstt. Distt. Attorney because in the absence of Cooperation of Department officials it is difficult to understand the intricacies of the accounts.
- x) As soon as order in the surcharge proceedings under section 69 of the Act attains finality, the same is vigorously followed up with the District Collector/Divisional Deputy R.C.S. for speedy execution of such order and in case of any technical difficulty in execution proceedings the same be reported to the Directorate for clarification. Te execution cases shall be followed up by the ARCS concerned every month and if need be, the ARCS concerned shall personally discuss the delays in execution proceeding with the Collector/Divisional Dy. RCS, concerned.

2- Arbitration Proceedings: -

As has been provided in Rule-91 (2) of the H.P. Co-operative Societies Rule, 1971 the dispute is to be decided with in a period of four months. But it has been observed that officers take years together to decide the dispute, which defeats the very purpose of this provision. It is therefore, advised that dispute be decided within the prescribed period and without adequate justification the extension may not be granted be beyond a period of six months in any case.

It has also been observed that awards passed do not contain the facts of the case and proper opportunity of being heard and fact of he case be mentioned in the awards and detailed reasoning be given to reach at conclusions /giving findings on issues.

3- Follow up in the cases under executing proceedings: -

It has been observed that the cases remain pending for execution with the collectors which not only causes financial loss to the degree holders but also encourages defaulters to dispose off their property with immunity. It shall be ensured that necessary orders in respect of attachment of property as per section –74 of the H.P. Coop. Societies Act, 1968 read with Rules – 95 &96 of the H.P. Co-operative societies Rules, 1971 be passed in all such cases where –ever its is possible to locate the details of property.

Secondly, necessary follow-up be ensured in the office /court of the concerned Collector including that of Divisional Deputy RCS. Full support and Co-operation be extended to the executing Authority. Any lapse on this account shall be viewed very seriously.

4-Enquiries: -

It has been seen that officers take years together in submission of enquiry reports under section-67 or other preliminary/fact finding enquiries and by that time irreparable loss is caused to the concerned Cooperative Societies /person concerned. No purpose is served by delaying submission of enquiry reports rather very purpose of ordering such enquiries is defeated. It is, therefore, advised that enquiries be completed expeditiously and reports should not be delayed beyond a period of six months from the date of ordering such enquiries. Conduct of inquiry / arbitration proceedings is very important and vital to proper functioning of societies and non-conduct or delay in conducting such proceedings will naturally be liable to be treated as negligence of duty.

5- Non –conducting of timely elections: -

The incumbent managing committee is required to take steps well in advance to conduct elections before expiry of its term. But it has been observed that election is not conducted well in time, which jeopardizes the basic tenet of democratic management in the Cooperative Societies. It is, therefore, advised that field officers must ensure conducting of timely elections in all types of Cooperative Societies and any lapse on this account shall naturally be liable to be reflected in assessing the performance of various officers.

6- Timely holding of General House Meeting: -

Very important business is to be transacted in the General House meeting such As: -

- (a) Review of managing Committee functioning
- (b) Consideration of Annual work plan /Business Development plan.
- (c) Fixation of maximum credit limit of the Society.
- (d) Fixation of maximum credit limit of each member.
- (e) Confirmation of newly admitted, fined, suspended, resigned member on the roll of the Society by the committee.
- (f) Review of loans and advances etc.
- (g) Consideration of Audit Report etc.

It has been observed that either General house meetings are not convened at regular interval as provided in the Cooperative law or if convened, then important decision, as referred to above, are not taken in such meeting. Not only this, poor presence is recorded in such meeting which is because of little interest of managing committee & employees of the society in convening general house meeting effectively. It is to be remembered that any

Coop. Society exists for the well being of its members and therefore, all efforts must be made to ensure timely conduct of general house meetings with maximum possible participation of members. Field functionaries of the departments, particularly the Inspector-In charges of the Development Block shall ensure timely convening of the general house meeting.

If the timely meeting of general house is not convened, for any reason, then concerned field functionary should bring such fact in the notice of higher authorities for appropriate action under the Cooperative law. The competent authorities should take immediate steps to convene such meetings and the person responsible for causing delay in convening general house meeting should be asked to explain his position.

7- Action under section 37: -

It has been observed that proper procedure is not adopted while initiating action under section 37 against the managing committee member (s) and sufficient opportunity of being heard is not afforded to the affected party. Following procedure is followed while taking action against managing committee member (s): -

- (a) Show cause notice be issued to the persons (s) concerned stating clearly the imputations with supporting documents.
- (b) Reply, if any, submitted by the person(s) concerned should be studied in depth and on the basis of such reply the case be recommended to this Directorate for prior approval.
- (c) Order of suspension is passed after prior approval of this Directorate.
- (d) If need be, then action under sub-section (1-A) be initiated against the person (s) concerned before taking above steps narrated from (a) to (c).
- (e) The competent authority may pass order of super session keeping in view the provisions of sub-section (6) of section 37 of the Act.

8- Handing / taking over the record of the Society: -

The field functionaries of the Department shall ensure immediate handing /taking over of the record of the Society or appropriate action under section 38 of the Act is initiated against such committee / Secretary of the Society. In case of any problem, the matter is brought in the notice of higher authorities immediately. Assistant Registrars shall immediately move court for seeking record from Secretary/managing committee in a time bound manners. Any delay in doing so shall be liable to be dealt with under conduct Rules.

9- Wrong Waiving of loans /onetime settlement etc.: -

It has been observed that sometimes, loan /interest is wrongly off by the committee / Secretary of the Society which causes heavy loss to the Society. Such cases are personally looked in to by the concerned Assistant Registrars and appropriate action be initiated against the person(s) involved in such matters.

10- Violation of Service Rules/other instructions of the Directorate or any other statutory

Authority: -

This Directorate has issued many directions/instructions concerning various aspects of functioning of Cooperative Societies including Conduct of audit etc.

Violation of Service Rules or other instructions of this Directorate or any other statutory authority shall be viewed very seriously and field functionaries shall be held responsible if such instructions are not complied or if timely action is not taken against those responsible for violating the same.

Above instructions be brought in the notice of all field functionaries for strict compliance.

Registrar, Co-operative Socs.
Himachal Pradesh

Endst. No. As above

Dated: Shimla -9 the____ 2006

Copy for information and compliance to: -

1. The Additional Registrar Cooperative Societies, Dharamsala.
2. The Deputy Registrar, Coop. Societies, Mandi & Shimla.
3. All the Branch Officers in the Directorate.
4. Principal, Cooperative Training Centers Mashobra & Garli.
5. Secretary, HIMCOFED Shimla – 4.
6. Managing Directors/ Chief Executive officers of all Apex Cooperative Institutions and Central Cooperative Banks.

Registrar, Co-operative Societies,
Himachal Pradesh