

ਕੋਆਪ੍ਰੇਟਿਵ ਬੈਂਕ

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**Cooperative Bank**

CBS Bank

THE FARIDKOT CENTRAL CO-OPERATIVE BANK LTD. FARIDKOT**HEAD OFFICE: HUKKI CHOWK, THE MALL, FARIDKOT-151203****AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31.03.2019****BALANCE SHEET AS ON 31.03.2019 (Rs. in Lakhs)**

LIABILITIES	31.03.2019	31.03.2018
Share Capital	3347.32	3040.38
Reserves	1985.04	1984.59
Deposits	28310.46	25677.75
Borrowings	16447.38	17505.88
Other Liabilities	968.62	944.52
TOTAL	51058.82	49153.12
ASSETS		
Cash and Bank Balances with RBI	202.28	172.82
Investments	13677.52	11527.78
Advances	33874.78	34358.62
Fixed Assets	628.18	613.92
Other Assets	2676.06	2479.98
TOTAL	51058.82	49153.12
Contingent Liabilities	58.07	58.07
Profit & Loss Account for the year ended 31.03.2019 (Rs. In Lakhs)		
I. INCOME	2018-19	2017-18
Interest and Discounts	3356.90	3505.75
Other Income	45.16	65.58
TOTAL	3402.06	3571.33
II. EXPENDITURE		
Interest Expenses	2490.82	2598.51
Operating Expenses	733.00	853.98
Provisions & Contingencies (Gratuity And Tax)	61.50	56.50
Other Expenditure	179.80	160.95
TOTAL	3465.12	3669.94
III. PROFIT & LOSS		
Net Profit for the year	(63.06)	(98.61)
Less Provision for Income Tax	0.00	0.00
TOTAL	(63.06)	(98.61)
IV. APPROPRIATIONS		
Transfer to Statutory Reserves	0.00	0.00
Balance carried over to Balance Sheet	0.00	0.00

Place: Faridkot
Date: 07/08/2019-Sd/-
District Manager-Sd/-
Managing Director-Sd/-
As per Audit Report of even date
For S S P J & Co.
Chartered Accountants

Annexure to Balance Sheet
Balance Sheet of Cooperative Banks- Disclosure of Additional Information as on 31.03.2019

		<i>Amt.in lakhs</i>
Sr.No.	Particulars	31.03.2019
1	Investments- (only SLR) with Break up under permanent and current category	
	a. Book Value of Investment	6338.30
	b. Market Value of Investment	6338.30
	(Further, as regards non-SLR investment, instructions for disclosure already issued vide RBI circular RPCD.CO.RF.BC.No.65/07.02.03/2003-04 dated February 23, 2004 should be strictly adhered to	4995.67
2	Advances to Directors, their relatives, companies/ firms in which they are interested	
	a. Fund bases	NIL
	b. Non Fund bases(Guarantees, L/C etc.)	NIL
3	Cost of Deposit - Average cost of deposits	5.30%
4	NPAs	
	a. Gross NPAs	2589.00
	b. Net NPAs	1980.00
	c. Percentage of gross NPAs to total advances	7.64%
	d. Percentage of Net NPAs to net advance	5.95%
5	Movement of NPAs	-754.24
6	Profitability	
	a) Interest income as a percentage of working funds	6.85%
	b) Non-interest income as a percentage of working funds	0.09%
	c) Operating profit as a percentage of working funds	---
	d) Return on Assets	-0.12%
	e) Business (Deposit + Advances) per employee	807.60
	f) Profit per employee	---
7	Provisions	
	a. Provisions on NPAs required to made	964.22
	b. Provisions on NPAs actually made (Existing)	609.00
	c. Provision required to be made in respect of overdue interest taken in to income account, gratuity funds, provident funds, arrears in reconciliation of inter branch account etc.	379.11
	d. Provisions actually made in respect of overdue interest taken into income	203.96
	e. Provision required to be made on depreciation in investments	0.05
	f. Provision actually made on depreciation in investment	3.10
8	Movement in Provisions	
	a. Towards NPAs	0.00
	b. Towards depreciation in investments	0.00
	c. Towards standard assets	10.00
	d. Towards all other items under 7 above	0.00
9	Payments of insurance premium to the DICGC, including arrears, if any.	26.12
10	Penalty imposed by RBI for any violation	NIL
11	Information on extent of arrears in reconciliation of interbank and inter branch accounts.	0.00
12	CRAR	10.95%
13	DEAF Fund submitted to RBI as on 31.03.2019	58.07

Independent Auditor's Report

The Stakeholders

The Faridkot Central Co Operative Bank Limited
Faridkot (Punjab)

Report on the Financial Statements:

We have audited the attached Balance Sheet on format Superset as on 31st March 2019 and Profit and Loss Account on format Superset for the year/period ended 31st March 2019 of 24 Branches and head office of The Faridkot Central Co-Operative Bank Limited, Faridkot, Punjab.

Management Responsibility for the Financial Statements:

Management is responsible for the preparation of these financial statements that gives true and fair view of the financial position and financial performance of the Bank in accordance with the requirements of Reserve Bank of India, the provisions of the Banking Regulation Act, 1949, including the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Branch's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion subject to qualifications mentioned below:

Status of Dacoity Detected at Branches of the Bank

1. During the financial year 2017-18, Bank Dacoity of Rs.10,02,444.84 found at Hari Nau Branch of the bank. FIR in the said case has been registered, although recovery of the same is still pending from Iffco Tokio Insurance Company.

The said amount is shown as "Bank Dacoity Claim recoverable" under other assets of balance sheet as on 31.03.2019. Provision on contingency is not made by the bank in this regards.

Qualifications:

1. Shortfall of Provisions :

- Shortfall of Provision for NPA of Rs.355.22 Lacs:

During the scrutiny of records, it was seen that the Gross NPA of the bank as on 31.03.2019 is Rs.2589 Lacs for which provision of NPA requires to Rs.964.22 Lacs. The actual provision provided as per books of accounts as on 31.03.2019 is Rs.609.00 Lacs. Therefore, there is shortfall of Rs.355.22 Lacs. This results into under reporting of profit / Loss account for an amount of Rs.355.22 Lacs.

- Shortfall of Provision for Gratuity of Rs.183.99 Lacs:

There is shortfall in the provision of Gratuity as per AS-15 Calculation of Employees benefit for an amount of Rs.183.99 Lacs. The said provision is on the basis of Rs.10 Lacs per employees. This causes under reporting of profit / Loss account for an amount of Rs. 183.99 Lacs.

- Shortfall of Provision for leave Salary of Rs.185.10 Lacs:

There is shortfall in the provision of Gratuity for an amount of Rs.185.10 Lacs. This results into under reporting of profit / Loss account for an amount of Rs.185.10 Lacs.

2. **Irregularities in Statutory Compliances:**

• **Goods and Service Tax (GST)**

During the course of audit, it was seen that the Bank is not working properly in respect to the compliance of Goods and Service Tax provisions. While scrutinising the details, it was seen that the bank has submitted their monthly returns (i.e. GSTR 3B & GSTR-1) late in almost every month. The details of the late filing of returns are as under:

Status of filling of GSTR-3B

FY 2018-19			No. of Days Delay
Month	Due Date	Filing Date	
April	22-May-18	22-Sep-18	123
May	20-Jun-18	22-Sep-18	94
June	20-Jul-18	22-Sep-18	64
July	24-Aug-18	22-Sep-18	29
August	20-Sep-18	22-Sep-18	2
September	25-Oct-18	11-Oct-18	-
October	20-Nov-18	29-Nov-18	9
November	20-Dec-18	20-Dec-18	-
December	20-Jan-19	16-Jan-19	-
January	22-Feb-19	16-Feb-19	-
February	20-Mar-19	11-Mar-19	-
March	23-Apr-19	1-May-19	8
		Total	329

As per the Goods & Service Tax Act, late filling of monthly return i.e. GSTR-3B attracts penalty. As stated earlier, the bank had submitted their GST returns late which attracts penalty. Therefore, the bank has paid Rs.23800 as late filing charges during the year under consideration.

Status of filling of Monthly GSTR-1

FY 2018-19			No. of Days Delay
Month	Due Date	Filing Date	
April	31-May-18	10-Oct-18	132
May	10-Jun-18	10-Oct-18	122
June	10-Jul-18	10-Oct-18	92
July	31-Oct-18	10-Oct-18	-
August	31-Oct-18	10-Oct-18	-
September	31-Oct-18	11-Oct-18	-
October	11-Nov-18	22-Jan-19	72
November	11-Dec-18	22-Jan-19	42
December	11-Jan-19	22-Jan-19	11
January	11-Feb-19	16-Feb-19	5
February	11-Mar-19	11-Mar-19	-
March	13-Apr-19	3-May-19	20
		Total	496

As per Goods & Service Tax Act, the Bank is eligible to Get 50% Input Tax Credit on their expenses, where GST has been

paid. During the verification of records, no reconciliation of the same has been made available to our team. The bank has debited Rs.16,88,324.80 to the profit & loss account as Service Tax/GST paid expenses. While discussing the matter with the concerned officer, it was replied that this amount is rest of 50% of the GST component which is not claimed / allowed for input tax credit. As per our view, this amount should be debited to the concerned expense head (i.e. telephone exp. etc.) instead of GST expenses head. But due to non-availability of reconciliation of the same, we are not in a position to comment upon it. Hence, our report is subject to the reconciliation of this head. Apart from above, an amount of Rs.780311.93 is shown as input tax credit as on 31.03.2019 under Current Assets. No reconciliation statement in this regards has been made available by the bank.

While discussing the matter with the management, it was replied that "this was happened due to non-availability of technical staff. The bank is facing staff crunch".

As per our suggestion, the bank should have very particular in respect to the compliance of the statutory compliances. There should be separate cell which exclusively deals in statutory compliances.

- **Non availment of Rs.33832 Input Tax Credit of GST:**
GST input tax credit has not been availed by the bank amounting to Rs.33832 in respect to the payments made to IFFCO TOKIO general insurance Co. This causes revenue loss to the organisation.
- **Tax Deduction at Source (TDS):**
During the scrutiny of records, it was found that Income Tax Demand of **Rs.2.68 Lacs** is outstanding as on date. The details of the same areas under:

Short Payment	Short Deduction	Interest on Payment	Interest on Deduction	Late filing Fee	Interest U/s 220(2)	Total Demand
3349	220199	3019.50	28982	11938	645	268132.50

The said matter was also reported in our last year's statutory audit report. But no action has been taken till date. Therefore, it is strongly recommended that that matter should be taken on urgent basis to avoid any further litigation.

Apart from that, every branch of the bank is liable to file quarterly TDS return (26Q). While asking for the same, no record in this regards has been made available to our team. Therefore, in such a situation, we are unable to comment upon weather the same has been filled or not.

- **Filing of Form 15G/Form 15H**
As per income tax act, branches are liable to file quarterly returns of form 15G/15H before 15 days from the end of the quarter. During the audit no information in this regards has been submitted to us. Hence we are unable to comment upon weather the same has been filled or not.

3. **Details of accounting heads, reconciliation for which is still pending :**

During the audit, few accounting heads were found, reconciliation of the same is pending at the head office. There is no clarity with the management about these figures and these needs to be written off from the balance sheet as these are long outstanding amounts shown in the balance sheet as on 31.03.2019. The details of the same areas under:

Head	Particulars	Amount	Remarks
I.1	SUNDRY PAYABLE	4712474.66	Details not available with the bank.
I.2	DD PAYABLE	6199566.21	Details not available with the bank.
I.15	Clearing Adjustment (CR.BAL)	1309750.00	Details not available with the bank.

I.4	ELECTRIC SECURITY	54480.00	Confirmation from the concern department is not available with the bank.
I.5	TELEPHONE SECURITY	101222.00	Confirmation from the concern department is not available with the bank.
I.6	SECURITY WITH OTHER INSTITUTIONS	14270.00	Confirmation from the concern department is not available with the bank.
E	Bill Lodged	316081.00	Details not available with the bank.
I.4	PAYORDER PAYABLE	68767.10	Details not available with the bank.
I.5	STALE CHEQUE PAYABLE	216870.03	Details not available with the bank.
I.20	SUNDRY-RECOVERABLE	13152.00	Amount recoverable from one of the employee Bhola Singh from the year 2005

Therefore due to non-availability of relevant information about the above said heads, we are not able to comment upon it. Hence, our report is subject to these heads.

4. Interest reversal of Non-Performing Assets(NPA) :

As per NPA norms, unrealised interest should be reversed in the case of Non-Performing Assets. During the scrutiny of records, it was seen that during the year under audit, the bank had declared 313 accounts as Non-Performing Assets amounting to Rs.5.20 Crores. But reversal of unrealised interest is not done properly / completely by the bank.

During the scrutiny of the records, it was noticed that the reversal is made for unrealised interest of Rs.39.56 Lacs.

On discussion, it was replied and observed that the bank has made reversal of interest through finacle (Software). They replied that manual intervention is not allowed in their system. Therefore, there are flaws in their system which is not accurate in respect to reversal of interest on sub slandered assets. This results into shortfall in the reversal of interest.

Therefore, the bank is not following the IRAC norms in this regards, As a result, the bank has overstated income in their profit & loss account. Hence we qualify our report in respect to the interest reversal on NPA accounts.

Review / Monitoring / Supervision / Credit Appraisal:

1. Irregularities in Stock Statements:

As per the guidelines the borrower requires to submit stock statements in periodical intervals in the cases of Cash Credit Limits. While doing the audit it was noticed that no such practice is implemented at branch level. All the cash credits have been renewed without taking stock statement. No penal charges for non-submission of stock statements have been recovered from the borrowers. Therefore it is strongly recommended to receive stock statements on regular interval so that proper drawing power can be ascertain of the borrower. Also penal interest should be charged from those accounts who are not submitting their stock statements.

2. Non availability of Insurance Policies of collateral securities:

The branches are not having practice to get insurance policies of collateral securities mortgaged with the bank. While working in the branches it was seen that no insurance policies collected in case of Vehicle Loans, in case of House Loans all the properties held as security are Uninsured, also in the cases of cash credit limits there is no insurance of the stock mortgages available with the branches. Therefore it is requested to consider the matter as serious. All such assets should be getting insured as soon as possible to avoid any prospective losses to the bank.

3. Discrepancies in KYC Norms:

Few discrepancies have been found in respect to KYC norms. During the audit it was noticed that the branches are not following KYC norms strictly. Generally few irregularities like "Non attestation of Account opening form by branch officials, Cross signature on photograph of account holder, Absence of PAN/Form 60-61 etc. found in almost every branch. Therefore the branches should strictly follow the KYC norms to avoid any penal provision from NABARD.

4. Fixed Asset Register:

Ideally, the Bank was required to maintain the Asset register for all the fixed assets on which the date of Asset put to utilisation should be written and the value for which it is purchased should be written on it and depreciation charged (if any) on that particular asset should be written on that particular Asset register. All the assets should have unique serial number written on it, so that physical verification of the fixed assets can be made at any point of time.

While conducting the audit it was noticed that the fixed asset register maintained by the bank was not up to the mark.

Therefore, it is strongly recommended that the school should maintain proper fixed assets register which contain date of purchase, value of fixed asset, date of put to use and unique number of the asset etc.

It is also advised that periodical physical verification of the fixed assets of branches as well as head office should be done by the bank.

5. Irregularities in documentation:

During the verification of advance, it was seen that, copy of original invoices were not on records in most of the cases of vehicle loans. Apart from this Registration certificates (RC) were not on records. Therefore in such a situation we are not in a position to confirm whether the said loan was actually sanctioned to purchase vehicle or whether the said vehicle is duly hypothecated with the bank or not. Hence, Head office should look into the matter.

Security / Safety measures:

1. Fire Suppression System in branches:

While doing the audit it was noticed that fire suppression systems have not been installed in most of the branches and if installed mostly all of them are out of order. As per our opinion the bank should consider the matter for the smooth functioning of the bank. To avoid any kind of miss happening at the branches fire suppression systems should be installed at each and every branch. Also contract should be made for AMC of the same so that no machine became out of order.

2. Anti-Virus software's are not available in the computers:

During the audit it was noticed that the computers of the bank/branches are not having anti-virus software. As there is huge volume of relevant data lying in all the computers of the bank and all the data should be secured from any kind of virus. Hence the bank should install anti-virus software's in each and every machines of the bank to provide uninterrupted services to their customers.

Opinion:

1. In our opinion, subject to qualifications mentioned above and to the best of the information and according to the explanations given to us and as shown by the books of the branch, we report that:
 - a). The aforesaid Balance Sheet read with summary of advances, is a full and fair balance sheet of the branch containing the necessary particulars and is drawn up so as to exhibit a true and fair view of the branch as at the 31st March 2019.
 - b). The aforesaid Profit and Loss account exhibits a true and fair view of the Profit/(Loss) of the branch for the year/ period ended the 31st March 2019.

Report on Other Legal and Regulatory Requirements:

1. The Balance Sheet and Profit and Loss Account contain the data required to draw up the Balance Sheet and the Profit and Loss Account in Form A and B respectively of the Third Schedule of the Banking Regulation Act, 1949.
2. Subject to the qualifications of the audit indicated above in, we report that

- 3.
- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit and have found them to be satisfactory.
 - (b) The transactions of the branch which have come to my/ our notice have been within the powers of the Bank.
4. We further report that
- (a) The Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the books of account and returns, and
 - (b) In our opinion, proper books of account as required by law have been kept by the branch so far as appears from our examination of those books.

Place: Faridkot
Date: 07-08-2019

For S S P J & Co.
(Formerly Sandeep Pawan Jain & Associates)
Chartered Accountants

Statutory Branch Auditor
CA Mohit Kumar Mittal
M.No: 526489
Firm Regn No. 018083N
UDIN: **19526489AAAACB3980**