

**AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31.03.2020**

**BALANCE SHEET AS ON 31.03.2020 (Rs. in Lakhs)**

<b>LIABILITIES</b>	<b>31.03.2020</b>	<b>31.03.2019</b>
Share Capital	3363.19	3347.32
Reserves	2045.27	1985.04
Deposits	29577.81	28310.46
Borrowings	19712.89	16447.38
Other Liabilities	1604.70	968.62
<b>TOTAL</b>	<b>56303.86</b>	<b>51058.82</b>
<b>ASSETS</b>		
Cash and Bank Balances with RBI	191.47	202.28
Investments	14158.41	13677.52
Advances	38253.88	33874.78
Fixed Assets	611.34	628.18
Other Assets	3088.76	2676.06
<b>TOTAL</b>	<b>56303.86</b>	<b>51058.82</b>
<b>Contingent Liabilities</b>	<b>58.07</b>	<b>58.07</b>
<b>Profit &amp; Loss Account for the year ended 31.03.2019 (Rs. In Lakhs)</b>		
<b>I. INCOME</b>	<b>2019-20</b>	<b>2018-19</b>
Interest and Discounts	3678.60	3356.90
Other Income	59.55	45.16
<b>TOTAL</b>	<b>3738.15</b>	<b>3402.06</b>
<b>II. EXPENDITURE</b>		
Interest Expenses	2630.76	2490.82
Operating Expenses	719.03	733.00
Provisions & Contingenecies (Gratuity And Tax)	798.06	61.50
Other Expenditure	173.78	179.80
<b>TOTAL</b>	<b>4321.63</b>	<b>3465.12</b>
<b>III. PROFIT &amp; LOSS</b>		
Net Profit for the year	(583.48)	(63.06)
Less Provision for Income Tax	0.00	0.00
<b>TOTAL</b>	<b>(583.48)</b>	<b>(63.06)</b>
<b>IV. APPROPRIATIONS</b>		
Transfer to Statutory Reserves	0.00	0.00
Balance carried over to Balance Sheet	0.00	0.00

Place: Faridkot  
Date: 18/09/2020

-Sd/-  
Senior Manager

-Sd/-  
District Manager

-Sd/-  
Administrator

-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 31.03.2020		
		Amt.in lakhs
Sr.No.	Particulars	31.03.2020
1	Investments- (only SLR) with Break up under permanent and current category	
	a. Book Value of Investment	6038.30
	b. Market Value of Investment	6038.30
	(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	6749.94
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	5.23%
4	NPAs	
	a. Gross NPAs	2916.33
	b. Net NPAs	1733.50
	c. Percentage of gross NPAs to total advances	7.62%
	d. Percentage of Net NPAs to net advance	4.68%
5	Movement of NPAs	327.33
6	Profitability	
	a) Interest income as a percentage of working funds	6.86%
	b) Non-interest income as a percentage of working funds	0.11%
	c) Operating profit as a percentage of working funds	---
	d) Return on Assets	(1.04%)
	e) Business ( Deposit + Advances ) per employee	904.42
	f) Profit per employee	---
7	Provisions	
	a. Provisions on NPAs required to made	1182.83
	b. Provisions on NPAs actually made (Existing)	1182.83
	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.	407.97
	d. Provisions actually made in respect of overdue interest taken into income	407.97
	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	573.83
	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.	28.84
10	Penalty imposed by RBI for any violation	NIL
11	Information on extent of arrears in reconciliation of inter-bank and inter branch accounts.	0.00
12	CRAR	9.70%
13	DEAF Fund submitted to RBI as on 31.03.2020	58.07

## AUDITOR'S REPORT

To,  
The Stakeholders  
The Faridkot Central Co Operative Bank Limited  
Faridkot (Punjab)

Date: 18/09/2020

### **Report on the Financial Statements:**

We have audited the attached Balance Sheet on format Superset as on 31<sup>st</sup> March 2020 and Profit and Loss Account on format Superset for the year/period ended 31<sup>st</sup> March 2020 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:

### **Qualifications:**

- **Shortfall of Provision for leave Salary of Rs.176.02 Lacs:**

There is shortfall in the provision of leave salary for an amount of Rs.176.02 Lacs. This results into under reporting of profit / Loss account for an amount of Rs.176.02 Lacs.

### **1. Irregularities in Advances:**

#### **a) List of Accounts where stock statements are not received.**

There are few accounts under CC Traders where stock statements are not received by the branches. Penal interest should be received from these accounts. Account wise details submitted in LFAR of Head office.

#### **b) List of Accounts where Insurance not available.**

During the audit, 356 accounts were found, where insurances policies has not been received by the branches. Account wise details submitted in LFAR of Head office.

#### **c) List of Time Barred Accounts.**

There are 70 accounts which are time barred as on 31.03.2020. List of these accounts is enclosed in LFAR of HO.

#### **d) Accounts having Credit Balance.**

Few loan accounts were found under CC Traders Schemes, having credit Balance as on 31.03.2020. These limits have been expired since long. Hence, accounts should

be close otherwise commitment charges to be received from these accounts. Account wise details submitted in LFAR of Head office.

**e) List of Overdue accounts as on 31.03.2020.**

There are 1355 accounts which are overdue as on 31.03.2020. Proper monitoring should be made to these accounts so that recovery can be made smoothly from these accounts. Account wise details submitted in LFAR of Head office.

**2. Irregularities in Statutory Compliances:**

**a) Goods and Service Tax (GST)**

During the course of audit, various irregularities found in relation to compliance of Goods and Service Tax Act. The details of the same areas under:

• **Late filling of Monthly GST Returns:**

While scrutinising the details, it was seen that the bank has submitted their monthly returns (i.e. GSTR 3B & GSTR-1) late. As a result, the bank has paid Rs.3200 (Three Thousand Two Hundred Rupees) as late filing charges. Which is direct loss of revenue to the bank.

The details of the same are submitted in LFAR of the HO

• **Short payment of Rs.17,667 of GST on Law Charges under Reverse Charge Mechanism:**

As per Goods & Service Tax Act, the Bank is liable to pay GST on law charges paid to advocates under Reverse Charge Mechanism (RCM) @18%. During the verification of records, it was seen that the bank has paid Rs.98150 as law charges during the period under consideration, but GST has not been paid on this amount. Non-payment of Rs.17,667 (18% of Rs.98150) attracts penal interest also.

• **Non GST Income not shown in GST Returns.**

There are various type of incomes i.e. Interest Income which are not liable to GST. But as per CGST Act, the amount of the same must be shown by the bank in their monthly returns. While scrutinising the GST returns of the bank, it was seen that the bank has not showed these NIL rated supplies in their GST returns.

• **Difference of Rs.430955.6 between ITC as per Trail Balance and ITC as per GST Portal.**

During the audit process, it was seen that there is difference between Input Tax Credit (ITC) available as per Books as per GST portal as on 31.03.2020. Details of the same areas under:

<b>Position of ITC as on 31.03.2020</b>	
<b>Particulars</b>	<b>Amount</b>
Input Tax Credit as per GSTN portal	1715409
Input Tax Credit as per Balance Sheet	1284453
<b>Difference</b>	<b>430955.6</b>

Therefore, proper reconciliation should be made and rectification entry should be passed in this regards. Hence our report is subject to this amount.

• **GST Excess paid of Rs.141445 In the month of March 20.**

While filing the GSTR 3B return for the month of March 20, the bank has wrongly mentioned output IGST liability of Rs.149142 instead of actual amount of Rs.7747. As a result, the bank has booked excess liability of Rs.141445 under IGST head.

- **ITC claimed in monthly returns is not matched as per ITC reflected under GST-2A.**

Month wise ITC claimed is not matched with ITC reflected in 2A of GSTN. As per CGST Act, Input tax credit can be claimed in monthly returns over and above 10% of amount showing under GST 2A Form. No such comparison is made at Bank level. The exact calculation is under preparation and will be shown in our final report.

**b) Outstanding TDS Demand of Rs. 495466**

The bank is filling their quarterly TDS returns under 25 TAN numbers. During the scrutiny of records, it was seen that an amount of Rs.4,95,466 was outstanding against these TAN numbers. The branch wise position is available in LFAR of Head office

**c) Excess deduction of Punjab Development Tax – Professional Tax amounting to Rs.11,200**

As per Punjab Development Tax Act, Every **employer in** Punjab is liable to deduct development tax if after deduction income of their employees are above maximum exemption limit i.e. Rs. 2,50,000/- at present as per Income Tax Act. During the course of audit, it was seen that, the bank has made excess deduction of Professional tax in the case of 6 employees.

Further employee wise details are submitted in LFAR of HO.

**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. The details of the same are available as per LFAR of HO.

**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 186 accounts as Non-Performing Assets amounting to Rs.4.59 Crores. But reversal of unrealised interest is not done on these account.

While discussing the matter, it was replied that no interest being credited into income head after marking an account as NPA in system. But reversal of unrealised interest on these accounts (NPA) is not made by the system automatically and manual intervention is not allowed in system. Therefore, unrealised interest on NPA accounts is still reflecting under income head of the bank as on 31.03.2020.

Therefore, the bank is not following the IRAC norms in regards to income reorganisation in NPA accounts, 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.

Further, few accounts were found which are technically NPA accounts as on 31.03.2020 but not declared as NPA by the bank. These accounts were marked as NPA on the date of audit and provisions of the same were made during the audit.

**Further there was shortfall in the provisions of NPA of Rs.4,98,82,700.59 as on 31.03.2020 and Rs.1,49,28,888 was shortfall under the provision for Gratuity of staff. Fresh provisions of Rs.6,48,11,588.59 was made on dated 17.09.2020.**

### **Review / Monitoring / Supervision / Credit Appraisal:**

#### **1. 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 bank 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.

### **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.

### **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 31<sup>st</sup> March 2020.
  - 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 31<sup>st</sup> March 2020.

#### **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
  - (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.
3. 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 as far as appears from our examination of those books.

Place: Faridkot  
Date: 18-09-2020

**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: **20526489AAAAEQ1012**