

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:612
ANSWERED ON:21.02.2003
AUDIT OF COOPERATIVE BANKS
SHEESH RAM SINGH RAVI

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether the auditors appointed for verifying the accounts of co-operative banks do not present the correct picture as in the case of Madhopura Mercantile Co-operative Bank;
- (b) if so, the number of such instances have come to light during the last three years; and
- (C) fine action the Government propose to take against the auditors for giving wrong information?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBAADSUL):

(a) to (c) As reported by Reserve Bank of India (RBI), the statutory audit of co-operative banks falls under the purview of the State Co-operative Act of the concerned States. The provisions of Banking Regulation Act, 1949 empowering RBI to appoint the Statutory Auditors for commercial banks, are not applicable to the co-operative banks. However, in order to ensure uniformity in reporting on the financial position of the co-operative banks by Statutory Auditors, RBI had issued guidelines to all the Registrar of State Co-operative Societies of the States/Union Territories in 1993 enumerating various parameters for the purpose of rating of the co-operative banks. RBI has also reported that in some cases, the audit ratings awarded by the Statutory Auditors were not in consonance with the actual financial position and other affairs of the banks concerned. RBI, had, therefore, introduced in February, 2002 a system for bringing to the notice of the Registrar, Cooperative Societies such divergences with a request to initiate remedial action. However, the action against the erring auditors, if any, falls under the purview of state governments.