

**Illustrative Format of an Independent Auditor's Report
of an Urban Cooperative Bank¹
(for Multi State Cooperative Bank)**

Independent Auditor's Report

To,
The Members,
XYZ Cooperative Bank Ltd.,

Report on the Financial Statements

1. We have audited the accompanying financial statements of XYZ Cooperative Bank Limited ('the Bank') as at 31 March 20XX, which comprise the Balance Sheet as at 31 March 20XX, and the Profit and Loss Account, and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The returns of _____ branches audited by us are incorporated in these financial statements and also _____ branches audited by statutory branch auditors. The branches audited by us and those audited by other auditors have been selected by the Bank in accordance with the guidelines issued to the Bank by the Central Registrar of Cooperative Societies. Also incorporated in the Balance Sheet and the Profit and Loss Account are the returns from _____ branches which have not been subjected to audit. These unaudited branches account for _____ percent of advances, _____ percent of deposits, _____ percent of interest income and _____ percent of interest expenses.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with provisions of the Banking Regulations Act, 1949, the guidelines issued by the Reserve Bank of India and the guidelines issued by the National Bank for Agricultural and Rural Development, the Central Registrar of Cooperative Societies, the Multi State Co-operative Societies Act, 2002, the Multi State Co-operative Societies Rules, 2002 (as applicable) and accounting principles generally accepted in India so far as applicable to Banks. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing issued by the

¹ The illustrative format pertains to "Unmodified Opinion" on financial statements.

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 misstatements.

4. 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 judgement, 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 Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the Bank's internal control. 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.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements together with the Notes thereon give the information required by the Banking Regulation Act, 1949, the Multi State Co-operative Societies Act, 2002 and the Multi State Co-operative Societies Rules, 2002 and the guidelines issued by the National Bank for Agricultural and Rural Development (as applicable) and guidelines issued by Reserve Bank of India and the Central Registrar of Cooperative Societies, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of state of affairs of the Bank as at 31st March 20XX;
 - (b) In the case of the Profit and Loss Account, of the profit/loss for the year ended on that date; and
 - (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal & Regulatory Requirements

7. The Balance Sheet and the Profit and Loss Account have been drawn up in Forms "A" and "B" respectively of the Third Schedule to the Banking Regulation Act, 1949 and the Multi State Co-operative Societies Act, 2002, the Multi State Co-operative Societies Rules, 2002.
8. As required by Section 73(4) of the Multi State Co-operative Societies Act, 2002, 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 our audit and have found to be satisfactory;

- b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches/offices;
- c) The transactions of the Bank which came to our notice have been within the powers of the Bank;
- d) The Balance Sheet and the Profit and Loss Account dealt with by this report, are in agreement with the books of account and the returns;
- e) The reports on the accounts of the branches/offices audited by the branch auditors have been forwarded to us and have been properly dealt with by us in preparing this Report;
- f) The accounting standards adopted by the Bank are consistent with those laid down by accounting principles generally accepted in India so far as applicable to Banks;
- g) In our opinion and according to information and explanations given to us, we have not noticed any material impropriety or irregularity in the expenditure or in the realization of money due to the bank.

9. As per the information and explanations given to us and based on our examination of the books of account and other records, we have not come across material instances which need to be reported under Rule 27(3) of the Multi State Co-operative Societies Rules, 2002.

OR

As per the information and explanations given to us and based on our examination of the books of account and other records, we have come across the following material instances which need to be reported under Rule 27(3) of the Multi State Co-operative Societies Rules, 2002:²

- (a) transactions which appear to be contrary to the provisions of the Multi-State Cooperative Societies Act, 2002, the rules or the bye-laws of the Bank (Refer **Schedule A** to this report)³;
- (b) transactions which appear to be contrary to the guidelines issued by the Reserve Bank of India and National Bank for Agriculture and Rural Development (Refer **Schedule B** to this report)⁴;
- (c) money belonging to the Bank which appears to be bad or doubtful of recovery (Refer **Schedule C** to this report)⁵;
- (d) the loans given by the Bank to the members of the Board (Refer **Schedule D** to this report)⁶;
- (e) violation of guidelines, conditions etc., issued by the Reserve Bank of India or National Bank for Agriculture and Rural Development (Refer **Schedule E** to this report)⁷;

² Where applicable.

³ Where applicable.

⁴ Where applicable.

⁵ Where applicable.

⁶ Where applicable.

⁷ Where applicable.

(f) matters that have been specified by the Central Registrar of Cooperative Societies in this regard (Refer **Schedule F** to this report)⁸.

Place of Signature :

For ABC & Co
Chartered Accountants

Date:

Firm Registration Number

Signature
(Name of the member signing the audit report)
(Designation)
Membership Number

Note: The guidelines given in SA 705 and SA 706 should be followed for the modified auditor's report or for emphasis of matter in the auditor's report.