

THE KHORDHA CENTRAL CO-OPERATIVE BANK LTD, KHORDHA

NOTES ON ACCOUNTS AND PRINCIPAL ACCOUNTING POLICIES FOR THE FINANCIAL YEAR 2020-21

NOTES ON ACCOUNTS:

- Borrowings from other sources represent the borrowing made from Government of Orissa
- Out of total Loans and Advances of Rs 759,375,227.37, total NPA is Rs.56,75,71,435.73. The Segregation of the advances on the basis of Short Term, Medium Term and Long Term NPA has been ascertained
- Gross NPA of the bank has been increased from 8.84% to 7.48%. Also, NPA has been increased by Rs 8,73,95,823.63.
- Provision for NPA has already been made on higher side from the financial year 2018-17 to 2019-20, so in current financial year i.e. 2020-21 there is no provision made for NPA.
- As per the guidelines of RBI, provision on standard assets has been made at 0.25% on short term agriculture and 0.40% on other loan of the outstanding amount on a portfolio basis.
- Insurance expenditure includes Deposit Insurance Premium of Rs.63,71,039/- paid to Deposit Insurance & Credit Guarantee Corporation in the period of 01.04.2020 to 30.09.2020 and 01.10.2020 to 31.03.2021.
- The bank is a Central Co-operative Society, as registered under the Orissa Co-operative Society Act, 1962 (Orissa Act 2 of 1963) and the related parties required to be disclosed as per AS-18 issued by the Institute of Chartered Accountants of India. The Key Managerial Person is Sri Subash Chandra Mishra from 30.12.2017 to continuing till 31.01.2021 and Sri Anala Kumar Samal, Chief Executive Officer from 01.02.2021 to till date of the Bank. However, in terms of RBI circular dated 29.03.2003, he being single party coming under the category, no further details need to be disclosed.
- The bank has invested in Shares with Odisha State Co-operative Bank, in Government securities. Besides the above the Bank also made deposit with Cypsure. Details are given in appendix 18(A), 18 (B), Statement - 6.
- During the financial year 2020-21, bank has incurred Gross profit of Rs.1,24,94,217.53, after giving the provision entry towards Overdue interest of Rs.32,694,931.42 and Imbalance of Rs.90,000,000.00. The bank had kept Provision towards Income Tax of Rs.41,60,000/- to arrive profit after tax of Rs.83,34,217.53.
- The Bank has received Interest Subvention of Rupee 32,48,92,376/- from the Govt. of Orissa and Govt. of India for the FY 2019-20 through Orissa State Cooperative Bank. The same has been received and accounted in the books of the bank during the financial year 2020-21.
- Bank has transferred an amount Rs.20,71,742.45/- on dt.31.03.2021 towards the Depositor Education & Awareness Fund Scheme 2014 in accordance to Section 26A of the BR Act.

Sl. No.	Additional disclosures	As on 31.03.2021 (Current Year)	As on 31.03.2020 (Previous Year)
A	Capital to Risk Assets Ratio (CRAR)		
	(i) Total Capital Funds	9442.48	8281.65
	(ii) Risk Weighted Assets	77230.54	70479.32
	(iii) CRAR	12.23%	11.75%
B	Investments (Govt. Security)		
	(i) Book Value	13076.28	13076.28
	(ii) Face Value	13200	13200
	(iii) Market Value	Unavailable	Unavailable
C	Advance Against		
	(i) Real Estate	Nil	Nil
	(ii) Construction Business	Nil	Nil
	(iii) Housing	13.16	85.06
D	Advance Against Shares & Debentures	Nil	Nil
E	Advances to directors, their relatives, companies/firms in which they are interested		
	(i) Fund Based	Nil	Nil
	(ii) Non-fund based	Nil	Nil
F	Average Cost of Deposits	4.48%	4.55%
G	NPAs		
	(i) Gross NPAs	5927.78	5077.63
	(ii) Net NPAs	1366.93	516.78
H	NPAs		
	(i) Gross NPAs		
	Opening Balance	4801.76	4879.74
	Add: Additions during the year	2315.52	2425.92
	Less: Reduction during the year	3189.47	2347.94
	Closing Balance	5675.71	4801.76
I	Profitability (Annualized Basis)		
	(i) Interest income as a percentage of working funds	6.55%	6.14%
	(ii) Non-interest income as a percentage of working funds	0.03%	0.03%
	(iii) Operating profit as a percentage of working funds	0.11%	0.13%
	(iv) Return on average Assets	6.49%	6.46%
	(v) Business (Deposits + Advances) per employee	1057.36	912.13
J	Provisions made towards		
	(i) NPAs	4560.85	4560.85
K	Towards Overdue Interest Reserve		
	Opening Balance	2,790.17	2,694.90
	Add: Additions during the year	900.00	95.27
	Less: Reduction during the year		
	Closing Balance	3,690.17	2,790.17
14)	Previous year figures have been regrouped/reclassified, wherever necessary to conform to the presentation of the current year.		

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Khordha Central Co-operative Bank Ltd., Khordha, which comprise the Balance Sheet as at 31st March, 2021, the Profit and Loss Account of the bank annexed thereto for the year ended on that date along with the Funds Flow Statement for the above period, which incorporated the returns of Head Office and 18 branches (eighteen) audited by the respective branch auditor. These financial statements are the responsibility of the Bank Management.

Management's Responsibility for the Financial Statements

The 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 the provisions of the Banking Regulation Act, 1949, the guideline issued by the Reserve Bank of India, National Bank for Agriculture and Rural Development (NABARD), the Odisha Cooperative Societies Act, 1962 and recognized accounting policies and practices, including the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI).

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

An audit involves performing procedures to obtain audit evidence about the amounts and the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the bank as at 31st March, 2021, and its profit and its cash flows for the year ended on that date.

1. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. The Balance Sheet and Profit & Loss Account have been drawn up as per the prescribed format and are in accordance with the terms of the MOU (Clause-9.20) signed by the State Government with Govt. of India and NABARD and the reforms made in Odisha State Co-operative Societies Act and subject to the limitation of disclosure required therein, notes on account and accounting policies forming part of the accounts as on 31st March 2021.

3. We report that:

a) The software of the Bank needs to be upgraded immediately to comply with IRAC Norms, IT Act and GST Act. CBS system should be developed in such a way that all returns can be taken from system directly.

b) Provision on advances is made at a much higher rate than prescribed, which results in understatement of income.

c) KYC not done properly. Multiple IDs for same person found in some of Branches. In our opinion Aadhaar number should be made mandatory for all account holders by which multiple IDs issue may be resolved.

d) Steps should be taken to eliminate old outstanding entries pending in Sundry Creditor, Sundry Debtors and Suspense Account.

e) Most of the fixed assets have been classified as "Furniture & Fixtures" in Balance Sheet. Fixed assets need to be classified under appropriate heads.

f) Other Observations are reported in Annexure to Auditors' Report, which forms part of this main report.

4. Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us the report that:

a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit and found them satisfactory.

b) The transaction of the bank that has come to our notice is within the powers of the bank.

c) The report on accounts of the branches audited by us has been dealt with in preparing our report in the manner considered necessary by us.

d) The return received from the head office and the branches of the bank have been found adequate for the purposes of our audit.

e) The Balance Sheet read with notes on accounts is a full and fair Balance Sheet containing the necessary particulars and is properly drawn-up as to exhibit a true and fair view of the state of affairs of the bank as on 31st March 2021, and

f) The Profit & Loss account, read with the notes thereon shows a true balance in conformity with accounting principles generally accepted in India, for the period covered by the account; and

g) The Cash Flow statement gives a true and fair view of the cash flows for the period ended on that date.

Balance Sheet as on 31.03.2021 (Form-A)

Liabilities			Assets		
Sl. No.	Particulars	Amount	Sl. No.	Particulars	Amount
1	Paid up Share Capital	837,661,376.00	1	Cash in Hand	33,231,250.00
2	Reserve Fund & Other Reserves	97,251,519.99	2	Current Account with Banks	366,966,752.42
3	Deposit & Other Accounts	4,989,818,727.83	3	Investment	4,474,804,874.14
4	Borrowings	5,369,734,504.00	4	Loans & Advances	7,592,759,227.37
5	Bills for Collection	-	5	Interest receivable (Loans & Investment)	377,413,433.91
6	Overdue Interest Reserve	311,712,278.84	6	Bills receivable as per contra	-
7	Interest payable	296,040,472.66	7	Premises	71,099,982.00
8	Other Liabilities	1,078,748,063.20	8	Furniture & fittings	12,011,746.29
9	Accumulated Profit (This Year Profit)	8,334,217.53	9	Other Assets	61,013,893.92
	Total	12,989,301,160.05		Total	12,989,301,160.05

Profit & Loss Account for the year 2020-21 (Form-B)

Income		Expenditure			
Sl. No.	Particulars	Amount	Sl. No.	Particulars	Amount
1	Interest received on loans & investment	771,857,865.67	1	Interest paid on deposits & borrowings	538,485,067.30
2	Commission, Exchange & Brokerage	1,158,832.03	2	Salary & Allowances	83,360,723.13
3	Subsidy & Donation	-	3	Director & Local Committee member fees & Allowances	6,47,184.00
4	Income on Non-Banking Assets	7,925.00	4	Rent, Taxes, Insurance Charges & Lighting etc.	17,941,273.48
5	Other receipts	10,188,730.50	5	Law Charges & Legal Expenses	233,702.00
6	Profit & Loss A/c (Provision)	90,974.00	6	Postage, Telegram & Telephone Charges	558,443.58
			7	Audit fees	787,159.00
			8	Depreciation	4,988,573.29
			9	Stationery, Printing & Advertisement	1,307,970.63
			10	Other Expenditure	3,985,077.04
			11	Provisions	122,694,931.42
			12	Profit for the year 2019-20	8,334,217.53
	Total	783,304,327.40		Total	783,304,327.40

Sd/- D. Mohapatra
Asst. Manager (Acct.)

Sd/- V.K. Achary
AGM (Acct.)

Sd/- S. Satapathy
DGM

Sd/- A.K. Samal
CEO

Sd/- Sanat Kumar Mohanty
OAS (SAG)
Collector & District Magistrate, Khordha
Cum-Administrator
Khordha CC Bank Ltd. Khordha

Sd/- B.P. Mohapatra (SPP Associates)
Chartered Accountants