



**INDEPENDENT STATUTORY AUDITOR'S REPORT FOR THE YEAR ENDED ON
31/03/2024**

(Under Section 31 of the Banking Regulation Act, 1949 and Section 73(4) of Multistate Co-operative Societies Act, 2002 and Rule 27 of Multi State Co-operative Societies Rules, 2002)

To,

The Members,
The Khamgaon Urban Co-Op. Bank Ltd.

Report on Financial Statements

Opinion

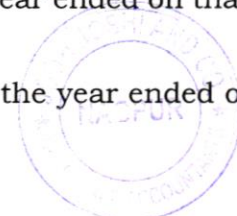
1. We have audited the accompanying Financial Statements of **The Khamgaon Urban Co-op. Bank Ltd., Khamgaon** ("The Bank") which comprise the Balance Sheet as at 31st March 2024, the Profit and Loss Account, and the Cash Flow Statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information which are included in returns of Head Office and its departments, 32 branches and 2 extension counters, which are consolidated in these financial statements.

2. 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 Banking Regulation Act, 1949 (as applicable to Co-operative Societies) as amended by the Banking Regulation (Amendment) Act, 2020, Multistate Co-operative Societies Act, 2002 and Multistate Co-operative Societies Rules 2002, made there under, if applicable, the guidelines issued by the Reserve Bank of India (RBI) 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:

(i) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March 2024;

(ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

(iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.



Basis of Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) issued by the Institute of Chartered Accountants of India (ICAI). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the bank in accordance with the code of ethics issued by the ICAI together with ethical requirements that are relevant to our audit of the financial statements under the provisions of The Banking Regulations Act, 1949 (as applicable to Co-operative Societies) as amended by the Banking Regulation (Amendment) Act, 2020 and the rules made there under and under the provisions of Multistate Cooperative Societies Act, 2002 and the Multistate Cooperative Societies Rules, 2002 and we have fulfilled our other

ethical responsibilities in accordance with these requirements and the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Financial Statements.

Information Other than the Financial Statements and Auditor's Report Thereon

4. The Bank's management is responsible for the preparation of other information. The other information comprises the information included in the Management's Report including other explanatory information, but does not include Financial Statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

5. The Bank's Management are 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 accounting principles generally accepted in India, including the Accounting Standards issued by ICAI, the provisions of The Banking Regulation Act, 1949 (as applicable to Co-operative Societies) as amended by the Banking Regulation (Amendment) Act, 2020 and the rules made there under, the Multistate Cooperative Societies Act, 2002 and the Multistate Cooperative Societies Rules, 2002, and the guidelines issued by the Reserve Bank of India (RBI) and the Central Registrar of Cooperative Societies. This responsibility also includes maintenance of adequate records in accordance with the provisions of the Act for safeguarding of assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements 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 true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

6. Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement whether due to fraud or error and to issue auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but it is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matter

7. During the course of our audit, we have identified 8 accounts involving an amount of Rs. 97,22,599/- as 'Non-Performing Advances (NPA)' which the bank had categorised as 'Standard Advances'. The interest reversal on account of such advances being identified as NPA is Rs. 93,453/- and to that extent the profit is **OVERSTATED**.

8. The additional provision required on account of accounts identified as NPA during the audit is Rs. 9,62,915/-. However, the bank is already having excess provision towards Bad and Doubtful debt, hence this additional provision will not have any financial impact on the profit of the bank.

9. The bank has charged excess depreciation pertaining to revalued asset in the revaluation reserve instead of debiting to the Profit and Loss account. The short charging of depreciation to Profit and Loss account is by Rs. 4,42,436 and to that extent the profit is **OVERSTATED**.

10. The bank has not provided for the bill of month of march for Security AMC and for the bill of 4th quarter of Cash counting Machine AMC involving an amount of Rs. 1,41,000 and Rs. 48,287 and thus the profit of the bank is **OVERSTATED** by Rs. 1,89,287.

11. The bank has wrongly debited an amount of Rs. 9,05,945/- towards premium for Banker's Indemnity Policy, the said expenditure pertains to of FY 2024-2025. And thus, the profit for the year has been **UNDERSTATED** to that extent.

12. The bank has wrongly debited an amount of Rs. 32,25,000/- towards premium for Staff-Group Health Insurance, the said expenditure pertains to first 3 quarters of FY 2024-2025. And thus, the profit for the year has been **UNDERSTATED** to that extent.

13. The bank has wrongly debited an amount of Rs. 3,71,021/- towards charges for AMC related to Server, UPS and anti-virus of IT department, the said expenditure pertains to FY 2024-2025. And thus, the profit for the year has been **UNDERSTATED** to that extent.

14. The bank has wrongly charged excess depreciation on Computer Asset amounting to Rs. 36,604/- and thus resulting in **UNDERSTATEMENT** of profit.

15. The bank has short created 'Deferred tax liability', as per AS-22, by Rs. 6,30,174/-. And thus, the profit for the year has been **OVERSTATED**.

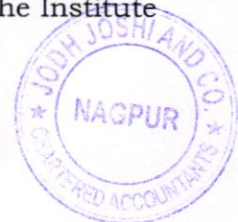
16. The overall impact of the above observation is the profit has been **UNDERSTATED** by **Rs. 31,83,220**.

Report on Other Legal and Regulatory Requirements

17. 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 Multistate Co-operative Societies Act, 2002 and the Multistate Co-operative Societies Rules, 2002.

18. We have observed Non-compliance of Accounting Standards issued by The Institute of Chartered Accountants of India:

- a) Accounting Standard 1 – "Disclosure of Accounting Policies".
- b) Accounting Standard 9 – "Revenue Recognition"



19. As required by Section 73(4) of the Multi State Co-operative Societies Act, 2002 and the Banking Regulation Act, 1949 (As applicable to Co-operative Societies) as amended by the Banking Regulation (Amendment) Act, 2020, 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) As required by Section 30(3) of The Banking Regulation Act, 1949, we further report that the transactions of the Bank which came to our notice have been within the powers of the Bank.
- d) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report, are in agreement with the books of account and the returns;
- e) The profit and loss account shows a true balance of profit for the period covered by such account;
- 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;

20. As required by Rule 27(2) of the Multi-state Co-operative Societies Rules, 2002, we report that:

- a) 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.
- b) In our opinion and according to information and explanations given to us, the guidelines issued by the Reserve Bank, to the extent applicable to the Bank, have generally been adhered to.

21. As required by the Rule 27(3) of the Multi State Co-operative Societies Rules, 2002, we report on the matters specified in clauses (a) to (f) of the said Rule to the extent applicable to the Bank as under:

- a) During the course of our audit, we have generally not come across transactions which appear to be contrary to the provisions of the Multi State Co-operative Societies Act, 2002, the Rules made thereunder or the Bye-Laws of the Bank.
- b) During the course of our audit, we have not come across material and significant transaction which appear to be contrary to the guidelines issued by the Reserve Bank of India, to the extent applicable to the Bank;
- c) Based on our examination of the books of account and other records and as per the information and explanations given to us, the following monies due to the Bank appear to be doubtful of recovery against which a provision of Rs. 18.00 Crores is made in the accounts. (Advances categorized as doubtful and loss assets as per prudential norms laid down by the Reserve Bank of India are considered as doubtful of recovery);

Particulars	Principal Outstanding on 31.03.2024 (Rs. In Crores)
Doubtful Assets	15.66
Loss Assets	1.72
Total	17.38
Provision Made against above advances	18.00

d) As per the information provided to us and to the best of our knowledge, credit facilities are not sanctioned by the bank to the members of the Board (including relatives).

e) During the course of our audit, we have generally not come across any violations of guidelines, conditions etc. issued by the Reserve Bank of India, to the extent applicable to the Bank;

f) To the best of our knowledge, no other matters have been specified by the Central Registrar, which require reporting under this Rule.

The bank has been awarded grade 'A'.

For Jodh Joshi And Co.
Chartered Accountants
FRN: 104317W

S.S. Walimbe
Swanand Walimbe
Partner

Membership No. 194958
UDIN: 24194958BKFKXC7760

Place: Camp - Khamgaon
Date: 30/04/2024

