



**JAYAN AND KRISHNANKUTTY
CHARTERED ACCOUNTANTS
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21st June, 2022

INDEPENDENT AUDITOR'S REPORT

To
The Members,
The Kodungallur Town Co-operative Bank Ltd No.102,
Kodungallur.

Report on the Financial Statements

1. We have audited the accompanying financial statements of **THE KODUNGALLUR TOWN CO-OPERATIVE BANK LIMITED - No.102** which comprise the Balance sheet as at 31st March, 2022 and the Profit and Loss Account and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 the accounting standards issued by the Institute of Chartered Accountants of India. This responsibility includes the design, implementation and maintenance of Internal controls relevant to the preparation and fair 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 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.
4. 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 controls 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. An audit also includes evaluating the appropriateness of the 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 are sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

1. Non-banking asset Rs.8.87 Crores

The Bank has invoked the provisions of SARFAESI Act 2002 and took possession of Immovable properties of five borrowers, who had defaulted in payment of amount borrowed from the Bank. There were no competent bidders for these properties when



the auction was conducted. The value fixed on revaluation was Rs.8.87 crores and the bank took possession of all the properties at the revalued amount as Non- Banking Assets. The loan amount still outstanding from these borrowers are Rs.81.75 Lakhs. The bank has to get these properties registered and effect Mutation at an early date.

2. Impairment of Assets

The bank has not maintained adequate records for Fixed Assets with full particulars of quantity, situation and written down value. No physical verification has been conducted of the assets during the year.

The physical verification of assets conducted in an earlier year has revealed damages to the extent of Rs.11.30 lakhs in furniture and name board accounts and Rs.12.97 lakhs in Computer and Electronics account which has been taken at cost. The loss if any, has not been ascertained and written off in the accounts.

We are unable to form an opinion as to whether the assets are shown at the recoverable amount in the balance sheet and has got any impairment at the end of the year.

It is informed by the management that the physical verification of fixed assets is being carried on by the co-operative auditors.

3. Intangible Assets

The detailed recognition as prescribed in the "Accounting Standard 26- Intangible Assets" as regards computer software which has been customized for the bank's use and is expected to be used in for some time, has not been followed. At present it is treated as a tangible asset under "Fixed Assets" in the Balance Sheet.



4. **Records under Priority Sector**

As envisaged in para 5 and 7.2 of Master Circular on "Priority Sector Lending-UCBs", the bank has not completed the development of electronic records in respect of advances granted under priority sector and for weaker sections.

5. **Share Capital**

Subscribed capital includes Rs.149440652/- in respect of 1494406 A class shares of Rs.100.00 each. The fraction amount received of Rs.429752/- is also included in the total amount of Rs.149440652/- of A class capital

Subscribed capital of B class shares includes Rs.7584 shares issued at Rs.5/- and 6118 shares issued at Rs.10.00 totaling to 13702 numbers and amounted to Rs.99105/-

The bank has to correct and regularize the differences in share capital account.

6. **Income Tax Demands**

The Income Tax Department has raised demands aggregating to Rs.2.35 crores for 2010-11 to 2014-15 and 2016-17 assessment years which is pending in appeal. The Bank has remitted the entire demand of tax. Based on CBDT circular and judicial decisions the Bank expect full relief when the appeals are disposed off by higher authorities and as such no provision has been made against these demands in the accounts.

Qualified Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the basis for Qualified Opinion Paragraph, the financial statements together with Notes thereon give the information required by the Banking Regulation Act 1949 and guidelines issued by Reserve Bank of India 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 the State of the affairs of the bank as at 31st March, 2022



- b) In the case of Profit and Loss Account of the **Profit** for the year ended on that date and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

Report on other Legal and Regulatory Requirements

8. We report that:

- i) 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;
- ii) In our opinion, proper books of accounts as required by law have been kept by the Bank so far as appears from our examination of those books;
- iii) The Balance sheet, Profit and Loss Account and Cash Flow Statement together Notes Forming Part of the Accounts dealt with by this report are in agreement with books of Accounts.

FOR JAYAN AND KRISHNANKUTTY
CHARTERED ACCOUNTANTS
FIRM REGN NO.01295S




M. JAYAN
(Partner)

Membership No.19488
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