

GOVERNMENT OF INDIA
MINISTRY OF COOPERATION

RAJYA SABHA
UNSTARRED QUESTION NO. 322
ANSWERED ON 06/12/2023

Transparency in the functioning of Co-operative societies

322 SHRI BIPLAB KUMAR DEB:

Will the Minister of COOPERATION be pleased to state:

- (a) whether any provision has been made in the Multi-State Co-operative Societies Amendment (Act) 2023 to bring transparency in the functioning of cooperative societies and prevent financial irregularities therein;
- (b) if so, the details of the provisions made; and
- (c) the manner in which financial irregularities can be prevented by the above provisions?

ANSWER

THE MINISTER OF COOPERATION
(SHRI AMIT SHAH)

(a) to (c): The Multi-State Cooperative Societies (MSCS) (Amendment) Act & Rules, 2023 have been notified on 03.08.2023 and 04.08.2023, respectively to strengthen governance, enhance transparency, increase accountability and reform electoral process, etc. in the Multi State Cooperative Societies by supplementing existing legislation and incorporating the provisions of Ninety-seventh Constitutional Amendment.

Many provisions have been introduced via the above amendment to bring transparency in the functioning of cooperative societies and prevent financial irregularities therein, inter-alia: -

- i. To ensure timely, regular and transparent conduct of elections in the multi-State cooperative societies, provision of Cooperative Election Authority has been included.
- ii. Appointment of Co-operative Ombudsman by Central Government to provide a mechanism to address grievances of members.
- iii. To improve transparency, appointment of Information Officer by multi-State cooperative societies to provide information to members.
- iv. Concurrent Audit has been introduced for Multi-State Cooperative Societies with turnover/deposits of more than 500 crore rupees from a panel of auditors approved by Central Registrar. Concurrent audit will ensure early detection of fraud or irregularities, if any, and accordingly prompt course corrections can be made. Following two panels of auditors for Multi-State Cooperative Societies have been notified for financial year 2023-24:

- 1) Panel of auditors for multi-State cooperative societies having an annual turnover/ deposit (as the case may be) of up to five hundred crore rupees for carrying out Statutory Audit.
 - 2) Panel of auditors for multi-State cooperative societies having an annual turnover/ deposit (as the case may be) of more than five hundred crore rupees for carrying out Statutory and Concurrent Audit.
- v. Audit reports of Apex multi-State co-operative societies to be laid in Parliament to improve transparency.
 - vi. Accounting and auditing standards for multi-State cooperative societies to be determined by Central Government to ensure uniformity in accounting and auditing.
 - vii. To improve governance and transparency, annual report of multi-State cooperative societies to include Board decisions which are not unanimous.
 - viii. Central Government to determine prudential norms (liquidity, exposure, etc.) for multi-State co-operative societies in the business of thrift and credit.
 - ix. To curb nepotism and favouritism in multi-State co-operative societies, the Director of a multi-State cooperative society shall not be present in the discussion and vote on matters where he or his relatives are an interested party.
 - x. Additional grounds for disqualification for directors have been made to improve governance, for better recovery of dues and to ensure that such acts of omission or commission or fraud are not repeated elsewhere.
 - xi. Provisions for Investment of funds by the multi-State cooperative societies have been redefined to ensure safer investments and remove references to colonial era securities.
 - xii. To have more financial discipline and transparency, the board of multi-State co-operative societies to constitute Committee for Audit and Ethics amongst other committees.
 - xiii. For strengthening governance, criteria for appointment of Chief Executive Officer (CEO) stipulated.
 - xiv. To enhance democratic decision making in the multi-State cooperative societies, quorum has been prescribed for board meetings.
 - xv. Central Registrar to conduct inquiry if he gets information that business is being conducted in a fraudulent manner or for unlawful purposes.
 - xvi. If registration obtained by misrepresentation, fraud, etc., provision for winding up of a multi-State cooperative society after giving opportunity of being heard.
 - xvii. To discourage members from acting against collective interests of the multi-State co-operative societies, the minimum period of expulsion of an expelled member of a multi-State co-operative society has been increased from 1 year to 3 years.
 - xviii. To prevent a few members only benefitting from resources of the society, Institutions with majority equity shares held by the members of multi-State co-operative societies or their relatives, would not be considered as subsidiary institution.
