

GOVERNMENT OF INDIA  
MINISTRY OF COOPERATION

**RAJYA SABHA**  
**UNSTARRED QUESTION NO 2892**  
TO BE ANSWERED ON 18.03.2026

**Fraudulent activities in the Multi-State Cooperative Societies (MSCS)**

2892: Shri Aditya Prasad

Will the Minister of Cooperation be pleased to state:

- (a) the provisions made to curb fraudulent activities in Multi State Cooperative Societies after amendment of the Multi-State Cooperative Societies (MSCS) Act;
- (b) whether provisions are made for early detection of financial irregularities in credit societies;
- (c) whether any specific auditor criteria is in place for audit of cooperative societies in order to ensure mandatory compliance by such societies; and
- (d) the audit criteria being followed for audit of MSCS societies?

**ANSWER**

THE MINISTER OF COOPERATION  
SHRI AMIT SHAH

(a) The Multi-State Cooperative Societies (MSCS) (Amendment) Act & Rules, 2023 have been notified on 03.08.2023 and 04.08.2023, respectively, inter alia, to strengthen governance, enhance transparency, increase accountability and reform electoral process in the Multi State Cooperative Societies (including Banks) by supplementing existing legislation and incorporating the provisions of Ninety-seventh Constitutional Amendment. Some of the provisions introduced to curb fraudulent activities in the functioning of Multi-State Cooperative Societies and prevent financial irregularities are following:

- i. To ensure timely, regular and transparent conduct of elections in the multi-State cooperative societies, provision of Cooperative Election Authority has been made.
- 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. Audit reports of Apex multi-State co-operative societies to be laid in Parliament to improve transparency.
- v. Accounting and auditing standards for multi-State cooperative societies to be determined by the Central Government to ensure uniformity in accounting and auditing.
- vi. To improve governance and transparency, annual report of multi-State cooperative societies to include Board decisions which are not unanimous.

- vii. Central Government to determine prudential norms (liquidity, exposure, etc.) for multi-State co-operative societies in the business of thrift and credit.
- viii. 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.
- ix. Additional grounds for disqualification for directors have been made to improve governance.
- x. 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.
- xi. To have more financial discipline and transparency, the board of multi-State co-operative societies to constitute Committee for Audit and Ethics along with other committees.
- xii. For strengthening governance, criteria for appointment of Chief Executive Officer (CEO) stipulated.
- xiii. To enhance democratic decision making in the multi-State cooperative societies, quorum has been prescribed for board meetings.
- xiv. Central Registrar to conduct inquiry if he gets information that business is being conducted in a fraudulent manner or for unlawful purposes.
- xv. If registration is obtained by misrepresentation, fraud, etc., provision for winding up of a multi-State cooperative society after giving opportunity of being heard.
- xvi. 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.
- xvii. To prevent only a few members 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.

(b) The following provisions have been specifically introduced for early detection of financial irregularities in credit societies:

- i. A provision for 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 the Central Registrar. Concurrent audit will ensure early detection of fraud or irregularities, if any, so that prompt course corrections can be made.
- ii. Following two panels of auditors for Multi-State Cooperative Societies have been notified:
  - 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.

(c) & (d) As per the provisions of Section 70 of the Multi-State Cooperative Societies Act, 2002, every multi-State co-operative society is required to appoint an auditor or auditors at each Annual General Meeting. Such auditors or auditing firms are to be selected from a panel approved by the Central Registrar. The auditor so appointed is required to submit the

audit report to the multi-State co-operative society within six months from the closure of the financial year to which the accounts relate.

Further, as per Section 72 of the Multi-State Cooperative Societies Act, 2002, no person shall be qualified for appointment as an auditor of a multi-State co-operative society unless he is a Chartered Accountant within the meaning of the Chartered Accountants Act, 1949.

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