



DIPTI SHARMA & CO.
CHARTERED ACCOUNTANT

Date: 27/05/2025

To,

The Assistant Registrar,
Co-operative Societies,
UT Administration of Dadra & Nagar Haveli
And Daman & Diu
Co-operative Department,
Collectorate, Moti Daman

Dear Sir,

Re: Statutory Audit of The Daman & Diu State Co-op Bank Ltd. For the
Financial Year Ending as on 31st March 2025.

We refer to your letter Ref no. DDSCBL/Audit/10/S.A Appoint/2024-25/8/1278 dated 8th January, 2025 for appointing us as Statutory Auditor of the Daman & Diu State Co-op Bank Ltd. We are submitting herewith our Report & Annexure's for the F.Y 2024-25.

Please find the report as order.

Thanking You,



Encl.: Statutory Audit Report & Annexures.

CC to The Administrator, The Daman & Diu State Co-op Bank, Ltd., HO, Nani Daman.

Office: 275 - 277, Amidhara Complex, Near CNG Pump, GIDC Char Rasta, N.H. 48, Vapi - 396 195. (Gujarat).

Head Office: C3/304, Pramukh Greens, Chala Daman Road, Chala, Vapi - 396 191.

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Independent Auditor's Report

To,
The ARCS & The Members,
The Daman & Diu State Co-operative Bank Ltd., Nani Daman

Report on the Financial Statements

We have audited the financial statements of The Daman & Diu State Cooperative Bank Limited ('the Bank') as on 31st March 2025, which comprise the Balance Sheet as on 31st March 2025 and the Profit and Loss Account for the year ended 31st March 2025, and a summary of significant accounting policies and other explanatory information which we found during our audit.

Management's Responsibility for the Financial Statements

The Bank's 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 provisions of the Banking Regulations Act, 1949, the guidelines issued by the Reserve Bank of India and the guidelines issued by the National Bank for Agricultural and Rural Development, the Maharashtra Cooperative Societies Act 1960 and accounting principles generally accepted in India so far as applicable to Banks. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that 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. The U.T. Administration of Dadra Nagar Haveli and Daman & Diu, Office of the Registrar of Cooperative societies will be also be reviewing and overseeing the Bank's financial reporting process.



Office: 275 - 277, Amidhara Complex, Near CNG Pump, MIDC Char Rasta, N.H. 48, Vapi - 396 195. (Gujarat).

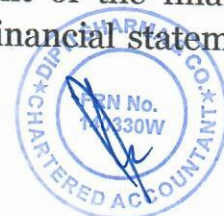
Head Office: C3/304, Pramukh Greens, Chala Daman Road, Chala, Vapi - 396 191.

Auditor's Responsibility

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Standards of Auditing (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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As a part of an audit in accordance with SAS, we exercise professional judgments and maintain professional scepticism throughout the audit. We also

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstance.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedure responsive to those risk and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, or the override of internal control.
- 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 exist 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 the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure in the financial statement, 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 audit report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the appropriateness if of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.

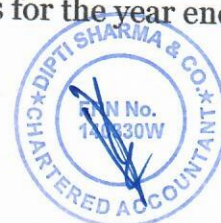
- We communicate with those charged with governance regarding, other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control that we identified during our audit. We also provide those charged with the governance, with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may be reasonably be thought to bear on our independence and wherever applicable, related safeguards. From the matters communicated with those charged with governance.
- We determine those matters that were of most significance in the audit of financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when in an extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements, give the information required by the Banking Regulation Act, 1949 (AACS) and the Maharashtra State Co-operative Societies Act, 1960 and the guidelines issued by the National Bank for Agricultural and Rural Development (as applicable) and guidelines issued by Reserve Bank of India and the 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:

- a) In the case of the Balance Sheet of state of affairs of the Bank as on 31st March 2025;
- b) In the case of the Profit and Loss Account, of the profit/loss for the year ended 31st March 2025.



Basis of Opinion

We conducted our audit in accordance with the Standards of Auditing (SAS) as issued by the Institute of Chartered Accountants of India (ICAI). Our responsibility under those standards are already 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 Institute of Chartered Accountants of India together with the ethical requirements that are relevant to audit of the financial statements prepared in accordance with the Accounting Principles Generally Accepted in India, including the accounting standards issued by the ICAI and 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 thereunder and under the provisions of the Maharashtra State Co-operative Societies Act made thereunder and circulars and guidelines issued by the Reserve Bank of India and NABARD from time to time and we have fulfilled our ethical responsibilities in accordance with the requirements and the Code of Ethics issued by the ICAI. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

- a) Subsequent to the previous year, the bank has perfectly adopted the system of generating NPAs from the system from 07th January 2025.
- b) Therefore, the bank has put in place proper system of categorization of Advance account as per IRAC norms issued by RBI from time to time and the same has been classified through CBS system now. At the time of verification of the loan accounts on random sampling basis, it was observed that the bank has correctly classified the loan accounts as NPA and no divergence was observed in the long form audit report.

Other Matters

- a) During the year, Cash credit accounts were renewed by the bank after analysing the previous year operations of the account, turnover in account, financial statements, monthly GST returns, latest net worth statement of the borrower and guarantor. However, despite the Head Office instructions issued through the sanctioning letters, there have been some violations in a few accounts at branches level. Most of the accounts that were renewed during the year only after ensuring sufficient Drawing Power and after obtaining the audited financial statements or stock statement. In a few cases, branches were



not working out Drawing Powers despite the condition therefor in the Head Office sanction letters.

- b) The Stock statements submitted by the borrowers do not contain age wise bifurcation of debtors, group debtors, schedules of debtors and creditors, details of stock. Also, the invariably bank obtains stock statement/ stock declaration only at the time of renewal.
- c) The bank has a clear policy /or system of verifying whether loan applicant has availed multiple credit facility from other banks at the time of sanctioning of fresh loans.
- d) In some cases, it has been observed that in sundry debtors and sundry creditors few entries are pending for adjustment.

Report on Other Legal & Regulatory Requirements

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 the Maharashtra State Co-operative Societies Act, 1960.

As required by Section 73(4) of the Maharashtra State Co-operative Societies Act, 1960, 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) The transactions of the Bank which came to our notice have been within the powers of the bank.
- d) The Balance Sheet and the Profit and Loss Account dealt with by this report, are in agreement with the books of account.
- e) In our opinion, except for the effects of the matter described in point (a) of the basis for qualified opinion paragraph and point (a) to (g) of others matters paragraph, the balance sheet and profit and loss account dealt with mandatory accounting standards.



- f) The U.T. Administration of Dadra Nagar Haveli and Daman & Diu, Office of the Registrar of Co-operative societies vide their order no. 12/14/2020-21/ARCSDMN/IO dated 03.06.2020 appointed Shri Karanjit P. Vadodaria, Joint Secretary (Finance) to manage the affairs of the Bank. The Board of the bank has been dissolved and charges has been given to the Administration from June 3rd, 2020. As per Order No.12/14/2020/ARCS-DMN/84 dated 30th September 2024 issued by the Registrar of Co-operative Societies, Union Territory of the Dadra & Nagar Haveli and Daman & Diu, Smt. Aarti Agarwal took charge as the Administrator of the Daman & Diu State Co-operative Bank Ltd. on 26th September 2024 from Shri Mohit Mishra, the then Administrator of the Bank.
- g) The bank has maintained proper records showing particulars including quantitative details and situation of fixed assets.
- h) Fixed assets have physically verified by the management of the bank with regard to system generated Dead Stock statements. Hence, no discrepancies were noticed.
- i) CERSAI registration for the asset Mortgaged under the bank has been done by the bank. Also, the bank has obtained membership in 3 Credit Information Companies (CICs) to get the Credit Score reports from CIBIL of the borrower and the guarantor during the time of giving advances were being checked.
- j) The Bank has transferred the profit to statutory reserves as per stipulated Bye laws of Bank.
- k) NPA Provision has been routed through P&L account as per the RBI guidelines.
- l) Further, it has been observed that no Reconciliation of Clearing Accounts & RTGS of the bank was pending.
- m) The Bank had reconciled its branch adjustment account as on 31.03.2025.

**FOR, M/s. DIPTI SHARMA & CO.
(CHARTERED ACCOUNTANTS)**

(PARTNER)

M. No.: 164063

FRN: 140330W

