



KARNATAKASTATE CHARTEREDACCOUNTANTSASSOCIATION(R)



CA.ShivaprakashViraktamath
President

CA.SiddarthaSJavali
Secretary

To,
The Director,
Department of Co-Operative Audit,
#17, Jaya Nivasa,
Shankar Mutt Road,
Basavanagudi,
Bengaluru – 560004

Date:09 June 2026
Ref No: 012/2025-26



Sir,
Sub: Representation Regarding Eligibility of Reconstituted/Newly Constituted Chartered Accountant Firms for Empanelment Under Section 63(20)(ii) of The Karnataka Co-Operative Societies Act, 1959

The Karnataka State Chartered Accountants Association (R) (KSCAA), established in 1957 and registered under the Karnataka Societies Registration Act, 1960, is a premier professional body representing Chartered Accountants across the State of Karnataka. The Association regularly interacts with Government Departments and Regulatory Authorities on matters concerning professional practice and public interest. In this regard, we respectfully submit this representation seeking consideration and clarification regarding the eligibility of reconstituted/newlyconstituted Chartered Accountant firms for empanelment/re-empanelment in the panel maintained by the Department of Co-Operative Audit under Section 63(3) r.w.s. 63(20)(ii) of the Karnataka Co-Operative Societies Act, 1959.

Background

It has come to our notice that certain applications submitted by reconstituted/newly constituted Chartered Accountant firms have not been considered for empanelment/re-empanelment on the ground that the present constitution of the firm does not independently possess the experience prescribed under Section 63(20)(ii) of the Karnataka Co-Operative Societies Act, 1959.



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For ready reference, Section 63(20)(ii) defines an "Auditing Firm" as follows:

"Auditing firm" means a firm of more than one Chartered Accountant within the meaning of the Chartered Accountants Act, 1949 [or a firm of more than one Cost Accountant within the meaning of the Cost and Works Accountants Act, 1959] who or which shall have a fair knowledge of the functioning of the co-operative societies and shall have an experience of at least three years in auditing of which the auditing firm would like to be included in the panel and Chartered Accountants shall have working knowledge of the Kannada language.

Objective of the Provision

With utmost respect, we submit that the primary objective of Section 63(20)(ii) is to ensure that audits of co-operative societies are conducted by competent and experienced professionals possessing adequate knowledge of the functioning of co-operative institutions.

The requirement relating to audit experience is intended to ensure the quality, reliability and effectiveness of the audit process and to safeguard the interests of co-operative societies and their members. In our respectful submission, the emphasis of the provision appears to be on ensuring the availability of requisite professional expertise for conducting audits rather than merely prescribing a minimum period for which a particular firm constitution should have existed.

Experience should be viewed in the context of the Professionals conducting the Audit:

The actual audit work is carried out by Chartered Accountants practicing through the firm and the audit report is ultimately signed and certified by such Chartered Accountants. Since an auditing firm functions through its partners or proprietor, the professional experience available within the firm through such persons becomes a relevant consideration in assessing the firm's capability to undertake co-operative audits.

Accordingly, the requirement that the auditing firm shall have "an experience of at least three years in auditing" ought to be assessed with reference to the professional experience available within the firm through its partners or proprietor who are responsible for conducting, supervising and certifying audit assignments.

This principle assumes particular significance in the case of reconstituted/newly constituted firms, where the present constitution of the firm may be recent even though the partners constituting the firm possess substantial professional experience in audit practice. A contrary interpretation would place greater emphasis on the age or continuity of the firm's constitution than on the experience of the professionals who actually undertake and certify the audit.

Practical difficulties arising from a firm-age based approach with illustrative consequences:

If the age or continuity of the firm alone is treated as the determining factor for assessing eligibility, certain unintended and anomalous situations may arise.

For instance, a proprietary concern may have existed for several decades. Upon the retirement, cessation of practice or demise of the proprietor, the same firm name may continue with another Chartered Accountant who may not possess the level of audit experience contemplated under Section 63(20)(ii). In such circumstances, the mere longevity of the firm name cannot, by itself, establish the existence of the requisite professional experience.

Similarly, a partnership firm may have been in existence for many years and may continue to operate under the same name. However, over a period of time, all the experienced partners may retire and be replaced by newly qualified Chartered Accountants. Although the firm may possess a long history, the persons actually conducting and certifying audits may not possess the experience envisaged under the provision.

Conversely, experienced Chartered Accountants possessing substantial audit experience may come together and constitute or reconstitute a partnership firm. While the present constitution of such a firm may be recent, the partners may collectively possess extensive experience in conducting statutory audits, including audits of co-operative societies. In such cases, denial of empanelment solely on account of the recent constitution of the firm may result in exclusion of competent and experienced professionals despite the underlying objective of the provision being fully satisfied.

These illustrations demonstrate that the more relevant criterion is the availability of suitably experienced Chartered Accountants within the firm who are responsible for undertaking and certifying audit assignments, rather than the mere age of the firm or the duration of its present constitution. Accordingly, the experience available through the professionals constituting the firm may merit greater consideration while assessing eligibility for empanelment.

Existing Practice of the Department

We respectfully submit that, during the empanelment process, where a firm has partners with less than three years' experience, the Department requires undertakings ensuring that such partners do not sign audit reports and that only eligible and experienced Chartered Accountants undertake the certification work.

This practice itself recognizes that the relevant consideration is the experience and eligibility of the Chartered Accountant signing and conducting the audit rather than the age of the firm as an entity. Therefore, non-consideration of reconstituted/newly constituted solely on the basis of the date of constitution appears inconsistent with the rationale that is otherwise being followed during the empanelment process.

Our Humble Request

It is respectfully submitted that the expression "auditing firm" appearing in Section 63(20)(ii) ought to be interpreted in a purposive manner consistent with the object of the provision. Since a firm functions through its partners and audit reports are ultimately conducted and certified by individual Chartered Accountants practicing through the firm, the professional experience available through such partners merits due consideration while assessing the eligibility of the auditing firm under the said provision.

In view of the above, we humbly request your good office to consider the professional experience possessed by the Chartered Accountants constituting the firm while evaluating eligibility for empanelment and re-empanelment under Section 63(20)(ii) of the Karnataka Co-Operative Societies Act, 1959. We further request that reconstitution of a firm or constitution of a new firm may not, by itself, be treated as a disqualifying factor where the firm possesses the requisite professional expertise through its partners and otherwise satisfies the statutory requirements. Appropriate consideration may kindly be accorded to the cumulative experience available within the firm through the Chartered Accountants constituting such firm.

Conclusion

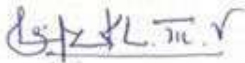
As the process of appointment of auditors for the financial year 2026-27 is expected to commence shortly and Annual General Meetings of co-operative institutions are required to be completed within the prescribed timelines (on or before 25th September 2026), an early decision in the matter would greatly benefit both the auditing profession and the co-operative sector and would help avoid uncertainty in the empanelment and appointment process.

We therefore respectfully request your good office to consider this representation favourably and issue suitable directions or clarifications at the earliest.


Thanking you.

Yours sincerely,

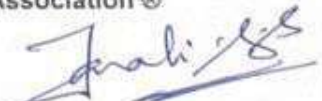
For Karnataka State Chartered Accountants Association ®



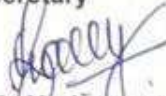
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