



KAAS - Emerging as a the perfect auditors at grass root level

Nithya

Kudumbashree Accounts & Audit Service Society

Kudumbashree- State Poverty Eradication Mission, Govt of Kerala was launched in 1998. It has now 2,58,336 NHGs (Neighbourhood groups synonymous with SHGs), 19311 Area Development Societies (federation of NHGs) and 1073 Community Development Societies (federation of ADS). Kudumbashree promotes thrift and credit activities, linkage banking, micro enterprises schemes etc. The total thrift collected by NHGs in the state comes to Rs. 3679 Crore and the internal loans generated are to the tune of Rs. 14,813 Crore. The total amount which has been mobilized under linkage banking is Rs. 6,45,365 Lakhs and 1,78,898 NHGs have availed of the loans. There are 31,260 micro enterprise groups and 30,000 JLGs are also functioning in Kudumbashree networks.

It is very essential for Kudumbashree system to make all the financial transactions efficient and transparent. KAASS is the accredited agency of Kudumbashree auditing. Each and every district has a KAASS team. The strength of KAASS team varies in each district depending upon the number of NHGs, and CDSs. Total strength of KAASS members in state is 327. The KAASS unit members are selected through a detailed interview process, most of them are graduates or post graduates in commerce and all belongs to poor families. They were selected by District Mission based on their interest and capacity for doing auditing effectively. KAASS audited the accounts of NHGs, ADSs, CDSs and Micro Enterprises. They are not only

doing audit but also facilitating management of accounts in each tier of system. They point out the defects of the account keeping and make the NHGs aware of the issues. The KAASS groups also train them on account keeping. Kudumbashree had already given training to KAASS about the auditing practices, the various schemes of Kudumbashree, cash flow/ fund flow of NHG, ADS and CDS and method of doing Kudumbashree auditing.

FORMATION OF KASS UNIT

Initially KAASS unit formed In Kozhikode district in 2004, auditing of NHG, ADS, CDS & ME is a huge task. Thus Kudumbashree District Mission team took it as a challenge and opportunity to provide job opening to 50 young unemployed persons.

District mission decided to form 5 groups for accounting and auditing services and named them as Kudumbashree Accounts and Audit Services Society (KAASS) each unit consisting of 10 members. The units members are selected through a detailed interview process, most of them are graduates or post graduates in commerce and all belongs to poor families They are specially trained in accounting for making them compete ant to do audit service. They are provided adequate practical exposure in audit and accounts services by the Kudumbashree District mission.

ORGANISATIONAL SET UP

Each unit consists of 10 members. They elect a president and secretary in their annual general body meeting which should be conducted before April first of every financial year. A savings bank joint account is

started in the name of president and secretary and all financial transactions for the unit are done through this account. All the members of the unit has equal responsibility. Five units work together on cluster basis to share the common infrastructure facilities. The units are affiliated to Kudumbashree district mission.

The main objectives of KASS groups are the following

- To provide a permanent system for auditing CDS, its branch societies and micro enterprises.
- Scientifically analyze the process and aspects of financial management of Kudumbashree institutions and apply the understandings towards a better financial management.
- To improve the standards of efficiency, transparency of NHG/ ADS/ CDS system.
- To evaluate the performance and micro enterprises for assessing the business.
- To ensure that the resources of the organization are being optimally used for delivering maximum possible value.

In the year 2007 the above practice was implemented to all other districts and in 2011 the Governing Body of Kudumbashree declared KAASS as the accredited agency of Kudumbashree auditing.

KAASS Groups are under the supervision of ADMC (Assistant District mission Coordinator) who is in charge of the micro finance activities in each District. ADMC in charge of microfinance should conduct KAASS monthly conference and make audit programme for the next month. NHGs and ADSs should pay the advance auditing fee to the CDS before the month

of October in each year. CDSs are responsible to submit the detailed list of advance fee paid NHG and ADS to the District mission. In accordance with that particular list ADMC and KAASS members prepared the audit programme. NHG Affiliation is possible only through the completion of Auditing. KAASS should submit the copy of CDS Audit report to the district mission. If any financial malpractices are happened to the CDS level, district mission team should take initiative to rectify the problem. And they should submit the copy of Audit report of NHG & ADS to respective CDS, and if any financial malpractices are happened at NHG or ADS level, CDS should take initiative to rectify the problem within the timeframe.

Process of Auditing

Kudumbashree has given the unified auditing format and Auditing guideline to KAASS for auditing the entire structure of the organization. And we maintained a structuralized book keeping in the network. The KAASS members verify the books and registers of the network on annual basis and audit the same. The 3 tier system of Kudumbashree and the process of auditing are given below

NHG- Neighbourhood groups

Group of 10-20 women from nearby houses. NHG is the root level component of Kudumbashree system

- Main Activities related with Micro finance:- Weekly meetings, thrift collection, internal lending, linkage loan from banks
 - Registers/documents keeping:- Minutes book, Internal lending register, linkage loan register, stock register, membership/ affiliation register, pass book, cheque book, Affiliation documents, audit reports etc.
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- Fund flow;- Thrift mobilization in the form of internal loan, linkage loan from banks, matching grant from Kudumbashree mission. Entrance fees, membership fees, monthly subscription fees, interest received from the members, penalty interests, contributions, profits from operations, Revolving Fund, Community Investment Fund and other grants received from Kudumbashree and other agencies, loans, fiscal aids shall be treated as fund for operations and such funds shall be incorporated in the NHG accounts.

- Account keeping:- Group Secretary is in charge of account keeping and also she is the custodian of the registers and documents. Pass book-joint account of Secretary and President of the group.

- Auditing Process:- One KAASS member, who is responsible for the particular panchayth is verified the records and registers and audited the same. If there any allegations found out KAASS member inform this to the particular group and CDS also. They give audit reports to the NHG and also to the CDS. KAASS got audit fee of NHG through CDS.

ADS- Area Development Society

It is the ward level federation of Kudumbashree system. They are working as a communication channel between CDS and NHGs.

- Registers/documents keeping:- Cash book, ledger, Cheque issue register, Cheque distribution register, stock register, asset register
 - Fund flow- CDS has to transfer 25% of the annual subscription fees collected from NHGs to the ADS. Interest of CIF received from NHGs, Profit from income generated through ADS activities and such other funds
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including donations (subject to CDS approval) can be regarded as fund for operation for the ADS

- Account keeping:- ADS shall have a joint account in the official names of the Chairperson and Secretary. ADS Secretary is in charge of account keeping.

Auditing Process:- One KAASS member, who is responsible for the particular Panchayat verifies the records and registers of ADS and audited the same and give report to the ADS and respective CDS.

CDS- Community Development Society

CDS is the Panchayat level federation of Kudumbashree system. CDS Executive committee is headed by CDS Chairperson. One Government Official is posted as Member Secretary.

- Main Activities related with Micro finance:- Monthly meetings, Registration and Affiliation renewal of NHGs, Bulk loans, Community Investment Fund disbursement, give support to take all type of loans from banks to NHGs/ MEs/ JLG groups etc.

- Registers/documents keeping :- Minutes book, Cash book, ledger, Voucher book, receipt book, stock register, Cheque issue register, cheque receipt register, stamp register, despatch register, inward register, distribution register, advance register, CIF Registers etc.

- Fund flow:- Main funds dealt with by CDS are SCA fund (Special Central Assistance Fund), Administration grant from Kudumbashree Mission for meeting the day today affairs of CDS, Revolving fund from panchayath, Accountant's salary, Incentives to the JLG units, Interest

Subsidy to JLG & NHG, Community Investment Fund, Matching grant to the NHGs, Asraya fund etc.

- Account keeping:- One Bcom graduate was appointed in every CDS as Accountant. She/he is in charge of proper account keeping in CDS. CDS chairperson and also CDS members helped her/him for doing the same. CDS shall have a joint account in the official names of the CDS Chairperson and Member secretary.

- Auditing Process:- In most of the cases 2 KAASS members jointly audit the CDS accounts. Generally they take 3-5 days for the same. KAASS members visit the CDS office for auditing. If there any mismanagement of money happened, KAASS member may inform the CDS and also to District Mission orally and also through consolidated audit reports. KAASS audit report of CDS is verified and authorized by a Chartered Accountant.

Kudumbashree has 31,260 number of Micro enterprises (MEs) in its fold. From the request of this MEs/CDS/District Mission, KAASS audited ME accounts also.

Auditing Status

It is observed only 90% NHGs and 60% of ADS and 100% of CDS are audited every year. Even though it is mandated that Auditing should be completed before September but it gets extended up to closure of each financial year.

If the proportion of KAASS Members with No. of NHGs it is seen that

Total No. of KASS Members	327
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Maximum number of working Days	25*6=150
Average No. of NHGs audited in a day	5
Average No. NHGs that can be audited by a KAASS Member in 6 months	750

At present the average individual earnings per KAASS Member in each is as follows.

	DISTRICT	No. of KAASS Members	CDS	No. of ADS	No. of NHGs	Average Income Of KAASS Members
1	TRIVANDRUM	34	83	1546	29625	10754
2	KOLLAM	33	75	1431	24445	9227
3	PATHANAMTHITTA	16	58	908	9798	8221
4	ALAPUZHA	19	80	1358	20291	13603
5	KOTTAYAM	20	78	1321	15103	9966
6	IDUKKI	14	54	840	12321	11315
7	ERNAKULAM	24	101	1791	23052	12417
8	THRISSUR	27	100	1745	23859	11352
9	PALAKAD	23	96	1656	22320	12501
10	MALAPPURAM	25	110	2030	24837	12886
11	KOZHIKODE	41	82	1502	27639	8359
12	WAYANAD	11	26	487	9488	10627
13	KANNUR	27	88	1557	19261	9273
14	KASARGOD	14	42	776	10450	9563

This is calculated based on the earnings from the audit fees only. Other than this KAASS Member will get Rs. 100 for updating books of the NHG who can't maintain their books properly. And these KAASS members act as trainers for book keeping training in the three tire system and Resource Person for various Kudumbashree programs.



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