



Ministry of Cooperation mandates new Audit Reporting Framework for Multi-State Cooperative Societies to strengthen transparency, accountability and good governance

Guided by Prime Minister Shri Narendra Modi's vision of 'Sahkar se Samridhhi' and under the leadership of Union Home Minister and Minister of Cooperation Shri Amit Shah, Ministry of Cooperation takes another significant step towards strengthening transparency, financial discipline, accountability and good governance in Multi-State Cooperative Societies

Multi-State Co-operative Societies (Auditor's Report) Order, 2026 (MSCARO, 2026) to introduce a uniform, structured and risk-based statutory audit reporting framework

New framework to facilitate early detection of financial stress, safeguard members' funds and strengthen compliance with statutory and governance requirements

Standardised audit reporting to enable technology-driven regulatory supervision, automated scrutiny and risk-based monitoring through the CRCS Portal

Phased implementation mandated to provide Multi-State Cooperative Societies adequate time to strengthen their systems and processes

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Guided by Prime Minister Shri Narendra Modi's vision of 'Sahkar se Samridhhi' and under the leadership of Union Home Minister and Minister of Cooperation Shri Amit Shah, the Ministry of Cooperation continue to promote a transparent, accountable, financially sound and professionally governed cooperative sector. In furtherance of the same, Ministry of Cooperation has mandated the Multi-State Co-operative Societies (Auditor's Report) Order,

2026 (MSCARO, 2026), aimed at strengthening transparency, accountability, financial discipline and good governance in Multi-State Cooperative Societies (MSCS). The mandated framework marks another significant step towards building a more transparent, professionally managed and accountable cooperative ecosystem while safeguarding the interests of cooperative members.

The Multi-State Co-operative Societies (Amendment) Act, 2023 empowered the Central Government, under Section 73(6), to prescribe auditing and accounting standards for Multi-State Cooperative Societies. In pursuance of this provision, the Ministry of Cooperation has formulated MSCARO, 2026, based on inputs received from the Reserve Bank of India (RBI), Institute of Chartered Accountants of India (ICAI), Comptroller and Auditor General of India (CAG) and Multi-State Cooperative Societies.

Modelled on the Companies (Auditor's Report) Order (CARO) applicable to the corporate sector, MSCARO seeks to establish a uniform, structured and risk-based framework for statutory audit reporting in Multi-State Cooperative Societies. Under the mandated framework, auditors will be required to report on important financial, administrative, governance and statutory compliance parameters through a standardized format providing for clear Yes/No responses along with relevant remarks. This will enhance consistency in audit reporting, facilitate identification of irregularities and strengthen regulatory oversight.

A major feature of the mandated framework is the introduction of risk-based regulatory supervision, enabling the Central Registrar of Cooperative Societies (CRCS) to identify societies exhibiting higher financial or governance risks based on audit observations. This will facilitate more focused inspections, inquiries and regulatory interventions, thereby improve the effectiveness of supervision and ensure timely corrective measures.

The mandated framework will also facilitate early identification of financial stress through systematic reporting of Non-Performing Assets (NPAs), overdue loans, liquidity positions, deposits, advances, repayment defaults and borrowings. Such disclosures will help identify emerging financial vulnerabilities and enable timely remedial action before they develop into more serious financial or operational concerns.

Another important objective of MSCARO, 2026 is to strengthen the protection of members' funds and financial interests. The mandated audit requirements will enable independent verification of investments, utilization of funds, share capital, membership records and relevant statutory approvals. By promoting greater scrutiny of financial transactions and the deployment of cooperative resources, the framework seeks to reinforce financial integrity and members' confidence in cooperative institutions.

To further strengthen good governance and institutional accountability, the Order provides for regular scrutiny of the composition of Boards of Directors, eligibility and disqualification of directors, conduct of Annual General Meetings and Board meetings, constitution and functioning of statutory committees, and compliance relating to related-party transactions. These provisions are intended to encourage transparent decision-making, democratic functioning and adherence to statutory requirements across Multi-State Cooperative Societies.

The MSCARO also envisages technology-enabled regulatory oversight through the integration of standardized audit information with the CRCS Portal. Such integration could facilitate automated scrutiny, regulatory dashboards, risk scoring and Artificial Intelligence-based analytics, enabling more efficient monitoring, identification of compliance gaps and evidence-based regulatory interventions.

The framework further provides for audit-level verification of cybersecurity and anti-money laundering compliance, wherever applicable. This includes examination of cybersecurity safeguards, reporting of suspicious transactions, customer identification requirements and compliance relating to the appointment of Designated Directors and Principal Officers under the Prevention of Money Laundering Act (PMLA). These measures are expected to strengthen institutional safeguards against financial irregularities, cyber risks and other compliance-related vulnerabilities.

Recognizing the need to provide cooperative institutions adequate time to upgrade their internal systems and processes, the Ministry has mandated phased implementation of MSCARO, 2026. The long-term objective is to extend the framework to Multi-State Cooperative Societies crossing the prescribed threshold of ₹50 crore in relevant financial parameters. The initial phase will cover larger societies crossing the ₹1,000 crore threshold, allowing smaller institutions additional time to prepare for the enhanced reporting requirements.

The MSCARO, 2026 represents an important step towards a more transparent, professionally managed and accountable cooperative ecosystem by combining standardized statutory audit reporting with risk-based supervision and technology-driven monitoring, the initiative seeks to strengthen institutional credibility, protect members' interests and advance the vision of '*Sahkar se Samriddhi*'.

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