

# **MANUAL OF INSTRUCTIONS FOR AUDIT OF LOCAL BODIES ASSAM**

**Audit of Panchayati Raj Institutions and Urban Local Bodies  
(First Edition)**

**Issued by the authority of the  
Principal Accountant General (Audit) Assam**

## **PREFACE**

This is the first edition of the Manual of Instructions for Audit of Local Bodies, Assam, after their accounts came under the audit jurisdiction of the Director of Audit (Local Fund), Assam, under Technical Guidance and Supervision (TGS) of the Comptroller and Auditor General of India (CAG).

The Local Funds (Accounts & Audit) Act of the Government of Assam (GOA) does not specifically provide for CAG's audit of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs). However, in compliance to the recommendation of the Eleventh Finance Commission, the GOA entrusted the audit of PRIs and ULBs to the CAG of India under Section 20 (1) of the CAG's (DPC) Act 1971, for providing Technical Guidance and Supervision (TGS) to the Director of Audit (Local Fund), Assam.

This manual deals with general and detailed procedure to be followed in conducting local audit of accounts of PRIs and ULBs, Assam. The instructions contained in this manual are guiding in nature and supplementary to those contained in MSO (Audit), manual of instructions for audit of Panchayati Raj Institutions, Auditing Standards for PRIs and ULBs, Performance Auditing Guidelines and other guidelines issued by the CAG.

The manual is not intended for the use of other offices and auditors should not quote it in writing their Inspection Reports. In this manual, guidelines for audit of some important schemes implemented by PRIs have also been added.

This manual would be useful to the staff and officers of this office for conducting audit of Local Bodies and also in efficient functioning and discharge of their duties. Suggestions for improvement and modification of the manual are welcome.

**Principal Accountant General (Audit)  
Assam**

Guwahati

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# CHAPTER – 1

## INTRODUCTORY

### 1.1 Concept of Panchayati Raj:

Panchayati Raj was earlier known as Democratic Decentralisation of Governance. It envisages Power to the People and Self Governance at grass root level.

The process of decentralization consists of transfer of some substantial government functions from the centralized government setup to intermediate and local governments by vesting the later with authority and responsibilities to discharge those functions. The scope of decentralization is three-fold political, administrative and fiscal.

(Ref: Para 1.1 of Manual of Instructions for Audit of Panchayati Raj Institutions)

[MIA for (PRI)]

### 1.2 Evolution of Panchayati Raj in Assam:

**1.2.1** Assam was one of the pioneer states in India to enact Panchayat Act and establish Panchayati Raj in the state. Accordingly in 1948, the Assam Rural Panchayat Act was passed to aim at achieving an all round development of the village Governments. The Act provided for the division of rural Assam into several Rural Panchayat areas. Each Rural Panchayat consisted of a number of villages. Each village, again, would have a Primary Panchayat. All adult persons in the Primary Panchayat area would have the right to vote. The Act empowered the Primary Panchayat to set up an executive authority.

**1.2.2** In 1959, as per recommendations of the Dr. Balwantrai Mehta Committee, the Government of Assam enacted the Assam Panchayat Act, (APA) 1959. This Act provided for a scheme of three tier Panchayati Raj system in Assam, i.e. Mahkuma Parishad at the Sub-Divisional level, Anchalik Panchayat at the intermediate level and the Gaon Panchayat at the village level. In other words the Mahkuma Parishad and the Gaon Panchayat stood at the top and bottom of the Panchayat system respectively. In between the two, the Anchalik Panchayat was situated. But all the units were organically linked up.

**1.2.3** In 1964, the APA 1959 was amended to enable the units of the Panchayat to exercise the function efficiently and satisfactorily. Under the Assam Panchayat (Amendment) Act of 1964, the Anchalik Panchayat (AP) was responsible for the

preparation and implementation of Block Plan. The Gaon Panchayats (GPs) were empowered to execute some village level schemes as agents of the AP.

**1.2.4** The APA 1959 was further amended and it was replaced by the Assam Panchayati Raj Act, 1972. Under the Act of 1972, the Government of Assam wanted to abolish the intermediate level Anchalik Panchayat and centralize more and more power at the sub-divisional level Panchayat called Mahkuma Parishad. Accordingly, a two tier Panchayat system having Mahkuma Parishad at the Sub-Divisional level and the Gaon panchayat at the lower level was introduced.

**1.2.5** The Assam Panchayati Raj Act, 1986 replaced the Assam Panchayati Raj Act, 1972. Under the provision of the Act, election to the Panchayati Raj Bodies were conducted in February, 1992.

**1.2.6 The Assam Panchayat Act, 1994:**

The Constitution 73<sup>rd</sup> Amendment Act, 1992 which came into force from 24<sup>th</sup> April, 1993 established a uniform three tier Panchayati Raj System in the Country. The constitution envisages a key role to the Panchayati Raj Institutions in relation to 29 functions such as education, health, agriculture etc as listed in the eleventh schedule of the constitutions. In compliance of these constitutional provisions, the State Government of Assam Passed "The Assam Panchayat Bill 1994" an act, to amend and consolidate laws relating to Panchayats in Assam. The Assam Panchayat Act No 6XVIII of 1994- received the assent of the Governor of Assam on 5<sup>th</sup> May, 1994. The aim and objective of this act is to devolve funds, functions and functionaries including preparation of plans for economic development and social justice. According to the Panchayat Act, 1994 the PRIs of the state shall function as a unit of self government.

(Source: "A brief profile of Panchayati Raj in Assam" issued by the State Institute of Rural Development, Assam)

**1.2.7 Area:**

"It shall extend to the whole State of Assam in the rural areas except the Autonomous Districts under the 6<sup>th</sup> Schedule of the Constitution of India and shall exclude any area which has been or hereinafter may be included in a Municipality or a town Committee or a cantonment constituted under the Assam Municipal Act, 1956 and the Cantonment Act 1924 respectively or by any other Act."

[Ref: Section I (ii) of the Assam Panchayat Act, 1994]

### **1.2.8 Body/Authority:**

The Assam Panchayat Bill 1994, provides for setting up of:

- (i) "Gaon Sabha" which means a body consisting of persons registered in the electoral rolls relating to a village comprised within the area of "Gaon Panchayat."
- (ii) "Gaon Panchayat" which means a Gaon Panchayat established under this Act.
- (iii) "Anchalik Panchayat" which means an Anchalik Panchayat established under this Act.
- (iv) "Zilla Parishad" which means a Zilla Parishad established under this Act.

[Ref: Para 2 (1) (2) (3) & (4) of the Assam Panchayat Act, 1994]

The above bodies including Municipal Corporation, Municipal Board and Town Committees are called "Local Authority." The "Local Authorities" make recommendations, approve development schemes and identify beneficiaries.

### **1.3 Evolution of Urban Local Bodies (ULBs) in Assam:**

**1.3.1** The first attempt at introducing statutory Municipal Governance in Assam coincided with the enactment of the Town Improvement Act, 1850. Because of inherent shortcomings of the Act, urban Assam had experienced continuous reforms in legal provision meant for urban governance. The enactments governing urban institutions that followed in chronological order were the Town Improvement Act, 1850, the District Town Improvement Act, 1864, the District Towns Act, 1868, the Bengal Municipal Act 1876, the Municipal Act, 1884, the Assam Municipal Act, 1923 and the Assam Municipal Act, 1956.

**1.3.2** The Bengal Municipal Act, 1876 was adopted in Assam in May 1878. Under this Act the urban areas of Assam were classified as 1<sup>st</sup> and 2<sup>nd</sup> class municipalities, stations and unions. It was only in 1923 that Assam had its own Municipal Act, namely the Assam Municipal Act, 1923. This Act was subsequently replaced by the Assam Municipal Act, 1956 which was amended in May, 1994 in the light of the 74<sup>th</sup> Constitution Amendment Act. It is currently in force.

(Source: Report of the Third Assam State Finance Commission-Chapter-3)

### **1.4 Guwahati Municipal Corporation:**

**1.4.1** Guwahati Municipal Corporation (GMC), the premier municipal body in the entire north-east is not governed by provision of the Assam Municipal Act, 1956 ever since it

was transformed into a Corporation. GMC was constituted under the Guwahati Municipal Corporation Act, 1971. It started functioning with effect from the 15<sup>th</sup> February 1974.

The total area of GMC is 216 sq. K.M. It is bounded by the mighty river Brahmaputra in the north, the seat of Pilgrimage Basistha to the South, Bagharbari and the Cantonment area to the east and the sprawling Boragaon and Jalukbari areas to the West.

As per GMC Act, the total number of wards of GMC shall not exceed 60. One representative is elected directly by the people from each of the 60 wards into which the city has been divided. With a view to ensuring smooth conduct of municipal administration, five standing committees can be constituted. GMC is headed by a Mayor elected by Councilors from amongst themselves. The executive head of GMC is the Commissioner, a senior civil servant, appointed by the State Government.

(Source: Report of the Third Assam State Finance Commission, Chapter-3)

### **1.5 Audit Mandate:**

In terms of Section 29, 61 and 98 of the Assam Panchayat Act, 1994, the accounts of Gaon Panchayat, Anchalik Panchayat and Zilla Parishad respectively will be audited by the authority as may be prescribed by the government. Similarly, under the Assam Municipal Act, 1969 the audit of accounts of Urban Local Bodies is to be conducted by a body or authority prescribed by the government. The State Government of Assam in the Panchayat and Rural Development Department, Urban Development Department and Guwahati Development Department entrusted the audit of Panchyati Raj Institutions, Urban Local Bodies and Guwahati Municipal Corporation respectively to the Director of Audit (Local Fund) Assam.

(Ref: Government order No. PDA.306/2009/4 dt.7<sup>th</sup> January, 2010 of the Panchayat and Rural Development Department, No-UDD (M) 261/09/5 dt.17.12.2009 of the Urban Development Department and No.GDD38/2008/151 dt.13.10.2009 of the Guwahati Development Department)

Under the orders of the Government, the Director of Audit (LF) Assam is empowered to conduct the audit of PRIs and ULBs under the Technical Supervision and Guidance of the C&AG of India in compliance to the recommendation of the 11<sup>th</sup> Finance Commission.

In conducting audit of PRIs/ULBs the auditor appointed by the government shall be guided by the Provisions of the Assam Panchayat Act, 1994, Assam Municipal Act, 1956 and the Guwahati Municipal Corporation Act, 1971.

## **1.6 Application of the Manual:**

**1.6.1** The provisions in this Manual are intended to assist in the conduct of audit of PRIs and ULBs. This Manual is strictly confidential and for departmental use only.

The instructions, guidelines etc. contained in different Manuals issued by the C&AG of India from time to time and also Rules/Orders, Acts etc. issued by Government of Assam governing functioning of PRIs and ULBs are included in this manual under reference to those manuals and orders.

**1.6.2** Some of the important Manuals followed in the preparation of this manual and their versions/paras referred to in various chapters are indicated below:

<b>Manual</b>	<b>Shortened version</b>
1. Comptroller and Auditor General's Manual of Standing Orders Second Edition	MSO (Audit)
2. Manual of Instructions for Audit of Panchayati Raj Institutions issued by the C&AG of India	MIA (PRI)
3. Auditing Standards for Panchayati Raj Institutions and Urban Local Bodies (Book No. 10)	AS of PRI issued by the C&AG of India.
4. Performance Auditing Guidelines issued by the C&AG of India	P.A. Guidelines

## **1.7 General directions for Audit Institutions:**

**1.7.1** In conducting the audit of PRIs, the provisions in the Auditing Standards for Panchayati Raj Institutions and Urban Local Bodies, the Manual of Instructions for Audit of Panchayati Raj Institutions as well as guide to certification of Audit of Accounts of PRIs issued by the office of the Comptroller and Auditor General of India should strictly be followed.

**1.7.2** The Audit Institutions must remain independent from audited entities. The audit should, however, seek to create among audited entities an understanding of its role and functions, with a view to maintaining amicable relationship with them. Good relationship can help the audit to obtain information freely and frankly and to conduct discussions in an atmosphere of mutual respect and understanding.

(Ref. Para 2.12 Chapter 6 II of AS for PRIs and ULBs)



**1.7.3** Auditors need to be alert to detect control weakness, inadequacies in record keeping, errors and unusual transactions or results which could be indicative of fraud, improper or unlawful expenditure, un-authorised operations, waste, inefficiency or lack of probity.

(Ref. Para 4.2.2 Chapter-II of AS for PRIs and ULBs)

**1.7.4** Information about an audited entity acquired in the course of the auditor's work shall not be used for purposes outside the scope of audit and formation of an opinion or in reporting not in accordance with the auditor's responsibility. It is essential that audit maintains confidentiality regarding audit matters and the information arising from audit task.

(Ref. Para-5.13 Chapter-I of AS for PRIs and ULBs)

**1.7.5** It would be impracticable to establish a code of rules, sufficiently elaborate, to cater to all situations and circumstances which an auditor might encounter. In the observance of auditing standards, therefore, the auditor in discharge of his responsibility must exercise his judgment in determining the auditing procedures necessary in the circumstances, to afford a reasonable basis for his opinion and the content of his report, audit of issues and areas of audit, and the nature, timing and extent of audit tests and procedures.

(Ref. Para 5.8 Chapter-I of AS for PRIs and ULBs)

## CHAPTER – 2

### STATUTORY DUTIES, POWERS OF AUDITOR AND AUTHORITY FOR AUDIT OF LOCAL BODIES

**2.1** The Audit Institutions entrusted with responsibility of audit of Local Bodies, derive their duties and powers mainly from Article 243-J and 243-Z of the constitution of India, which expect the states to make provision by legislation for maintenance of accounts by the Panchayati Raj Institutions and the Urban Local Bodies and their audit. In most of the states the Director, Local Fund Audit or similar authority is vested with the authority for audit of accounts of the Panchayats and the Municipalities. As per the recommendations of the 11<sup>th</sup> Finance Commission and the guidelines for utilisation of Local Bodies grants issued by the Ministry of Finance, Government of India, the CAG of India is responsible for exercising control and supervision over the proper maintenance of accounts and their audit for all 3 levels of PRIs/ULBs.

Thus, the Director, Local Fund Audit or any similar statutory authority under the state acts would be the primary auditor for LBs, while the C&AG would conduct a test check by way of Technical Guidance and Supervision over the primary auditor.

(Ref: Para 1.2 of Chapter I A.S. for audit of PRIs & ULBs)

**2.1.2** As per the FC-XI report, the Technical Guidance and Supervision (TG & S) of maintenance of accounts and audit was entrusted to the C&AG. The components of TG&S include:

- i) setting audit standards and audit planning.
- ii) adoption of improved audit methodologies.
- iii) training in audit and accounts, and
- iv) annual transactions audit by random selection and supplementary audit of institutions audited by the State Director of Local Fund Audit.

(Ref: Para 10.117 of Chapter-10 of 13<sup>th</sup> F.C. Report Vol 6 I)

**2.1.3** Auditor has a right to inspect any office of accounts of the Panchayati Raj Institutions or of the Urban Local Bodies; he can access any books, papers and other documents which are relevant to the transactions to be sent to him and he can put such questions to the persons in charge of the office or make such observations and call for such information as he may require for the preparation of any prescribed account or report.

(Ref. Para 5.12 of Chapter I of A.S. for audit of PRIs & ULBs)

## **2.2 Audit of Assam Local Funds Accounts:**

**2.2.1** Under provisions of the Assam Local Funds (Accounts and Audit) Act, 1930 (Act-II of 1930) the Director of Audit (Local Fund) Assam shall audit the accounts of (i) the Departments, institutions (both Government and Non-government) and other organisations which are under the pervue of audit of the Director of Audit (Local Fund) Government of Assam, and (ii) such other Departments, institutions or organisations as will be determined and entrusted by the Government in the Finance Department from time to time for conducting audit or special audit by the Directorate of Audit (Local Fund).

(Ref: Para 1 & Para 2 (ii) & (iii) of Assam Audit Manual ó Part ó I)

**2.2.2** Government of Assam, Panchayat and Rural Development (A) Department, vide letter No. PDA-306/2009/4 dt. 7<sup>th</sup> January, 2010 entrusted the Director of Audit (Local Fund) Assam, to conduct the audit of the accounts of the PRIs as per provision of Acts/Rules under the Technical Supervision and Guidance (TGS) of C&AG to comply with the recommendation of the Eleventh Finance Commission.

**2.2.3** Assam Municipal Act, 1969 and Act Governing Municipal Corporation envisaged that the accounts of the ULBs shall be examined by an auditor appointed by the State Government. The Director of Audit (Local Fund) is the statutory auditor under the provision of Local Fund (Accounts and Audit) Act, 1930. Government of Assam, Urban Development Department, vide letter No. UDD (M) 261/09/5 dt. 17<sup>th</sup> December, 2009, entrusted the Director of Audit (LF), Assam to conduct the audit of the accounts of the Urban Local Bodies of the State as per provision of the Act under the Technical Guidance and Supervision of C&AG.

**2.2.4** Government of Assam, Guwahati Development Department, vide letter No. GDD 38/2008/151 dt. 13/10/2009 entrusted the work of conduct of Audit of the accounts of the Guwahati Municipal Corporation, to the Director of Audit (Local Fund) as per provision of the Acts and Rules, under the Technical Guidance and Supervision of C&AG.

**2.2.5** The accounts of income and expenditure of every Gaon Panchayat shall be kept in such form and manner as may be prescribed and the Secretary of the Gaon Panchayat shall be responsible for maintaining the accounts of the panchayat properly.

(Ref. Sec 28 of Assam Panchayat Act, 1994)

**2.2.6** The audit of the accounts of the Gaon Panchayat shall be carried out by the authority as may be prescribed by the government and a copy of the audit report shall be forwarded to the Gaon panchayat within one month of the completion of audit.

On receipt of audit report referred to above the Gaon Panchayat shall either remedy the defects or irregularities which have been pointed out in audit and send to the Anchalik Panchayat and the Director of Panchayat and Rural Development, Assam within three months, an intimation of its having done so or shall, within the said period supply any further explanation to the Anchalik Panchayat and the Director of Panchayat and Rural Development, Assam, in regard to such defects or irregularities as it may wish to furnish.

(Ref. Sec. 29 of Assam Panchayat Act, 1994)

**2.2.7** The audit of the accounts of the Anchalik Panchayat shall be carried out by the authority as may be prescribed by the Government and a copy of the audit report shall be forwarded to the Anchalik Panchayat, to the Zilla Parishad and to the Director of Panchayat and Rural Development, Assam, within one month of the completion of audit. On receipt of the audit report referred to above the Anchalik Panchayat shall either remedy any defects or irregularities which have been pointed out in the audit and send to the Zilla Parishad and to the Director of Panchayat and Rural Development, Assam, within three months and the intimation of its having done so or shall, within the said period supply and further explanation to the authorities mentioned therein, in regard to such defects or irregularities as it may deem fit.

(Ref. Sec. 61 of Assam Panchayat Act, 1994)

**2.2.8** The audit of the accounts of the Zilla Parishad shall be carried out by the authority as may be prescribed by the government and a copy of the audit note shall be forwarded to the Zilla Parishad within one month of completion of audit.

On receipt of the audit report referred to above, the Zilla Parishad shall either remedy any defects or irregularity which have been pointed out in the audit and send to the government within three months or intimation of its having done so or shall, within the said period, supply any further explanation to the prescribed authority in regard to such defects or irregularities as it may wish to give.

(Ref. Sec. 98 of Assam Panchayat Act, 1994)

# CHAPTER – 3

## AUDIT OF ACCOUNTS

### 3.1. Audit for certification of Annual Accounts:

**3.1.1** While it is not obligatory on the part of the Comptroller and Auditor General to certify the annual accounts of an institution under Section 14 of the CAGø (DPC) Act, 1971, in cases where he has decided to undertake its audit under Section 19 or Section 20 *ibid.* certification of the annual accounts will be involved. In cases where the Comptroller and Auditor General is the sole auditor, it will be advantageous to combine audit of transactions and audit of annual accounts of the institution in one spell, unless for any special reason, it becomes necessary from the audit of annual accounts (e.g. where the accounts are in arrear).

[Ref: Para 5.1 of Chapter 5 of MIA (PRI)]

### 3.2 Certification audit:

Certification of annual accounts involved with reference to books of original entry, ledgers, subsidiary books of accounts etc to see that accounts are in accordance with the books. Inherent in the process of audit of annual accounts is the assumption that transactions appearing in the books of original accounts pertain to the organisation, represent legitimate charge, and the books themselves record fully and faithfully all transactions pertaining to the organisation for the period and nothing is left out. This can be ensured only by test check of the transactions. The transactions contained in this chapter are restricted mainly to checking of accounts, which however, have to be read alongwith instructions for audit of transactions.

[Ref. Para 5.2 of MIA (PRI)]

### 3.3 Essential features of audit:

The essential features of the audit of accounts would be ó

- (b) to make critical review of the system of maintaining accounts books, accounting and internal control;
- (c) to make such tests and enquiries as the auditors consider necessary to form an opinion as to the reliability of the records as a basis for preparation of accounts;

- (d) to compare figures of different accounts schedules with those of the connected records in order to see whether they are in accordance with the transactions depicted therein; and
- (e) to make a critical review of the accounts in order that a report may be made stating whether, in the opinion of the auditors, the accounts are presented and the items are described in such a way that they properly present the receipts and payments of the PRIs (also refer to Guidelines for Certification Audit of PRIs issued by the C&AG of India).

[Ref. Para 5.6 of MIA (PRI)]

### **3.4 Broad outline for accounts audit:**

The method of auditing of annual accounts will be broadly as follows:

- (i) Entries in the cash book and other books of original entries should be vouched and casting tested.
- (ii) The postings from the main accounts books to subsidiary accounts should be test checked.
- (iii) The justification and authority for each transfer entry should be examined;
- (iv) Balances in subsidiary Registers should be checked and agreed with schedules where in such balances are shown;
- (v) Accounts showing receipts and payments should be checked with reference to primary records.

[Ref: Para 5.7 of MIA (for PRI)]

### **3.5 Internal Control:**

#### **3.5.1 Need for Internal Control:**

The extent of checks to be exercised in audit will depend upon the system of internal control operating in the government organisation. Internal control is a management tool used to provide reasonable assurance that management's objectives are being achieved. The responsibility for the adequacy and effectiveness of the internal control structure rests with management. The head of each government organisation must ensure that proper internal control structure is instituted, revised and updated to keep it effective. By internal checks is meant the checks on day to day transactions which operates continuously as part of the routine system whereby the work of one person is proved independently or is complementary to the work of another, the objective being prevention or early detection of errors or frauds.

[Ref. Para 5.8.1 of MIA (PRI)]

**3.5.2** Another essential characteristic of the system of Internal control is the existence of skilled managerial supervision and reviews including internal audit. It is the responsibility of the auditors to examine the system of internal control existing in a PRI in order to assess its efficacy before planning the audit and determining the extent or quantum of checks to be exercised.

[Ref. Para 5.8.2 of MIA (PRI)]

### **3.5.3 Requirement of Internal Control:**

In particular, the system of Internal control over the following aspects would need to be noted by the auditor:

- (i) Sanctions to expenditure and watch over progress vis-à-vis budget of the PRI/ULB.
- (ii) Realization of receipts and avoidance of loss due to negligence, delayed action, etc.
- (iii) Accounting of cash receipts and payments.
- (iv) Purchase, accountal, issue, utilisation and physical existence of stores and stock.
- (v) Execution of construction programmes.
- (vi) Creation of assets, their maintenance and verification of their existence etc.
- (vii) Disbursement of grants, subsidy, scholarships etc and their utilisation by the recipients.
- (viii) Utilisation of Government assistance for specific purposes.

[In the light of the Para 5.8 of MIA (PRI)]

### **3.6 Need for vouching entries:**

**3.6.1** Mere checking of postings and totalling etc is no proof that the books contain true entries in respect of all transactions. The duty of the auditor is to ascertain whether the books are actually correct in accordance with the best of information obtained by him from the documents from which the books have been written up. This examination of the evidence offered in substantiation of the entries in the books including such examination of proof, to ensure that no entries have been omitted from the books, is known as 'Vouching'. While it is not possible to deal exclusively within the framework of these instructions all aspects of audit, the salient features of vouching are mentioned below:

#### **3.6.2 Vouching of Receipts:**

It should be examined that all receipts have been brought to account through the Cash Book and other records immediately as and when transactions occur and that the system of control in force over receipts does not leave scope for fraud or defalcation.

### **3.6.3 Vouching of Payments:**

The voucher for payment ó

- (a) must be addressed to the organisation under audit.
- (b) relates to the affairs of the organisation under audit.
- (c) is properly authorized.
- (d) pertains to the period under audit, and
- (e) does not bear any signs of having already been used for another payment.

[(Ref: in the light of Para 5.9.3.1 of MIA (PRI)]

**3.6.4** The vouching of payment will include examination of the authority for payment, reconciliation with liabilities discharged or assets acquired verification of rates and quantum of payment and tracing of acknowledgement by the payee. Vouching of income will aim at ensuring that values for supplies and services have been either received or accounted for as recoverable.

[Ref. Para 5.9.3.2 of MIA (PRI)]

### **3.7 Points to be seen in checking the accounts:**

Apart from the necessary routine checking of posting, castings and vouching, the following aspects should also be kept in view while auditing the accounts:

- (i) Check opening balance with the previous year's closing balance.
- (ii) Make sure that all income has been brought to account.
- (iii) Look for exceptional transactions, which have resulted in charges credit of a materials amount to the accounting period.
- (iv) Vouch all capital expenditure.
- (v) Examine classification as between capital and revenue.
- (vi) Check bank/treasury reconciliation and existence of certificates from bankers/treasury.
- (vii) Review balances in suspense accounts, loans, advances etc. analyse their pendency and ensure that their recovery is enforced and correctly accounted for and that balance shown in Registers and accounts are not erroneous or fictitious.
- (viii) See if credits from any source of income have come down as compared to previous year's figures.
- (ix) Examine particularly the bookings against items, which qualify for grants/assistance to prevent attempts at securing inflated assistance from



Government or to detect mistakes, which may result in reduction in the quantum of assistance.

- (x) Ascertain the system of stock taking, test check of stock sheets and valuation and existence of verification certificates from responsible officials as prescribed.
- (xi) Verify existence and ownership of assets and check basis of valuation.
- (xii) Look for assets created or expenditure incurred which have not been productive.
- (xiii) Look for charges/transactions falling beyond the scope of authorized activities of the institutions.

[Ref. Para 5.10 of MIA (PRI)]

### **3.8 Cross checking of accounts with schedules:**

**3.8.1** It has to be ensured in audit that all the schedules referred to in accounts are correctly drawn up and that figures shown there are tallies with accounts figures, as schedules form part of the accounts certified by audit.

- (i) The postings from the main accounts books to subsidiary accounts should be test checked;
- (ii) The justification and authority for each transfer entry should be examined;
- (iii) Balances in subsidiary Registers should be checked and agreed with schedules where in such balances are shown;
- (iv) Accounts showing receipts and payments should be checked with reference to primary records.

[Para 5.11.3 of M.A]

### **3.9 Audit certificate:**

#### **3.9.1 Auditor's certificate:**

The certificate is in two parts given in separate paragraphs:

The first part would provide information about the scope of audit, and the 2<sup>nd</sup> part would give the auditor's opinion on accounts.

#### **3.9.2 Scope:**

The paragraph on scope should identify the financial statements, the legislation or other authority providing for the audit and the auditing standards or practices followed in conducting audit. The first paragraph may be on the following lines:

öI certify that I have examined the í í í í í í í í í í (indicate financial statements, for example receipts and payment account) on the basis of registers and records made available to me as per the Auditing standards for the Panchayati Raj Institutions prescribed by the Comptroller and Auditor General of India and that I have obtained all the information and explanations that I have required.ö

[Ref. Para 5.16.2 of MIA (PRI)]

### **3.9.3 Unqualified opinion:**

**3.9.3.1** The opinion paragraph should first recite:

- (i) The name of the audited entity;
- (ii) The period to which the accounts/financial/statements relate;
- (iii) The authority under which the accounts/financial statements have been prepared, by referring to the governing legislation and the directions made thereunder.

**3.9.3.2** If the auditor comes to the conclusion that the accounts/financial statements are reasonably reliable, he gives an un-qualified opinion. The meaning of reasonably reliable shall be considered in relation to the materiality of errors noticed.

**3.9.3.3** An unqualified opinion is given when the auditor is satisfied in all material respects that:

- a) The financial statements have been prepared using acceptable accounting basis and policies which have been consistently applied; and
- b) The statements comply with statutory requirements and relevant regulations.

**3.9.3.4** The wording for unqualified opinion may be as below:

öIn my opinion the accounts/financial statements properly present the receipts and payment of í í í í í í í í í .. (name of the PRI) for the year/period ended and comply with í í í í í í í í í (authority, where appropriate, under which accounts have been prepared in accordance with the relevant Act and direction made under the Act.ö

When the accounts/financial statements incorporate the appropriation accounts (as in case of PRI accounting formats prescribed by CAG), the certificate above may be followed by:

öThe sums expended have been applied for the authorized purposes.ö

[Ref. Para 5.16.3 of MIA (PRI)]

**3.9.4 Qualified opinion:**

**3.9.4.1** When there is uncertainty or disagreement in regard to certain items in the accounts/financial statements that are material but not fundamental to the understanding of the accounts, a qualified opinion would be given.

**3.9.4.2** Uncertainty may arise in either of the following situations:

- (a) The auditor is unable to obtain all the information and explanations. The non-availability of the connected accounting records may be the course or the auditor might have been prevented from carrying out the necessary audit process to test the accuracy of material figures in the accounts.
- (b) The audit cannot reach an objective conclusion as to the outcome of a situation. For example, there may be doubts about the performance of long-term contractors or the result of a legal action, which would have material financial consequences.

**3.9.4.3** Disagreement may arise as regards inclusion or exclusion of certain items in the accounts by PRI:

- (a) The figures in accounts may not be based on the appropriate accounting principles or policies.
- (b) The auditor may disagree with the facts or amounts in the accounts.
- (c) The auditor may disagree with the way the PRI has disclosed facts or accounts.
- (d) The PRI may have failed to comply with legislation or other regulations.

[Ref. Para 5.16.4 of MIA (PRI)]

**3.9.5 Qualified certificate:**

**3.9.5.1** The wording of the certificate would depend on how seriously the audit was effected by the circumstances. For example, the non-availability or incompleteness of proper accounting records for the relevant period may be material but not fundamental. The wording of the certificate in such a case may be as follows:

I certify that I have examined the accounts/financial statements of [Name of the PRI] in accordance with the [relevant statutory authority or legislation] and the auditing standards for the PRIs (or auditing standards issued by the Comptroller and Auditor General) except that, as explained in paragraphs [ ] to [ ] ... of my report, I was unable to examine fully the

expenditure on items mentioned therein. Subject to this, in my opinion the accounts properly present the receipts and payments for the year í í í í í í ended í í í í í .

**3.9.5.2** In the case of disagreement, for example, where irregular expenditure has been incurred, the wording could be:

Normal paragraph on scope of audit followed by:

öExcept for the irregular expenditure on í í í í í í í í . Amounting to í í í í í í í í í detailed in paragraphs í í í í í í í .. to í í í í í of my report, in my opinion, the accounts properly present the receipts and payments for the year í í í í í í í í . ended í í í í í of the í í í í í í í í í í (Name of the PRI).ö

[Ref. Para 5.16.5. of MIA (PRI)]

**3.9.6 Disclaimer opinion:**

Where the auditor is unable to arrive at an opinion because of uncertainty or restriction on scope of audit that is so fundamental that an opinion, which is qualified in certain aspects, would not be adequate, a disclaimer is given. The wording of the disclaimer opinion makes it clear that an opinion cannot be given, mentioning clearly and concisely all matters of uncertainty. The certificate in this case would be worded as:

öI certify that I have examined the receipts and payments accounts of í í í í í í í í (name of the PRI) in accordance with the í í í í í í í í (relevant statutory or legislation) and the auditing standards for PRIs (or auditing standards issued by the Comptroller and Auditor General). Owing to non-production of proper accounting records as detailed in paragraphs í í í í í í .. to í í í í í . of my report, I am unable to form an opinion on whether the accounts/financial statements have been drawn up in accordance with í í í í í í í (authority under which accounts have been prepared) and whether they properly present the receipts and payments for the year ended í í í í í í í . and whether the sums expended have been applied for the authorized purposes.

[Ref. Para 5.16.6 of MIA (PRI)]

**3.9.7 Adverse opinion:**

Where disagreement on the validity and truthfulness of the accounts/financial statements is so fundamental that even a qualified certificate in certain aspects is found to be unjustified, an adverse opinion is given. The wording of such an opinion should bring

out clearly that, the accounts/financial statements are not clearly stated mentioning clearly and concisely all the matters of disagreement. The wording of the certificate could be:

Normal paragraph on scope of audit followed by:-

“In view of the failure to comply with the requirements of the *í í í í í í í* . Rules/Regulations mentioned in paragraphs *í í í í í í* .. to *í í í í í í í í* of my report, in my opinion the sums expended have not been applied for the purposes authorized and the accounts/financial statements do not properly present the receipts and payments of *í í í í í í í í í í* (name of the PRI).

The opinion should be preceded by the suitable title or heading and should be dated and signed. The inclusion of a date shows the reader that consideration has been given to the effect of events or transactions about which the auditor became aware up to that date (which in the case of regularity audit may be beyond the period of the financial statement).

The audit opinion should be available promptly to the users, particularly those who have to take necessary action.

[Ref. Para 5.16.7 of MIA (PRI)]

### **3.10 Check list:**

For certification of accounts a check list has to be framed by the Accountant General drawing upon the existing manual provisions, if any, in the state government and also instructions issued by the Comptroller and Auditor General. A model check list is enclosed *ó* vide Annexure - I at the ended of this chapter after suitable modification for this state.

**ANNEXURE - I**  
**(Referred to in paragraph 3.10)**

**CHECK LIST FOR AUDIT FOR CERTIFICATION OF ACCOUNTS.**

Name of the PRI í í í í í í í í í í í í í í í í í í í í .

Year of accounts í í í í í í í í í í í í í í í í í í í í .

Dates of Audit í í í í í í í í í í í í í í í í í í í í í .

Sl. No.	Questionnaire	Answer Yes/No	Reference to any comment included in the Report (Paragraph No.)
1	Whether the process of accounting as in the Proforma attached have been followed?		
2	(a) Whether the annual accounts have been prepared strictly in the prescribed form? (b) Whether the annual accounts have been approved by competent authority? If so, when (date)? (c) Have the accounts been checked?		
3	(a) Whether records such as cashbook, ledger, subsidiary accounts and registers etc. have been made available to audit? (b) Whether the stock and stores ledgers and register of assets, have been properly maintained as prescribed?		

4	Number of Bank accounts maintained by the officer. Whether separate Bank account is maintained		Name of the Bank	Account Number	Balances as on 31 <sup>st</sup> March
5	Whether arithmetical accuracy has been ensured in respect of all the statement of accounts?				
6	Whether the receipts figures in different statements have been cross checked and tallied with those in other statements?				
7	Whether the closing balance of the preceding year has been correctly carried forward as opening balance in respect of each item?				
8	Furnish details of grants as below: (a) Total grants released by Govt. to ZP. (b) Amount released to ZP, AP and Gaon Panchayat. (c) Amount retained by ZP.				
9	(a) Whether each item of grants released by Government is traceable in the Register of grants. (b) Whether unspent grants refundable to Government or other agency are shown distinctly in the accounts and refunded? If so, stipulated by the sanctioning authority. (c) Whether utilisation certificates in respect of grants/loans have been submitted as prescribed? If not extent of arrears.				

10	<p>(a) Whether all the credits afforded to the PRI fund by the bank/treasury have been classified under the final head of receipt? If not, extent of receipts not finally classified and reason therefor.</p> <p>(i) Extent of misclassification.</p> <p>(ii) Wanting challans</p> <p>(b) Whether transactions of receipts and payments have been correctly classified and whether there is any mixing up of funds under the fund accounts?</p> <p>(c) Whether any corrections in accounts or revision of accounts had to be resorted to at the instance of audit?</p>		
11	Whether the voucher have been compiled monthly indicating details as prescribed?		
12	Whether all the paid vouchers for the month/months selected for detailed audit were traced to the compilation sheets?		
13	Whether the Register of cheques is maintained properly and reconciled with monthly schedule of settlement with bank?		
14	<p>(a) Whether balance (s) as per the cashbook/books agree with the balance as per Annual Accounts?</p> <p>(b) Whether bank reconciliation is done every month?</p> <p>(c) Whether the differences between Bank accounts and those of PRI have been reconciled? If so, the results thereof. Extent of arrears, if any.</p>		



15	<p>Whether the expenditure incurred under each unit of appropriation is regularly compared with the grant provided therefor and adequate advance action has been taken to limit the expenditure to the grant? Are there any case of expenditure in excess of or without any budget provision? (details as indicated below)</p> <p>Statement showing cases of excess/savings over Budget provisions and expenditure incurred without Budget provision (Rs. in lakh)</p> <table border="1" data-bbox="195 613 1291 964"> <thead> <tr> <th>Sl. no.</th> <th>Major head (Plan &amp; Non-plan)</th> <th>Budget provision</th> <th>Expenditure incurred</th> <th>Variation</th> <th>Specific reasons for excess/savings</th> </tr> </thead> <tbody> <tr> <td>I</td> <td>Excess</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(a)</td> <td>Plan</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(b)</td> <td>Non-plan</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>II</td> <td>Savings</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(a)</td> <td>Plan</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(b)</td> <td>Non-plan</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>III</td> <td>Expenditure incurred</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(a)</td> <td>Plan</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(b)</td> <td>Non-plan</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Sl. no.	Major head (Plan & Non-plan)	Budget provision	Expenditure incurred	Variation	Specific reasons for excess/savings	I	Excess					(a)	Plan					(b)	Non-plan					II	Savings					(a)	Plan					(b)	Non-plan					III	Expenditure incurred					(a)	Plan					(b)	Non-plan						
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(b)	Non-plan																																																														
16	Whether there is any mixing up of plan and non-plan transactions?																																																														
17	Whether there are any minus balances in accounts? If so, whether reasons for such balances are examined and corrective action is initiated?																																																														
18	Whether the institution is maintaining detailed account of loans and advances and is watching their recoveries?																																																														
19	Whether the closing balance shown in the annual accounts is correctly arrived at?																																																														

20	Internal Audit	District level offices	Middle level offices	Village level offices
	(a) Number of offices to be audited during the year (b) Number of offices subjected to internal audit during the year. (c) Balance (d) Reasons for the arrears			
21	Whether the Audit certificate in the prescribed format depending upon the audit findings is enclosed where required?			
22	Previous Audit Notes: (a) Action taken on previous audit observations and settled by audit analysis. (b) Reasons for continuance of persistent irregularities and action taken by PRI authorities.			

[Ref. Para 5.17 of MIA (PRI)]

# CHAPTER – 4

## GENERAL PRINCIPLES AND RULES OF AUDIT

### 4.1 Aim and objective:

**4.1.1** The broad aim of audit of PRIs/ULBs is to safeguard the financial interest of the PRIs/ULBs by sound and economic financial management practices and to promote public accountability.

The executives of the PRIs/ULBs are primarily responsible for enforcing economy and efficiency in the expenditure of public money. It is, however, the duty of audit to bring to light wastefulness, failures, system weakness, deficiencies and circumstances leading to infructuous expenditure. The audit assists the PRIs/ULBs in the exercise of financial control.

[In the light of Para-2 of chapter I of A.S. for audit of PRIs & ULBs]

**4.1.2** The audit of transactions will vary from one Panchayati Raj Institution (PRI) to another depending upon the nature of transactions, the system of accounting and documents maintained in each PRI. However, the audit checks detailed in the following paragraphs are applicable to all classes of vouchers and expenditure.

[Ref. Para 6 of MIA (PRI)]

### 4.2 Audit against sanctions to expenditure:

**4.2.1** Financial powers delegated to different authorities of PRIs are described in the financial rules and/or special orders issued by respective state governments or other competent authorities.

**4.2.2** In audit apart from seeing that an item of expenditure is covered by sanction, either general or special, it is to be ensured that (a) the authority sanctioning it is competent to do so by virtue of the powers vested in it by the provisions of Rules and /or orders issued by competent authorities and (b) the sanction is definite and thus needs no further reference either to the sanctioning authority itself or to any higher authority for obtaining clarification thereon. A sanction to expenditure if received by audit office, should be examined and admitted as regular and correct. In other cases, sanctions should be examined during local audit of PRIs/ULBs.

**4.2.3** In the audit of sanctions to expenditure, the following guidelines should be observed:

- (a) If the sanctioning authority is vested with full powers in respect of a certain class of expenditure, a sanction issued by it can be objected only on grounds of propriety.
- (b) If conditions are attached to the powers delegated to any authority, sanctions accorded under those powers can be objected to if it is found that such conditions have not been fulfilled.
- (c) It has to be ascertained that orders defining the powers of any authority in precise terms are obeyed exactly in every instance.
- (d) It has to be watched that expenditure sanctions are not split up to avoid the necessity of obtaining sanction of a higher authority.
- (e) Sanctions with long period of currency and sanctions of a permanent nature require to be reviewed periodically, so that, if for any reason it is felt desirable that the sanctioning authority should review them in the changed circumstances etc., suitable action may be taken in the matter.

**4.2.4** If certain conditions are to be fulfilled before a recurring charge is to be paid it should be seen in audit that the drawing officer has certified that the requisite conditions have been duly fulfilled. In case a recurring expenditure should not be incurred after the occurrence of a certain specified event, the drawing officer has to certify on the payment voucher that such an event has not yet occurred.

**4.2.5** It should be seen in audit that expenditure incurred is in accordance with the sanction authorizing such expenditure.

[Ref. Para 2.2.37 of MSO (Audit) & West Bengal Manual P/19-20]

### **4.3 Audit against propriety:**

**4.3.1** In addition to ensuring that relevant rules and orders of competent authority have been observed and that there is no irregularity in respect of an item of expenditure, it is important to see that the broad principles of Orthodox finance are borne in mind by the officers sanctioning and/or incurring expenditure. This is called propriety Audit.

**4.3.2** The following general principles, which have been universally accepted as standards of financial propriety or standards of official conduct of financial administration, should be applied in the course of audit.

- (1) The expenditure should not be Prima facie more than the occasion demands. Every officer is expected to exercise the same vigilance in respect of expenditure

incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

- (2) No authority should exercise its power of sanctioning expenditure to pass an order, which will be directly or indirectly to its own advantage.
- (3) The public money should not be utilised for the benefit of a particular person or a section of the community unless
  - (i) the amount of expenditure involved is insignificant, or
  - (ii) a claim for the amount could be enforced in a court of law; or
  - (iii) The expenditure is in pursuance of a recognized policy or custom.
- (4) No authority should sanction any expenditure which is likely to involve at a later date, expenditure beyond its own power of sanction.
- (5) The amount of allowances, such as travelling allowances granted to meet expenditure of a particular type should be so regulated that allowances are not on the whole a source of profit to the recipients.

**4.3.3** Any infringement of the Principles enunciated above should be mentioned in the Audit Report and taken up with the authorities at appropriate levels.

[Ref. Para 6.3 of MIA (PRI) & Para 2.2.46 MSO (Audit) & West Bengal Manual P/20-21]

#### **4.4 Audit against Rules and Orders (Audit against regularity):**

**4.4.1** It has to be noted that transactions should conform to the provisions of several codes, Manuals, rules, Regulations, Orders and instructions issued by government and other competent authorities and made applicable to the PRIs.

**4.4.2** It has to be seen in audit that the transactions of PRIs as evidenced by the documents audited, are in accordance with the prescribed code Rules, Manuals, Instructions etc.

[Ref. Para 6.4 of MIA (PRI)]

**4.4.3** It is also important to ensure that rules and regulations are observed not merely in the letter but also in the spirit. For example, sanctions and orders for the grant of special pay or other allowances or concessions should be questioned in audit if they are in conflict with the broad spirit or main principles of the relevant service rules.

**4.4.4** The regularity audit is an essential aspect of the PRIs auditing. One important objective that this type of audit assigns to the audit institutions is to make sure, by all the means put at its disposal, that the auditee's budget and accounts are accurate, complete and valid. This will provide users of the auditors report with assurance about the size and development of the financial obligation of auditee. To achieve this objective, the audit

institutions will examine the accounts and financial statements with a view to assuring that all operations have been correctly undertaken, completed, passed, paid and registered.

[Ref. Para 7.3 of Chapter III of Auditing Standards]

#### **4.5 Audit against provision of funds:**

**4.5.1** Every PRI is required to compile an annual budget indicating various sources of income, anticipated income from such sources, the expenditure planned against prescribed heads of account both revenue and capital. The budget so compiled must be approved by the apex body in the annual meeting, including where necessary, revised estimate for the year in progress, copies of budget are required to be sent to Government for approval.

**4.5.2** In audit it has to be seen that ó

- (i) Proper control record is kept to watch the progress of income and expenditure against funds estimated for the purpose in the approved budget;
- (ii) Variations between actual and budget provisions are examined at appropriate levels and remedial action is taken where called for and re-appropriation approved by specific authorities.
- (iii) Final receipt and expenditure under several heads of account at the end of the year are duly examined with reference to final appropriation and variations are brought to notice of the apex bodies for information and regularization where necessary, and
- (iv) Money expended has been applied to the services and purposes for which funds have been provided in the budget and it does not exceed the provision made there for.

[Ref. Para 6.5 of MIA (PRI) & Para 2.2.15 of MSO (Audit)]

#### **4.6 Audit of classification:**

**4.6.1** It has to be verified in audit that the transactions are correctly classified in the accounts under appropriate prescribed heads of accounts in accordance with the budget provision and also general rules and regulations relating to classification of transactions.

**4.6.2** Audit should also see that the major, minor and detailed heads of accounts as noted in the paid vouchers are authorized heads, classified according to the provisions made in the sanctioned annual budget under ÷planø and ÷non-planø and the expenditure which should have been classified under ÷capitalø section of the account has not been classified under ÷Revenueø and ÷Vice-versa.ø

Ref. Para 6.6. of MIA (PRI)]

# CHAPTER – 5

## CHECK OF COMMON BOOKS OF ACCOUNTS AND REGISTERS.

### 5.1 General checks applicable to all records:

Audit checks generally to be exercised on Common as well as other registers etc., kept in the offices subjected to audit are as follows:

- (i) The register is maintained in the prescribed form, page numbered and a certificate of count of number of pages is recorded under the attestation of the Head of the office on the first page.
- (ii) All the columns in the Register are correctly and properly filled in;
- (iii) Entries of receipts and payments are made in the chronological order on the date and as and when each transaction take place.
- (iv) There are no overwriting, erasures, interpolations etc and all corrections are properly made by drawing a line in red ink through the erroneous entry and by inserting a fresh entry under the proper attestation of the Head of office.
- (v) Entries or pages of Register have not been tampered with.
- (vi) Entries in the Register have been made up-to-date, attested by a responsible officer, closed and reviewed by the Head of office regularly as prescribed in the relevant rules.

[Ref. Para 7.2 of MIA (PRI)]

### 5.2 Cash Book:

**5.2.1** In addition to the Cash Book for general transactions, PRIs/ULBs are required to maintain a separate Cash Book for recording Bank transactions relating to each centrally sponsored scheme.

**5.2.2** Cash Book is the most fundamental record and audit commences with the check of entries and posting in the Cash Book. The main purpose of auditing the Cash Book is to verify that:

- (i) all receipts are taken into account in full;
- (ii) no improper or fraudulent payments are made;
- (iii) all receipts and legitimate payments are accurately recorded;
- (iv) the balances reflected in it are worked out correctly from time to time; and

- (v) payments are made to the scheme implementing agencies properly and promptly.

**5.2.3** For the purposes indicated above the Cash Book should be generally examined to ensure that it is being maintained properly in the prescribed form and arrangements for obtaining cash, its custody, payment and accounting of cash transactions are in accordance with the relevant rules. The following points are to be covered during this examination:

- (i) Adequate security from the cashier has been obtained, accepted by competent authority and documents relating thereto are kept in the safe custody of the office.
- (ii) Moneys received are remitted in full into the bank/treasury without undue delay and without appropriating them to meet departmental expenses.
- (iii) Details of unspent balances are shown when closing the cash book at the end of each month. Heavy cash balance, which is not required for immediate disbursement, is not kept on hand at any time.
- (iv) No money is drawn from the Bank/Treasury in advance of requirements.
- (v) Advances paid for departmental purposes do not remain un-adjusted for unduly long periods for want of accounts supported by vouchers or refund, as the case may be.
- (vi) At the end of each month, the Cash Book is closed and the cash in chest is verified by the officer-in-charge of the cash who should mention in his own handwriting over his dated signature, cash actually found at the time of verification and whether the same tallies with the balance appearing in the Cash Book. Any discrepancy coming to notice is dealt with as per prescribed rules.
- (vii) Totals of the Cash Book if not checked by the officer-in-charge of the cash, are verified by an official other than the cashier. In token of such verification, the official should certify "Totals checked" over his dated initials in the Cash Book.
- (viii) Private cash (Collection of Co-operative dues etc.) is not mixed up with the regular cash balances of the office.
- (ix) No money paid to an employee who is incharge of the Cash Book, unless it is in settlement of a personal claim and it is ensured that such employee remains accountable for the money received by him till he renders accounts for the same.
- (x) Accounts of imprests and temporary advances, if any, are regularly closed and rendered promptly every month and the recouping officer properly verifies them before recouping when the cash book is closed at the end of the financial year, permanent advance is fully recouped and accounted for in the main Cash Book.



- (xi) On the first day the cash balances should be got verified in the presence of the officer in-charge of the audit party and the results recorded in the Cash Book, shortcomings (shortage or surplus), if any, noticed in this regard should be brought out in the Audit Report.

**5.2.4** Apart from the general scrutiny as above, detailed check of transactions relating to the month/months selected for such check should be done as follows:

- (i) All receipts of cash as shown in the counterfoils of receipt books as well as cash received from the Bank/Treasury and other receipts in the form of cheques, cash or bank drafts etc are traced in the Cash Book under the respective dates and with correct particulars, on the Receipts side.
- (ii) All receipts which are remitted into the Bank/treasury were so remitted without any delay. Cash receipts are not diverted to meet expenditure other than that, if any, authorized.
- (iii) Remittances into Bank/treasury are supported by the entries in the Bank Pass Book/Remittance Register, in original challans duly received by the Bank/treasury for the amounts shown in the Bank Pass Book/Remittance Register and in duplicate challans and Cash Book.
- (iv) Payments made are supported by proper vouchers complete in all respects.
- (v) Totals are correct and all balances have been worked out correctly.
- (vi) Permanent Advance, if any, held is accounted for in a complete manner in the Cash Book, clear details of cash on hand and un-recouped vouchers are recorded.
- (vii) Expenditure has not been incurred in excess of the permanent advance by using departmental receipts or their unspent balances of amounts drawn from the Bank/treasury for a different purposes.
- (viii) Where subsidiary Cash Books are maintained, the transactions therein are duly taken over in the main Cash Book or a system exists where balances of all Cash Books are consolidated and reconciled.

**5.2.5** An intelligent review of the Cash Book entries and the expenditure statement has to be conducted. Transactions involving heavy expenditure may be identified for a thorough check with reference to the office files, noting, sanctions issued by competent authority etc. connected with such transactions. Further, if any serious irregularity comes to notice during detailed check of Cash Books and transactions for the selected month/months, the scrutiny should be extended to transactions of other months also.

[Ref. Para 7.3 of MIA (PRI)]

### **5.3 Bank Reconciliation:**

**5.3.1** The following points should be seen in audit:

- (a) The cheque books are kept in safe custody, stock of books properly accounted for and the procedure for issue of cheques as laid down is duly observed.
- (b) Inter Bank transactions are not resorted to i.e. from one bank account to another bank account. These transactions, if any, should be scrutinised carefully to ensure that such amounts have been utilised properly and recouped with a reasonable time and that such inter-bank transactions are authorized by the competent authorities.
- (c) Undue and heavy withdrawals of money on self cheques should be particularly scrutinised. The transactions connected with such withdrawals should be verified in details with reference to vouchers/records in the office to make sure that services rendered and/or supplies made as recorded in the documents and registers have been actually and properly accounted for and represent real transactions relating to the activities (Schemes or general purposes) of the PRI. Similar verifications should be conducted in respect of cheque payments involving large amounts.

**5.3.2 It should be verified that Bank reconciliation is regularly being done.**

**5.3.3** It has also to be seen/ensured in audit that ó

- (i) action has been taken at the end of each month to agree the Bank balance with the Cash Book balance;
- (ii) proper action has been taken to reconcile the difference between the two balances and to clear the old differences expeditiously;
- (iii) in particular, for all payments in the bank Pass Book there are corresponding entries in the Cash Book duly supported by proper vouchers and cases of absence of payment entries in the cash book and vouchers are promptly investigated in detail. Similarly, cases of remittances to bank as shown in the Cash Book, not found in the Bank Pass Book should also be investigated thoroughly.
- (iv) Comments about arrears in bank reconciliation highlighting possibilities of misappropriation and frauds and the risk involved due to non-reconciliation/delays in reconciliation and the procedural deficiencies and lapses are highlighted in the reports;
- (v) Whatever warranted in the audit report should contain a clear comment that the bank/cash balances as revealed in the books of accounts could not be verified and their

accuracy ensured in audit due to such non-reconciliation and non-production of relevant records.

[Ref. Para 5.11.4.2 of MIA (PRI)]

#### **5.4 Audit of Register of Cheques issued:**

The main aspects to be covered in audit under this category are as shown below:

- (i) Issue and custody of cheques.
- (ii) Cancellation of cheque, and
- (iii) Treatment of lapsed or lost cheque.

To cover the above three broad areas, the following points are to be seen in audit.

- (a) Whether cheque book was kept under custody of the authorized officer.
- (b) Whether retention of signed cheque in the office was avoided.
- (c) Whether any cheque was drawn in favour of any person to whom the money was not actually due except the cases involving expenditure on establishment.
- (d) Whether certificate of count of cheque leaves in a cheque book was recorded by the competent authority.
- (e) Whether the fact of cancellation was recorded by stamping "cancelled" under initials of drawer of the cheque both on the cheque and its counterfoil across the payment order in the voucher, in the cash book and other books of account.
- (f) In case when a new cheque has been issued in lieu of a lapsed cheque, the auditor should verify whether:
  - (i) issue of new cheque instead of lapsed cheque was justified;
  - (ii) the old cheque is stamped "lapsed" and preserved with the counterfoil;
  - (iii) the number and date of the new cheque is recorded on the counterfoil of the lapsed cheque;
  - (iv) the number and date of the new cheque is recorded on the counterfoil of the new cheque; and
  - (v) the fact has been recorded in red ink in the Cash Book on the date of issue as well as a note being made at the same against the original entry in the Cash Book.

#### **5.5 Analysis of Financial statement:**

In regularity (financial) audit and in other types of audit when applicable, auditors should analyse the financial statements to establish whether prescribed accounting procedures for financial reporting and disclosure are complied with.

Financial statement analysis aims at ascertaining the existence of the expected relationship within and between the various elements of the financial statements identifying any unexpected relationships and any unusual trends.

The auditors should thoroughly analyse the financial statements and ascertain whether:

- a) Financial statements are prepared in accordance with prescribed accounting procedures;
- b) Financial statements are prepared with due consideration to the circumstances of the audited entity;
- c) Sufficient disclosures are presented about various elements of financial statements; and
- d) The various elements of financial statements are properly evaluated, measured and presented.

(Ref. Para 9 of Chapter III of the Auditing standards)

## **5.6 Audit of Receipts:**

**5.6.1** Every institution will have a prescribed procedure for issue and accounting of receipt. While auditing the receipts, the points mentioned below are to be looked into:-

**5.6.2** It should be verified that the provision of relevant Rules have been complied with by the Head of Office in dealing with the receipt transactions.

**5.6.3** It should be verified that the procedures prescribed for collection and remittance of PRI moneys have been followed by the Head of Office.

**5.6.4** It should be seen that the transactions relating to remissions, writes off and refunds of revenue have been regulated and accounted for in accordance with prescribed Rules and orders, by the Head of office.

**5.6.5** The Registers etc that are prescribed in the relevant Rules should be scrutinised to see that they are properly maintained by the Head of office. When conducting detailed check of transactions relating to the selected month/months, the individual items should be traced from one document to the other corresponding document etc and the several entries in respect of a transaction linked to one another to ensure the proper observance of the Rules cited above.

**5.6.6** The stock account of Receipt Books should be verified to see that (i) the entries of issue of fresh books and receipt of used books are properly made after check, (ii) in the case of cancelled receipts both the counterfoil and the original duly cancelled are available, and (iii) the physical verification of used and unused books is done periodically by Head of office with reference to the balance in the stock account and a certificate of

verification recorded. Audit Party should also verify the existence of receipt books with reference to Account Balances as on the date of verification.

**5.6.7** It has to be noted in particular that revenue generated from the resources of the PRI should be credited to relevant heads of accounts as prescribed. Similarly, income tax, sales tax, royalty etc recovered from bills or received in cash should be promptly paid into the credit of the respective accounts and should not be retained in the office. It should be seen that there has been no violation of these requirements by the Head of office.

**5.6.8** It should be seen that realizations of revenue are duly posted in the Demand, Collection and Balance Registers and the Cash Book.

**5.6.9** Reasons for loss of revenue, if any, should be duly examined and it has to be verified whether they have been written off under orders of the appropriate authority.

[Ref. Para 7.5 of MIA (PRI)]

#### **5.7 Payment vouchers:**

**5.7.1** It should be verified that the procedures laid down in the relevant rules and orders have been followed in regard to payment transactions and the documents/registers/records prescribed in those Rules have been maintained properly by the Head of office.

**5.7.2** It should be seen that all payments in excess of the prescribed limits for cash payments have been made through crossed cheques drawn in favour of parties and in no case cash payment has been made by drawing self cheque or out of cash balances available in the office. It should also be verified that bearer cheques are not issued in any case. Further endorsements made on cheques should be tallied with the acquittance in voucher or vouchers and it should be seen that no PRI employee figures in them as an employee.

**5.7.3** It should be checked that while preparing detailed contingent bills for supply of materials, stock certificates in the prescribed form are enclosed and that payment on the basis of proforma bills can be made in cases where they are expressly permitted by the competent authority, if the relevant rules so provide.

**5.7.4** During detailed audit of transactions of the selected month/months, individual items should be traced from one document to the other corresponding document, etc. and the several entries relating to a transaction linked to one another to ensure the proper observance of the Rules prescribed.

**5.7.5** The general principles and rules of audit of payments are laid down in chapter-4. These provisions should be applied in a general manner to the payments covered during the local audit of an office and in detail and in a thorough manner to the payments occurring in the month/months selected for detailed check.

**5.7.6** All vouchers in respect of payments made during the month/months selected for audit should be scrutinised carefully and in a complete manner. It should be verified that every payment entered in the Cash Book is supported by legal quittance, indicating therein the party to whom the money is paid, particulars of transaction to which the payment relates, the period for which the claim relates, and date of payment duly attested by the person authorized to make payment. It has to be seen in audit that: -

- (i) Vouchers are filed in a chronological order and are given distinct serial number according to a well established procedure;
- (ii) Claims are clearly stated and are due and admissible;
- (iii) Arithmetical calculations are correctly made;
- (iv) Receipts (stamped where necessary) of the claimants are available.
- (v) Materials purchased with reference to claims admitted for payment are duly taken note of in the relevant stores/stock registers;
- (vi) Claim admitted is considered reasonable for the purchase and sanction for purchase/payment had been accorded by the competent authorities;
- (vii) Vouchers are duly stamped 'õpaidõ and cancelled to avoid double payment;
- (viii) Payments are, as far as possible, made by crossed (account payee) cheque and cash payment is justified in cases where it is resorted to;
- (ix) Vouchers are correctly classified and duly accounted for.

[Ref. Para 7.6 of MIA (PRI)]

\* Note:- (i) The term 'voucher' should be taken also to include 'sub-vouchers' for all purposes of audit.

- (ii) Cash memoranda issued by trades men for sales against cash payment should not be regarded as 'sub-vouchers' unless they contain an acknowledgement of the receipt of money from the purchases as named therein for the price of the articles sold.
- (iii) After audit, the voucher or account concerned should be en faced with the word 'audited' in red ink over the initials of the person who conducted the audit.
- (iv) If any objection is taken in audit to a voucher or to any item in a schedule or other account, a note of the objection should be recorded thereon in red ink in sufficient detail to make it easily understood.

[Ref. Para 3.1.20 of MSO (Audit)]

### **5.7.7 Compliance with the Income Tax Act, 1961 and Income Tax Rules, 1962:**

(A) Proper credit of Income Tax deducted from the employees:

Audit should ensure that:

- (a) the audit entities are following Income Tax Act, 1961 and Income Tax Rules, 1962 (as amended from time to time), regarding the deduction of Income Tax from its employees: and
- (b) the said Income Tax deducted at source has been credited to the proper Head of Account in an appropriate manner.

(B) Income Tax deduction at source on payment to contractors/sub-contractors/suppliers under section 194 C of the Income Tax Act, 1961.

- (i) Deduction of Income Tax at source on payments to contractors/sub-contractors/suppliers under Section 194 C of the Income Tax Act, 1961, arises as and when any sum is paid to a contractor/sub-contractor/supplier for carrying out any work in pursuance of any contract, the consideration for which exceeds Rs. 20,000/-. Tax is to be deducted either at the time of credit of such sum to the account of the payee, or at the time of payment thereof whichever is earlier. The rate of deduction of tax is 2%.
- (ii) Audit should ensure that the organisation such as Gaon Panchayat has followed the above procedure in connection with the payment to contractors/sub-contractors/suppliers.

#### **5.7.8 Deduction of professional Tax:**

Audit should ensure that the professional Tax has been deducted from the employees at the appropriate rates as notified by the state government from time to time.

#### **5.7.9 Value Added Tax (VAT):**

The Assam Value Added Tax Act, 2005 comes into force with effect from 1<sup>st</sup> May, 2005. During audit it may be seen whether existing dealer paid the VAT:

- (a) who is registered under the Assam general Sale Tax Act, 1993 or central Sale Tax Act, 1956 or
- (b) who is not registered but is likely to pay tax under AGST Act, 1993, or
- (c) whose gross turn over of Sales/purchases or contractual transfer price exceeds taxable quantum on the day immediately preceding the appointed day, will be liable to Pay VAT irrespective of quantum of sale, purchase or works contract under the aforesaid Acts.

## **5.8 Audit of Muster Rolls:**

The points to be covered in the audit of Muster Rolls are:

- (i) record of employment on specific jobs and record of performance of the specific job are available.
- (ii) attendance is taken daily and a daily labour report is sent from the field to the office and supervision over the work is adequate.
- (iii) record of attendance is checked periodically, by a responsible officer inspecting the works on which the labour is employed and assessment of work done vis-à-vis the expenditure incurred is made.
- (iv) disbursements are not entrusted as a rule to officials of low standing.
- (v) father's name and name of village are noted in respect of each person, wages payable are correctly worked out and payment is properly acknowledged.
- (vi) as far as possible the officer disbursing the wages should be different from that controlling the labour.
- (vii) a record is kept of the progress of work done by labour and its cost does not exceed the value at current rate and expenditure has been correctly apportioned between capital and revenue.
- (viii) if the cost of work done through labour is excessive the reasons for the same are looked into for exercising closer/stricter financial control.
- (ix) labourers paid from muster rolls were not engaged on any work other than that for which they were employed.
- (x) the work on which employment was made was necessary and time taken for its completion was reasonable.
- (xi) the prescribed form for Muster Rolls are used.

[Ref. para 7.11 of MIA (PRI)]

## **5.9 Audit of stationery Register:**

It should be seen that:

- (i) all purchases of stationery shown in the indent are traceable with the receipt entries of this register in respect of the months for which detailed check is being conducted;
- (ii) totals and closing balances are correctly worked out; and
- (iii) all issued are bonafide and there is no evidence of any tempering of entries.

[Ref. Para 7.13. of MIA (PRI)]



### **5.10 Audit of Register of Forms:**

During scrutiny of this Register ó

- (a) the receipt entries should be checked with the indents;
- (b) correctness of issues should be test checked;
- (c) a percentage of totals and closing balances should be verified; and
- (d) the receipts and issues of saleable forms, (such as tender documents) license forms or receipt forms should be checked very carefully.

[Ref. Para 7.14 of MIA (PRI)]

### **5.11 Audit of Log Books for vehicles and other records:**

**5.11.1** It should be verified that in respect of vehicles attached to the office, the following records are maintained;

- (a) Log books in the prescribed form
- (b) A record of repairs and replacements indicating the cost and the rates on which they have been carried out.
- (c) A register showing cost of petrol, diesel, oil etc., consumed and all incidental expenditure.
- (d) An inventory of accessories, tools, spare parts, etc.

**5.11.2** The following points should be seen in audit:-

- (i) The entries in the log book and other records are made in ink and there is no tampering of the entries.
- (ii) The kilometer readings at the start and at the completion of each journey are noted by the officers using the vehicles in their own handwriting or by other subordinate officers duly authorized to authenticate the entries.
- (iii) The purpose of the journey is noted clearly to indicate that journeys are official and also marked as "official" and signed by the officer using the car, van or jeep.
- (iv) The log book is scrutinised by a senior officer once a month to ensure that there is no misuse of the staff car and that officers who used the staff car have made necessary entries in the log book. A certificate to this effect is recorded in the log book by the officer authorized to scrutinize it every month.
- (v) The log book is closed at the end of each month and a summary showing details of duty and non-duty journeys performed during the month is prepared in the prescribed proforma.
- (vi) The staff car is used for bonafide official duties and its use for non-official journeys is allowed to a limited extent without detriment to official work.

- (vii) A private journeys where allowed are charged at the rate fixed for the purpose and the charges at these rates are recovered correctly and promptly from the concerned persons for the entire distance traveled.
- (viii) Proper control is exercised over consumption of petrol, diesel, etc. the average K.M. run per litre of fuel is worked out every month and it compares favourably with the optimum average consumption prescribed. In case consumption is more than the average, reasons for the same are investigated and suitable remedial measures are taken.
- (ix) The cost of repairs and replacements is not on the high side.
- (x) The replacement of the same part/parts is/are not repeated in quick succession.
- (xi) Reasons for frequent repairs/break down of vehicles/Staff car are not such as to indicate negligence on the part of the drivers or laxity of control.
- (xii) All bills paid towards the cost of P.O.L. are entered in the Register of P.O.L.
- (xiii) The entries made in the Register of P.O.L. agree with those made in the P.O.L. Account maintained in the Log books.
- (xiv) The accessories, tools and spare parts are kept on record immediately on their purchase and the entries are verifiable from the relevant vouchers.
- (xv) The stocks of accessories, spare parts etc. are physically verified once a year by a responsible officer with reference to the inventory and a certificate of verification recorded. Any shortage coming to notice is promptly enquired into and is got replaced or its value recovered from the person responsible for the shortage. The stock verifier should also verify whether the accessories, spare parts etc are in good and usable condition.

[Ref. Para 7.15 of MIA (PRI)]

## **5.12 Audit of Pay bill and Acquittance Rolls:**

**5.12.1** Establishment pay bills and acquittance rolls relating to the period covered by local audit should be generally reviewed to see that they are correctly prepared and properly maintained, acknowledgements of payees (duly stamped where necessary) are invariably obtained in the acquittance Rolls, supplemental claims are noted against original claims in the acquittance rolls and prescribed certificate as applicable to the claims preferred in the bills are furnished. The checks detailed in the succeeding paragraphs should be applied to all the pay bills and acquittance Rolls pertaining to the months selected for detailed check:

- (1) To ensure that pay bills have been drawn with reference to employees appointed against the sanctioned posts;

- (2) To conduct nominal audit of pay and allowances drawn for individuals with reference to:
  - (a) The State Service Rules and/or General or special orders as applicable to PRIs issued by Government governing appointments, transfer, joining time, suspension, retirement, pay scales, different types of special pay and compensatory allowances etc.
  - (b) Service Book
  - (c) Increment Certificate
  - (d) Orders of appointment/promotion/reversion of individual.
  - (e) Sanctions to leave
  - (f) Orders of suspension and grant of subsistence allowance.
  - (g) Orders, if any, of the disciplinary authority having a bearing on the pay, increment or promotion.
- (3) To ensure that statutory deductions have been effected and necessary returns and certificates have been issued.
- (4) To ensure that all deductions and recoveries from pay bills have been deposited to respective fund/heads of accounts within five working days from the date of drawal of pay bill.
- (5) To see that disbursements made have been duly accounted for in the cash book and the subsidiary register.

[Ref. Para 7.8 of MIA (PRI)]

### **5.13 Bill Register:**

The following points should be seen:-

- (i) It is maintained in the prescribed form and all the columns provided there in are properly filled in;
- (ii) All bills drawn are entered date-wise in the register, the entries being duly attested by the drawing officer;
- (iii) When the bills are endorsed to parties a note to that effect is made;
- (iv) Reference to the voucher (number & date) is given in all cases.
- (v) When bills are cancelled, a note to that effect is made in the Register.

[Ref. Para 7.9 of MIA (PRI)]

### **5.14 Audit of contingent vouchers and Registers:**

**5.14.1** Every payment of a routine nature for the day to day functioning of the office, such as stationery, postage, maintenance, running of vehicles, purchase of uniforms to staff,

cartage (transportation) entertainment expenses etc fall under the category of office contingencies. In respect of these transactions it is necessary to see in audit that:-

- (i) Proper record of expenditure under each category is kept;
- (ii) Expenditure is regulated according to prescribed scales;
- (iii) There exists adequate justification for abnormal increase, if any, in expenditure under any category;
- (iv) Control over the expenditure is vested in certain authorities and they have performed their assigned duties adequately; and
- (v) Procedure, if any, prescribed to be followed before incurring any contingent expenditure is observed.

**5.14.2** The sub-vouchers which have not been forwarded to the Accounting officer of PRI but retained by the Head of Office, should be specially checked and linked to the main contingent bills. It should be verified that they are kept on record and duly cancelled so that they cannot be used again.

**5.14.3** The following points should be seen while checking the Contingent Register:

- (i) Each entry is supported by a voucher and attested by the drawing officer.
- (ii) Entries are correctly made under the sub-heads of charges.
- (iii) The total of entries of sub-vouchers agrees with that of the contingent Bill drawn.
- (iv) The progressive total expenditure from month to month during the year under each head of classification does not exceed the allotment noted at the top of the respective columns.
- (v) The totals of the bills drawn are correctly worked out.
- (vi) In the case of bills for purchase of stores, the articles detailed in the bills have been correctly taken to the Stock Register concerned.
- (vii) Payments made for stores have been noted in the indents and invoices concerned to prevent any double payment.
- (viii) When wages payable to labour or casual workers have been drawn on contingent bills, wages payable have been correctly calculated and proper acknowledgements have been obtained from the payees in the accuitance rolls.
- (ix) The flow of expenditure is even and that if expenditure is unusually heavy towards the end of the year, it has not led to financial irregularities.
- (x) No money is drawn from the bank/treasury unless it is required for immediate disbursement.

- (xi) All charges incurred have been drawn and paid promptly and they have not been held over to be paid from the grant of the next year.

[Ref. Para 7.10.3 of MIA (PRI)]

### **5.15 Audit of Accounts of store and stocks:**

**5.15.1** The store and stock accounts form part of the initial and subsidiary accounts of the departments and audit thereof is consequently conducted locally. The audit of the accounts of the stores and stock shall be directed towards ascertaining that the departmental regulations governing purchase, receipt and issue, custody, condemnation, sale and stock verification of stores are well devised and implemented. Audit should bring to the notice of the authority any important deficiencies in quantities of stores held or any grave defects in the system of control.

**5.15.2** The following aspects relating to purchase of stores should be examined in audit:-

- (i) Purchases should have been properly sanctioned and made in accordance with the rules, regulations and orders issued by the government. Audit must see that purchases have been made taking into account the work load and that the requirements have been assessed on a realistic basis and funds are available for the procurement. It is also to be seen that the stores procured are of approved quality and specifications. Stores of the required specifications have been purchased only under approved rate of contracts (if any). The system of open competitive tender should be adopted for purchases from contractors/suppliers, the purchase being made only from the lowest tender unless there are recorded reasons for not doing so.
- (ii) The rates paid should correspond to those agreed to in the relevant contracts or agreements.
- (iii) The persons responsible for approving and receiving purchases should furnish certificate of quality and quantity before payments are made, except where the contrary is permitted by the rules of the government regulating purchase of stores.
- (iv) Purchase orders should not have been split up so as to avoid the necessity for obtaining the requisite sanction of higher authorities.
- (v) The stipulated terms and conditions should conform to various rules and regulations and orders issued from time to time by the Government.
- (vi) Necessary precautions should have been taken to safeguard the interest of the bodies/institutions in cases involving advance payment for supply of stores in terms of the contract provisions or Government orders. The stores should also

have been received within the stipulated period and the advance payment adjusted.

**5.15.3** As regards custody and issue of stores, it has to be seen in audit whether:

- (i) a particular official has been responsible for the custody of stores for prolonged periods, and if so, whether the stores have been physically verified regularly to guard against any loss, pilferage, etc;
- (ii) discrepancies, if any, between the book balances and the ground balances have been reconciled promptly;
- (iii) appropriate and effective follow up action has been taken on reports of physical verification of stores for making good any losses, shortages etc and to fix responsibility therefor;
- (iv) adequate precautionary measures have been taken to protect stores from damage and undue deterioration;
- (v) adequate shortage facilities are available and precautionary measures have been taken to protect stores;
- (vi) efforts have been made to transfer surplus stores to other works etc where there could be utilised;
- (vii) a report on surplus stores that could not be so transferred as well as on obsolete and un-serviceable stores, specifying the reasons for so declaring them has been promptly sent to the competent authority for facilitating their disposal;
- (viii) all issues of stores are supported by proper indents and have been approved by the competent authority and acknowledged by the indendent recipients;
- (ix) persons entrusted with the custody of store or holding charge of store have furnished the security prescribed in terms of the instructions issued from time to time by the competent authority; and
- (x) only such materials as are provided in the agreement should have been issued to contractors in a phased manner based on its use within a reasonable period. Where government or other authority has prescribed a scale for issue of stores of any particular kind, the scale should not have been exceeded.

**5.15.4** Irregularities in the disposal of public stores are equivalent to illegal appropriation of public fund, and an audit of moneys expended on purchase of stores cannot, by itself, be complete, unless the disposal of the stores is also audited in order to ascertain the final application of the moneys. In auditing the disposal or write off of stores, the following should be kept in view;

- (i) The competent authority should have accorded sanctions for write off of stores. Any deficiencies in the systems requiring attention should be brought to the notice of appropriate authority.
- (ii) Maintenance and accounting of unserviceable stores, that cannot be utilised by the institution responsible for their custody, involve waste of labour and space. Retention of stores in excess of probable requirements in the immediate future may also result in loss through deterioration. It should, therefore, be seen that measures are taken to survey and segregate surplus, unserviceable and obsolete stores and to consider their disposal in accordance with the procedures prescribed by Government in this regard.

[Ref. Para 7.17 of MIA (PRI) & W. Bengal Manual P/40-43]

#### **5.15.5 Sale of stores:**

Stores are generally procured for the use by the PRI and not for sale. However, when it becomes necessary to sell some surplus store it should be seen that:

- (i) Stores are sold only with prior approval of the competent authority;
- (ii) Sale price of an article is fixed with reasonable accuracy;
- (iii) Survey report is approved by the competent authority before un-serviceable stores are sold;
- (iv) Selling rates are reviewed periodically and revised, if necessary, after comparison with market rates;
- (v) When stores are sold by public auction, there are documents to prove that sufficient publicity has been given notifying the sale that auction was conducted properly, that they have been sold to the highest bidder, and that auction records have not been tampered with.

[Ref. 7.17 of MIA (PRI)]

#### **5.16 Audit of contracts:**

##### **5.16.1 Audit objective and Scope:**

The responsibility for the conclusion of contracts for works to be done and supplies to be made and for enforcing them rests with the Executive. However, scrutiny of these contracts or agreements entered into by PRIs/ULBs on behalf of government constitutes one of the important functions of audit. The objective of such a scrutiny is to see whether the contracts or agreements have led to loss or wastage of public money and also to ensure that the rules and regulations provide reasonable security against malpractices.

[Ref: Para 3.7.1 of MSO (Audit)]

### **5.16.2 Source documents regarding audit of contracts:**

The following are the main source documents to be checked in the audit of contracts and agreements:

- (i) Contracts files maintained by PRIs/ULBs.
- (ii) Accounts and Payment vouchers furnished by PRI/ULBs.
- (iii) Administrative Approvals and Technical Sanctions of the competent authority forming the basis of contract.
- (iv) The records/registers maintained by the PRI/ULBs.
- (v) Bills for supply of stores/materials.
- (vi) Copies of contracts and agreements
- (vii) Any other document that would facilitate effective audit.

[Ref. Para 3.7.6 of MSO (Audit)]

### **General Principles governing audit of contracts:**

**5.16.3** The following Principles should be observed while auditing contracts or agreement involving expenditure from PRI/ULBs fund:

- (i) The terms of a contract must be precise and definite, and there must be no room therein for ambiguity or misconstruction.
- (ii) Standard forms of contracts should be adopted wherever possible, the terms being subjected to adequate prior scrutiny.
- (iii) As far as possible, legal and financial advice should be taken in the drafting of contracts before they are finally entered into.
- (iv) No contract involving an uncertain or indefinite liability or any condition of an unusual character should be entered into without the prior consent of the competent financial authority.
- (v) Similarly, terms of a contract once entered into should not be materially varied without the prior consent of the competent financial authority.
- (vi) Contract should invariably be placed only after inviting open tenders and the lowest tender accepted. In cases where it is not considered practicable to invite open tenders, or to accept the lowest tender, the reasons for the deviations should be recorded.
- (vii) In selecting the tender to be accepted, the financial status of the tendering individuals and firms must be taken into consideration, in addition to all other relevant factors.



- (viii) Even in cases where a formal written contract is not entered into, no order for suppliers should be placed without at least a written agreement in regard to price.
- (ix) Provision must be made in contracts for safeguarding PRI/government property entrusted to contractors.
- (x) When a contract is likely to endure for a period more than five years, it should include, wherever feasible, a provision for its unconditional revocation or cancellation at the discretion of the PRIs at any time on the expiry of reasonable notice to that effect. The period of notice should not normally be longer than six (6) months.
- (xi) All contracts should have a provision for recovery of liquidated damages for defaults on the part of the contractor, unless any special instructions are issued by the competent authority.
- (xii) Cost Plus contracts have been avoided except where they are inevitable.

Note: A Cost Plus contract means a contract where in the price payable for supplies or services under the contract is determined on the basis of the actual cost of production of the supplies or services concerned plus profit either at a fixed rate per unit or at a fixed percentage on the actual cost of production.

- (xiii) The terms of contract for the purchases of perishable stores should invariably include a warranty clause.
- (xiv) It should be ensured that in all contracts where a warranty clause is included, the position regarding delivery of goods in replacement of rejected ones is made clear beyond doubt.
- (xv) Lump Sum contracts have not been entered into except in cases of obsolete necessity wherever such contracts are entered into, all possible safeguards to protect the interest of the PRI/ULBs should invariably be provided for in the conditions of the contract.
- (xvi) A schedule of quantities with their issue rates of such materials which are supplied by the PRI/ULBs, and are used in the contract work, should form an essential part of the contract.
- (xvii) The question whether any value added tax, sales tax, purchase tax, and other local taxes and duties are to be paid, and if so, by which party should be settled and cleared up before entering into any contract.
- (xviii) No work should be done under an agreement/contract beyond the date of expiry of its tenure. Wherever, it is considered that the work has to be continued

beyond the expiry of the tenure, timely action should be taken for renewing the contracts/agreement for the further period required.

[Ref. Para 3.7.2 of MSO (Audit) & West Bengal Manual P/45-46]

#### **5.16.4 Audit of Acceptance of Tender/Agreements:**

Important points to be verified while auditing the Acceptance of Tenders (ATs) contracts or Agreements are as follows:

- (i) Complete particulars of quantities and rates/prices should have been furnished, the rates/prices stipulated being firm.
- (ii) Important and material clauses relating to delivery schedule, place of delivery, inspection of stores, dispatch instructions, particulars of consignee etc should have been clearly specified and not omitted.
- (iii) Normally, the AT/Purchase order should have been signed by an authority competent to enter into contracts. If, however, this has been signed by an authority not competent to enter into the contract, it should be verified that a certificate to the effect that the competent authority has approved the purchase is recorded thereon, mentioning also the designation.
- (iv) If the AT provides for payment to a party other than the contracting firm, a power of attorney should already have been registered in the books of the PRI/ULB.
- (v) Provisions relating to payment of Sales Tax, excise duty, value added tax etc should be checked with reference to the instructions issued by the government from time to time. Vague provisions such as "Sales Tax/Value Added Tax will be paid, if legally leviable" should be objected to and the contracting authority asked to state in definite terms whether sales tax, excise duty, value added tax, etc. are payable and, if so, the rates, basis of expenditure brought to notice.
- (vi) ATs issued in the later part of a financial year should be specially scrutinised and any tendency on the part of the PRI to resort to rush of expenditure brought to notice.
- (vii) If the AT provides that the supplier should furnish a solvency certificate for the contractual amount, Audit should verify that no fact has been suppressed in documents connected with the solvency certificate and that the financial interests of Government/PRI/ULB have been adequately protected.
- (viii) The contract should have been sanctioned by a competent authority and signed by the authorized person.

- (ix) In respect of contractors entered into with a firm, each one of the partners, or the duly constituted attorneys in the case of absent partners, should have signed all the documents constituting the contracts. In the later case, the original powers of attorney duly registered in a court of Law will be verified and an attested copy obtained for audit purposes.
- (x) The contract should not have been entered into by or on behalf of a minor.
- (xi) Security deposit, if any, should have been furnished in the appropriate form and of the correct amount and within the period stipulated in the contract.
- (xii) All the conditions and requirements printed on the contract form should have been compiled with.
- (xiii) Penalties leviable under the terms of the contract should have been enforced in the event of any default or breach of the conditions.
- (xiv) Requests for dispatch of heavy goods by passenger train involving payments of freight charges cases disproportionate to the value of the materials should be reported to the local audit party for detailed examination. In such cases, the party should examine whether higher rates of freight charges were also agreed to on earlier occasions on grounds of urgency and whether the circumstances really justified the additional expenditure.

[Ref. Para 3.7.13 of MSO (Audit)]

#### **5.16.5 Propriety Audit in respect of contracts:**

If considered necessary, cases of the following types may be scrutinised:

- (i) Inclusion of any new item not originally contemplated in the contract.
- (ii) Cases involving extension of the stipulated delivery schedule when payment of higher prices had been agreed to initially on grounds of urgency of requirements and early delivery.
- (iii) Cases involving payment of compensation to contractors/suppliers/firms.
- (iv) Contracts, even if sanctioned by the competent authority including the Government, containing any extraordinary or unusual stipulations.
- (v) Cases involving adoption of any special and apparently objectionable procedures of purchase, inspection and payment.
- (vi) All contracts concluded on cost plus profit basis.
- (vii) All contracts entered into with private firms for functioning as Government/PRI/ULB approved stock list.
- (viii) Sanctions to ex-gratia payments.

[Ref. Para 3.7.14 of MSO (Audit)]

## **5.17 Register of Advances to Employees:**

### **5.17.1** Audit has to ensure that ó

- (a) all types of advances made to employees are classified as advances under correct heads of account and not to final heads of account.
- (b) Adjustments of advances are properly accounted for and
- (c) Advances outstanding at the end of year are reflected in the annual accounts.

**5.17.2** It should be seen in audit that in respect of festival advances and advances for purchase of conveyance, house construction etc., recovery of instalments more or less regular and that in respect of traveling allowance advance adjustment bills are obtained immediately after the tour or transfer is over.

**5.17.3** It should be seen in audit whether the prescribed rules and orders regulating the purpose, eligibility, documentation leading to the sanction of advances, scrutiny, sanction, quantum, levy of interest/penal interest, disbursement of instalments, repayments and modalities of recovery, watching of recoveries etc have been properly followed by the officers dealing with advances and related transactions.

**5.17.4** The Register of advances should be checked to see that entries there in are made promptly with attestation by the authorized officer, there is no omission to effect recoveries of principal and interest as per rules, balances are regularly struck, outstanding balances at the end of each month and year as per the Register tally with corresponding figures appearing in the monthly and annual accounts respectively.

**5.17.5** Audit should also seen that internal check and control over advances and their recoveries are quite adequate. In particular, it should be seen in audit that:

- (i) the advance was for meeting immediate disbursement and limited to anticipated expenditure;
- (ii) advance is duly authorized by competent authority;
- (iii) proper record of such advances is kept and recovery./adjustment is watched through it;
- (iv) unutilized amount has been promptly refunded;
- (v) recovery of instalments is regular in all cases; and
- (vi) if any purchases for office use have been made out of advances, which were duly authorized by competed authority, such items have properly been taken to stock.

[Ref. Para 7.18 of MIA (PRI)]

## **5.18 Audit Points regarding audit of Expenditure from PRI/ULB fund.**

**5.18.1** The primary objectives of audit of expenditure are to check whether:

- (i) funds have been authorized by the competent authority prescribing the limits within which expenditure can be incurred;
- (ii) the expenditure conforms to the relevant provisions of the Act and the constitution and of the laws made thereunder and is also in accordance with the financial rules and regulations framed by the competent authority;
- (iii) either a special or general sanction of the competent authority authorizing the expenditure is available; and
- (iv) all financial transactions have been correctly recorded in the accounts under examination and have been allocated to the appropriate heads of account.

## **5.19 Audit of Public works Accounts:**

### **5.19.1 Objectives and scope of the Audit of works:**

The main objective of audit of works are:

- (i) initial accounts, vouchers etc have been received in a complete shape;
- (ii) all sums received/paid have been credited/debited to the proper heads of account;
- (iii) all charges are covered by sanctions and allotment;
- (iv) all vouchers and accounts are properly prepared, arithmetically correct and are correctly classified; and
- (v) claims admitted for payments are valid according to the rates sanctioned by the competent authority.

[Ref. Para 4.1.1 of MSO (Audit)]

### **5.19.2 Source of documents:**

The following are the source documents to be checked at different stages of the Audit of works:

- (i) accounts including schedules;
- (ii) vouchers;
- (iii) cash and stock accounts;
- (iv) sanctions;
- (v) estimates of works;
- (vi) tenders;
- (vii) relevant registers;
- (viii) transfer transactions etc.

[Ref. Para 4.1.2 of MSO (Audit)]

### **5.19.3 Audit checks to be exercised in connection with the audit of works:**

- (i) the initial accounts, vouchers etc have been received in a complete state;
- (ii) all sums receivable have been realised and credited to the proper head of account;
- (iii) the charges are covered by proper sanctions and allotments and are supported by complete vouchers setting forth the claims and the acknowledgements of the payees legally entitled to receive the sum paid;
- (iv) vouchers and accounts are properly prepared in all respects in accordance with rules and are arithmetically correct;
- (v) all charges are correctly classified;
- (vi) claims admitted for payment are valid and in order on the basis of rates sanctioned by the competent authority and of acts (e.g. quantities or work done, supplies made, service rendered etc) certified by the authorized person;
- (vii) every payment is so recorded and a receipt for it so obtained that a second claim against the PRI/ULB on the same account is impossible;
- (viii) no one has exceeded the financial powers delegated to him by virtue of various Rules, Regulations and orders issued by the Government/competent authority from time to time.
- (ix) Allotments made for individual works out of the lump sum provision made for a group of works, are not exceeded and expenditure against such individual allotments is adequately monitored;
- (x) In cases where two or more disbursing authorities have to operate simultaneously against a single sanction, orders of the competent authority are obtained placing specific restrictions on the extent to which each such authority could enter into monetary transactions. It may be advisable in such cases to provide for separate working estimates or other sanctions to cover the transactions of each authority and, for the purpose of bringing the expenditure to accounts, these should be treated as far as possible as independent transactions pertaining to the same group of works or the same projects. If, however, this is not possible, special arrangement must be made for checking the total expenditure against the sanction.
- (xi) The works expenditure is checked with reference to the estimates in order to ensure that the charges have been incurred only in pursuance of the objects intended in the estimates;
- (xii) The authorized gross expenditure on a work is not exceeded without the order of the competent authority and any surplus recoveries of expenditure are not utilised towards such additional expenditure.

- (xiii) Savings an account of abandonment of parts of a work, as evidenced by the quantities of the work executed or otherwise, are not utilised towards an unauthorized object.
- (xiv) Recoveries of expenditure should be watched in order to bring all marked deviations from the provision for such credits in the estimates of works;
- (xv) Muster Rolls and petty vouchers should be checked in details;
- (xvi) Satisfactory and efficient arrangements exist for checking tenders and the comparative statement of tenders correctly incorporates the totals as checked in the individual tenders;
- (xvii) The progressive expenditure does not exceed the amount of the sanctioned estimate or the allotment sanctioned for individual works or item of expenditure or grants of works or items of expenditure and action is being taken for regularization of excesses, if any, over the estimate/allotment.
- (xviii) The rules and orders in force are duly observed in respect of all the transactions of the PRI/ULB.
- (xix) Proof of payment to the correct individual; and
- (xx) Observance of standards of financial propriety as enumerated in this manual.

[Ref. para 4.1.4 & 4.1.6 of MSO (Audit)]

#### **5.19.4 Audit of sanctions and orders:**

An important component of the audit conducted with reference to sufficiency of the authority for incurring the expenditure, is the scrutiny of sanctions and orders, Audit must verify whether expenditure on a work is covered by:

- (i) a sanctioned detailed estimate for the work, and
- (ii) an allotment (for each year during which any expenditure is incurred on the work) which may be either for work itself or for the whole unit of appropriation within which the work falls alongwith one or more other works according to the rules on the subject prescribed by the government concerned.

In some cases separate financial sanction of the competent authority may also be necessary under the provisions of the financial rules and orders of Government before any expenditure can be incurred on a work.

**5.19.5** Every sanction, whether relating to expenditure on works or to revenue or other transactions of a PRI/ULB, should be audited as soon as it is received. In cases where a sanction authorises expenditure which is known to be recoverable from a third party or which is required under rule to be so recovered or to be adjusted ultimately otherwise, the

Accountant General (Audit) will make necessary entries either in the objection books or in a separate register at his discretion for keeping a watch over the recoveries.

**5.19.6** For the purpose of financial sanction, a group of works which forms a single project shall be considered as one work and the necessity for obtaining the sanction of a higher authority to a project is not avoided by reason of the fact that the cost of each particular work in the project does not require such sanction.

[Ref. Para 2.2.37 (iv) of MSO (Audit)]

## **5.20 Audit of grants-in-aid.**

**5.20.1** The main aim of audit of grants-in-aid is to ensure that:-

- (i) the grants are utilised for the purpose for which these are given; and
- (ii) sound economical, financial and managerial practices are duly followed while incurring expenditure out of such grants.

Audit has to bring to light instances of waste, failures, system weakness and deficiencies resulting in infrastuctuous expenditure.

[Ref. Para 3.5.1 of MSO (Audit)]

## **5.20.2 Audit scrutiny:**

The audit should ascertain that:-

- (i) funds have been authorized by the competent authority prescribing the limits within which expenditure can be incurred;
- (ii) the expenditure conforms to the relevant provisions of the Act and Rules and of the laws made there under and also in accordance with the financial rules and regulations framed by the competent authority
- (iii) all financial transactions have been correctly recoverable in the accounts under examination and have been allocated to the appropriate heads of account.

The audit has to verify that:

- (i) each item of expenditure is covered by the sanction of the authority competent to sanction it;
- (ii) the authority sanctioning it is competent to do so by virtue of the powers vested in it by the provisions of the Act, Rules or orders made thereunder or by the rules of delegation of financial authority framed by the competent authority;
- (iii) the sanction is definite and thus needs no reference either to the sanctioning authority itself or to any higher authority; and
- (iv) the expenditure conforms to the provisions of the sanction.

[Ref. Para 3.5.9 of MSO (Audit)]



### **5.20.3 Audit should check that:**

- (i) the sanction conforms to the pattern of assistance or rules, governing such grants-in-aid as approved;
- (ii) the suitability of the instruction/beneficiary seeking the grant has been assessed by the sanctioning authority;
- (iii) no grants are sanctioned where there is reasonable doubt or suggestion of corrupt practices unless the institution concerned has been cleared of the allegations;
- (iv) every order sanctioning a grant indicates whether it is recurring or non-recurring in nature and the object for which it is given and clearly specifies the general and special conditions, if any, attested to the grant; and
- (v) a provision to the effect that the accounts of the grantee institutions shall be open to inspection by the sanctioning authority/Audit wherever considered necessary by them is incorporated in all orders sanctioning grants-in-aid.

[Ref. Para 3.5.10 of MSO (Audit)]

- (vi) grants are not paid in excess of actual requirements of the grantee/beneficiary for the financial year or; say for a period of one year from the date of issue of the sanction and that any general or special orders for releasing a particular grant in instalments are complied with;

[Ref. Para 3.5.13 of MSO (Audit)]

**5.20.4** In view of large amounts disbursed as grants-in-aid in connection with development schemes, it has become an important function of audit to watch:

- (i) that there is no tendency on the part of the government to continue disbursing fresh grants to a grantee when substantial amounts out of the earlier grants remain un-utilised;
- (ii) that an adequate machinery is available with the executive authorities to maintain a constant watch over the progress of expenditure from the grant, the continued solvency of the grantee and the safety of the funds provided;
- (iii) whether the intended development schemes are being implemented economically and efficiently and producing the results expected of them;
- (iv) the extent to which the agency or authority being audited is adequately discharging its financial responsibilities in relation to the schemes being implemented; and

- (v) whether there are instances of overpayments, loss, extravagance, avoidable excess or infructuous expenditure attributable to improper planning, in correct sequencing of activities, delays in completion etc.

[Ref. Para 3.5.20 of MSO (Audit)]

**Grant made for a specified object:**

**5.20.5** Unless it is otherwise ruled by Government, every grant made for a specified object is subject to the following implied conditions:

- (i) If the sanctioning authority has not prescribed any time frame for the purpose, the grant will be spent upon the specified object within a reasonable time, which would normally be a period of one year from the date of issue of the sanction;
- (ii) Any portion of the grant not ultimately required for expenditure upon the specified object shall be surrendered.

[Ref. Para 3.5.21 of MSO (Audit)]

**5.21 Audit of Service Books:**

**5.21.1** During Audit, 25% of Service books of the officials should be checked in an office, which is audited annually, 50% of an office audited once in 2 years and 100% in an office audited once in 3-4 years. However, the audit party should check service books of all officials who are to retire in the next 12-18 months.

[Ref. Para 8.1.1 of MIA (PRI)]

**5.21.2** The following points should be covered during check of Service books:-

- (i) They are maintained with the leave account, for every official on the prescribed form and it is complete in all respects and kept up to date.
- (ii) The posts are created by the authorities competent to create those posts and are in the prescribed scales and the appointments made are as per prescribed procedure;
- (iii) Entries of all events in the official carrier of the official (such as date of appointment, provision/revision, suspension, stoppage of increments, confirmation, deputation etc.) are made in his service book and attested by the authorized officer duly giving reference to sanction order or such other relevant authority and there are no missing links.
- (iv) Service books contain a certificate of annual verification of Service with reference to acquittance rolls and other records.

- (v) No alteration of the date of birth of the official is made in contravention of the relevant rules and without sanction of the competent authority.
- (vi) Entries in the first page are attested every five years.
- (vii) Option, if any, regarding revised scale/pension rules/leave rules etc exercised by the officials, the nomination to DCRG, GPF, etc. are recorded/firmly pasted in the Service books.
- (viii) Entries in pay columns of the service books agree with the pay actually drawn as per the office copies of pay bills and paid as per the acquittance rolls for the months selected for detailed check.
- (ix) Officials are not retained beyond the date of superannuation, except under the orders of Government or competent authority.
- (x) The regulation of increments, fixation of pay due to revision of pay rules, provision etc are according to the prescribed rules and orders.
- (xi) None of the entries in the Service book is tampered with.

[Ref. Para 8.1.2 of MIA (PRI)]

#### **5.22 Leave accounts:**

The points to be seen are as follows:

- (i) The nature and extent of leave sanctioned is correctly due and admissible to the official under the leave rules.
- (ii) Leave account has been properly posted and closed soon after the incumbent returns to duty from leave and every entry has been duly attested.
- (iii) Orders of the leave sanctioning authority have been recorded in the body of the service book, giving reference to memo no, date etc.
- (iv) Leave at credit has been correctly worked out in accordance with the rules and leave account revised wherever necessary with reference to orders regarding completion of probation, confirmation etc.
- (v) Fact of issue of certificate under the relevant provisions of the leave rules in respect of leave sanctioned during the officiating service is recorded in cases where the period of leave is counted as service for increment under these rules.
- (vi) Subsidiary leave accounts have been maintained wherever necessary and debits to such accounts have been correctly made.
- (vii) Excess leave sanctioned or excess leave salary drawn by mistake and discovered later has been rectified promptly.

- (viii) Benefit of encashment of leave wherever allowed is correctly admissible, the order no, block period, etc are recorded in the body of the service book, and the leave availed/surrendered is correctly debited to leave account.

[Ref. Para 8.1.3 of MIA (PRI)]

### **5.23 Audit of pensions:**

**5.23.1** In PRIs/ULBs where a scheme of paying pension to their employees is in operation, audit has to ensure that the scheme has been properly formulated and approved by the competent authority. It should also be seen that detailed rules and procedures have been prescribed for meeting the pensionary liabilities, for building up pension papers, for processing them, for authorizing payments, for watching payments against authorizations, for regulating payments in cases of death etc and for maintaining requisite registers for these purposes and other allied matters.

**5.23.2** In audit it should be seen that qualifying conditions prescribed in the rules for grant of pension and gratuity are fulfilled and that amounts of pension and gratuity sanctioned and drawn are correct and in accordance with the relevant Rules.

[In the light of Para 8.2 of MIA (PRI)]

### **5.24 Audit of provident Fund Accounts of Employees.**

**5.24.1** Where PRIs/ULBs maintain provident fund accounts of their employees, it is essential to ensure that they have framed proper rules and regulations for maintaining accounts and the scheme is duly recognized by the competent authority, as otherwise contribution to the fund by the employees may not qualify for rebate under the Income Tax Act.

**5.24.2** The following points are to be borne in mind in the audit of provident fund accounts:-

- (i) Provident Fund subscriptions have been regularly deducted from the salary of employees at the prescribed rates and deposited with the concerned treasury within the stipulated period.
- (ii) Withdrawal or advance from provident fund has been sanctioned by the competent authority and actual payment is duly supported by acknowledgement of receipt.
- (iii) The amount sanctioned is in conformity with the rules governing the admissibility of such advances or withdrawals;
- (iv) The amount of advances or withdrawals is not in excess of the balance at the credit of the subscriber.

- (v) Advances from the fund are recovered regularly in term of the sanction;
- (vi) Payment of the advance or amount withdrawn has been posted in the subscriber's ledger account;
- (vii) Balances at the end of each year are correctly worked out and communicated to each subscriber and his acceptance obtained;
- (viii) Total of all balance of all accounts are worked out and total outstanding balances are duly reconciled with annual accounts;
- (ix) Balances in all accounts are duly drawn up in the form of investment, recoverable advances, cash and Bank/treasury Balances.

[Ref. in the light of Para 8.3 of MIA (PRI)]

#### **5.25 Audit of Fixation of Pay:**

When there is a general revision of pay, the fixation of pay in such circumstances should be test checked by the auditor with reference to service books.

[Ref. in the light of Para 3.3.14 of MSO (Audit)]

#### **5.26 Audit of Travelling allowance Bills:**

**5.26.1** In the audit of T.A. Bills it should be seen that the following fundamental requirements have been satisfied:

- (i) The journey was actually performed.
- (ii) The journey was necessary and authorized by general or special orders.
- (iii) The journey was performed as expeditiously as possible.
- (iv) No bill has been submitted and/or paid for the same journey before
- (v) The amounts claimed (fares or mileage for journeys, daily allowance etc.) are correct with reference to the pay of the claimant and prescribed rates and also general/special conditions.
- (vi) Particulars under the columns in the bills have been clearly furnished.
- (vii) The claimant and the drawing and countersigning officers have given all prescribed certificates and declarations applicable to the claims included in the bill in a correct and complete manner.
- (viii) Supporting documents such as tickets in proof of travel and receipts for conveyance of personal effects in case of transfers as prescribed have been attached to the bill.
- (ix) The controlling officers who have countersigned the T.A. bills have properly discharged their duties.

[In the light of Para 7.16 of MIA (PRI)]

# CHAPTER – 6

## AUDIT OF SCHEME TRANSACTION:

### Audit of schemes implemented by Panchayati Raj Institutions:

During normal audit of Panchayati raj Institution (PRI), it will be necessary to pay special attention to transactions relating to schemes implemented by different departments under the control of that institution.

[Ref. Para-16.1 of MIA (PRI)]

### 6.2. Points to be covered during audit:

6.2.1 The important Points to be seen during audit of schemes are as follows:

- 1) Whether a proper survey has been conducted before launching a scheme for the first time in an area.
- 2) Whether the expenditure has been incurred strictly in accordance with the guidelines/instructions issued in respect of the scheme and to serve solely the purpose for which the scheme has been sanctioned.
- 3) Whether Cash accounts, stores and stock accounts, vouchers and requisite documents/records/registers are properly prepared and separately maintained, if so prescribed.
- 4) When moneys relating to a scheme are kept in a bank, whether the opening of the Bank account and its continuance are duly authorized and whether remittances into and drawals from the Bank accounts are in order.
- 5) In the case of schemes undertaken for the benefit of SC/ST, women and children/Backward classes etc, coming under the Purview of the Social Welfare Department etc., the necessary certificate such as caste certificate, income certificate, age certificate etc, as prescribed and obtained from the authority competent to give such a certificate, before a person identified as a beneficiary under the scheme.
- 6) Whether the contributions from beneficiaries, if prescribed, have been reserved and properly accounted for.
- 7) Whether the physical and financial achievements with references to prescribed targets are closely monitored by the Head of office and remedial steps are promptly taken in case shortfalls, lapses or defects come to notice.

- 8) (i) Where funds are provided by the departments of PRIs for construction of departmental buildings and staff quarters etc. entrusted to works and engineering Department, it is to be ascertained whether the progress of works is properly monitored by the funding departments and suitable action is taken to get them completed on time.  
(ii) In respect of incomplete, works, reasons for non-completion are to be ascertained, analysed and commented upon highlighting blocking of funds and wasteful expenditure.
- 9) Proper documents are maintained to prove that the beneficiaries under each scheme are properly selected by following the procedure laid down in the guidelines of the scheme and follow up action is taken to ascertain that benefits have been actually accrued to the intended beneficiaries.
- 10)(a) Expenditure statements or accounts with vouchers, certificates, statements etc. and progress reports are regularly submitted to the controlling officer and the other authorities by the due dates as prescribed.  
(b) Such statements or accounts are correct and complete in all respect and their genuineness is verifiable from the original initial records maintained in the office.  
(c) The expenditure figures are reconciled with the bank Pass Book figures and are not boosted by fictitious adjustments or by drawing huge amounts as Advances and not rendering detailed accounts within a reasonable period.
- 11) Advances are not drawn and charged off as final expenditure in the scheme accounts, especially towards the end of the financial year.
- 12) If the accounts are to be rendered after getting them audited by the State Audit Agency or a Chartered Accountant, they are got audited and submitted with the prescribed audit certificates and other details by the due dates.
- 13) Proper utilization certificates in respect of assistance/grants received for implementing the schemes are furnished promptly.
- 14) Unutilised amounts at the end of the year are refunded if so prescribed by the scheme sanctioning authority.

[Ref. Para-16.2.1 of MIA (PRI)]

### **6.3 Bank Accounts:**

6.3.1 In respect of some schemes implemented by PRIs separate bank accounts and cash books are required to be maintained scheme wise by each implementing office. Audit should verify that this requirement has been complied with and obtain a list of Bank

Accounts showing the name of the scheme, name of the bank Account Number. An intelligent review of the entries in the bank pass Books should be conducted to find out whether any amounts from one bank account has been transferred to any other unauthorised bank account. If any such cases come to notice, the transactions relating to those accounts should be investigated thoroughly.

[Ref. Para-16.2.2 of MIA (PRI)]

#### **6.4 Certificate issued by Chartered Accountant:**

6.4.1 In respect of Central /State schemes implemented by the PRIs where audit certificates on accounts are issued by the Chartered Accountant appointed for the purpose, it should be seen whether, the certificates issued by them are in consonance with the points included in the audit reports. For instance, in a given case the Chartered Accountant may have certified that the accounts give a true and fair view and bank reconciliation has been done, whereas in the audit report on accounts, serious irregularities such as non-maintenance or non-production of important documents such as scheme cash books, completion certificate, bank pass books, stock records, work completion certificate etc, irregular transfer of funds to other schemes, unauthorized expenditure, treating advance payments as final expenditure and similar serious defects are pointed out . It is clear that in cases of this type, the Chartered Accountant should not have certified the accounts until the irregularities pointed out by him were rectified. In the alternative, the chartered Accountant should have given an appropriate qualified audit certificate.

[Ref. Para 16.2.4 of MIA (PRI)]

#### **6.5 Suggested lay out:**

The following layout with such modifications as may be necessary in respect of audit of central/ state schemes:

- (i) Introduction ó Brief description of the Project/Scheme/Programme and its objectives with sub-objectives, details of the inputs or action plan identified in the Project/scheme document to achieve the stated objectives.
- (ii) Scope of audit-Extent of coverage, size of sample etc.
- (iii) Organisational arrangements
- (iv) High lights
- (v) Allocation of financial resources and flow of funds,
- (vi) Physical and financial targets.
- (vii) Utilisation of financial assistance/resource ócritical analysis of the expenditure actually incurred on the Projects/Scheme with reference to allocations/targets including irregularities in expenditure, instances of diversion or misuse of funds.



- (viii) Output analysis-critical analysis of the goals achievements and shortfalls in respect of each component/sub-component of the Project/Scheme including deficiencies in implementation.
- (ix) Utilisation of materials/equipment
- (x) Creation of assets and their utilization
- (xi) Man power resources and their utilization
- (xii) Impact assessment-Realisation of Socio-economic objectives-Achievements and shortfalls-observations a efficacy and cost effectiveness of the Project/scheme.

[Ref: Para 3.8.39 of MSO (Audit)]

- (xiii) Arrangements for monitoring and evaluation.

## **6.6 Classification of schemes:**

The schemes implemented under PRI can be classified under the following three categories:

- 1) Wage Employment Scheme:
  - National Rural Employment Guarantee Scheme (NREGS);
- 2) Self Employment Scheme:
  - Swarnajayanti Gram Swarozgar Yojana (SGSY);
- 3) Social Security Scheme:
  - (a) Indira Awaas Yojana (IAY)
  - (b) National Social Assistance Programme (NSAP);
    - (i) National Old Age Pension Scheme (NOAPS)
    - (ii) National Family Benefit Scheme (NFBS)]
    - (iii)National Maternity Benefit Scheme (NMBS)

Out of the above schemes, the salient features and guidelines of two vital schemes namely, (1) National Rural Employment Guarantee Schemes (NREGS) and (2) Indira Awaas Yojana (IAY) and on the utilization of grants recommended by Twelfth Finance Commission (2005-10) and Thirteenth Finance Commission (2010-15) alongwith audit points are discussed in the succeeding paragraphs of this Chapter. In respect of other schemes the audit checks may be carried out as per the guidelines given in Chapter 5.

## **6.7 The National Rural Employment Guarantee Act (NREGA):**

6.7.1 The National Rural Employment Guarantee Act (NREGA), 2005 came into force wef 5.9.2005. The NREGA provides a legal guarantee for one hundred days of

employment in every financial year to adult members of any rural household willing to do public work-related unskilled manual work at the statutory minimum wage.

#### **6.7.2 The Assam Rural Employment Guarantee Scheme (AREGS):**

In exercise of the Powers conferred under Sub-Section 4 of Section 3 of the National Rural Employment Guarantee Act, 2005 (Central Act No. 42 of 2005) the Assam Rural Employment Guarantee Scheme, 2006 was formulated under the provisions of the Act and notified vide Notification No. RDD.123/2006/1 dt.10<sup>th</sup> November, 2006 which came into force from the date of its Publication in -THE ASSAM GAZETTEø i.e. 16<sup>th</sup> November 2006.

The auditor shall go through the above Act and rules in details for conducting audit of the scheme. Some of the main points contained in the Act/Scheme and rules framed thereunder are narrated below:

#### **6.7.3 Objective:**

The Assam Rural Employment Guarantee Scheme (AREGS) will be implemented to achieve the following objectives:

#### **6.7.4 Primary objective:**

To provide livelihood security in the rural arrears of Assam by employment at least 100 days of guaranteed wage employment in a financial year to every household where adult members volunteer to do unskilled manual works:

[Ref. Para 1 of Assam State Govt. Notification No.RDD.123/06/1 dt.10<sup>th</sup> Novø06]

#### **6.7.5 Other objective:**

- (i) Generation of productive assets
- (ii) Protecting environment
- (iii) Empower rural women
- (iv) Reduce rural urban migration
- (v) Fostering social equity.

[Ref. Para 1.2 of the aforesaid Notification]

**6.7.6** Initially Employment Guarantee scheme was implemented in seven districts of Assam viz-Kokrajhar, N.C. Hills, Karbi Anglong. Bongaigaon, Goalpara, Lakhimpur and Dhemaji. Later on the scheme was extended to all the districts in Assam.

[Ref. Para 1.3 of the aforesaid Notification]

**6.7.7** Under NREGS, every adult member of a rural household who volunteers to do unskilled manual work can demand employment. For this he should -

- (i) Register with GP/Village Development Committee; and
- (ii) Get a job card and demand work.
- (iii) Every house hold is entitled to 100 days of guaranteed wage labour (unskilled)
- (iv) Work should be allotted within 15 days of applying, otherwise is entitled to unemployment allowance
- (v) Period of employment shall ordinarily be 14 days continuously with not more than 6 days in week.
- (vi) Entitlement of 100 days guaranteed employment in a financial year is in terms of house hold. The 100 days can be shared within the household with the available persons of the house hold who register their names for manual work.
- (vii) Work site should be within 5 k.m. radius, if not, 10% of wage rate will be paid as extra.
- (viii) Payment of wages will be done fortnightly, equal wages to both men and women.
- (ix) Free treatment to injured workers will be made available.
- (x) Ex-gratia will be paid in case of death and permanent disability during the work period to both workers and their children.

[Ref. Para 1.4 of the foresaid Notification]

- (xi) Communication ómethod and media to ensure peopleø Participation in Assam:
- (xii) The Assam government will adopt various methods and media for effective communication of information about the Act and the scheme in the state. The following measures will be adopted:
  - (a) Massive sensitization programmes;
  - (b) Booklets and leaflets in Local languages highlighting the basic features of the act;
  - (c) Organization of special Gram Sabhas.

[Ref. Para 1.5 of the aforesaid Notification]

**6.7.8** Institutional arrangements in the State of Assam for the implementation of Assam Rural Employment Guarantee Scheme.

6.7.8.1 Implementation activity of the scheme will take place at Gaon Panchayat and block levels.

6.7.8.2 Activities relating to co-ordination will be taken at block and district level.

6.7.8.3 Planning. Supervision and monitoring will be done at all levels.

6.7.8.4 The government of Assam has declared Deputy Commissioner of Plain districts and Principal Secretary of the Autonomous Council as the District Programme Co-ordinator (DPC) and he shall be the implementing authority at district level under the AREGS, Block Development Officer will be the Programme Officer and shall be the implementing authority at block level. The overall responsibility for ensuring that the schemes is implemented according to the Act lies with DPC and PO.

#### **6.7.9 Interim arrangement in Assam:**

Initially the Block Development officer was to function as programme officer as an interim arrangement and discharge all the functions of the programme officer as given in the National Rural Employment Guarantee Act. He will get support from his existing staff for discharging functions under the scheme. The state government decided to re-designate and attach selected Gram sevaks as Gram Rozgar Sevak and attached them to Gram Panchayat/Village Development Committee.

6.7.9.1 Village Panchayats (Gaon Panchayat) will be the field level implementing authority.

6.7.9.2 In case of Autonomous Council districts village level development committee (VLDC) will help in the implementation of the Act.

6.7.9.3 State Employment Guarantee Council shall help the State Government on the implementation of the scheme and evaluate and monitor it.

6.7.9.4 The State government will ensure smooth implementation of the scheme at all levels in transparent manner and discharge functions as ordained under the Employment Guarantee Act.

6.7.9.5 Director of Rural Development Department will be the State programme Co-ordinator. He will be assisted at the Directorate of Rural Development by a senior officer in discharging his responsibility for the smooth implementation of the scheme.

6.7.9.6 In sixth schedule areas where PRIs system is not in existence activities to be performed by Autonomous Council and Village Development Committees. In certain cases Programme Officer will have to take cases of extra responsibilities to help village Development Committee to discharge their responsibilities. However, Gram Sabha will be organized as per provisions of the scheme.

[Ref. Para 2.5 of the foresaid Notification]

## **6.7.10 Key agencies in the state and their respective roles:**

### **6.7.10.1 Gaon Panchayat:**

The Gaon Panchayat has a vital role in the implementation of Rural Employment Guarantee Scheme. It is responsible for planning of works, registering households, issuing job cards, allocating employment, executing 50% of the works and monitoring the implementation of the scheme at the village level. The implementation of NREGA involves a considerable organizational burden at the level of Gaon panchayat. This involves registering families, issuing job cards, receiving application for works, maintaining records, allocating employment and so on, aside from planning and executing panchayat work.

### **6.7.10.2 Anchalik Panchayat:**

The Anchalik Panchayat will be responsible for planning at the block level and for monitoring and supervision. It can also be given the responsibility of executing the works from among the 25 % kept apart for intermediate panchayats.

### **6.7.10.3 District Panchayat/Autonomous Council:**

District Panchayat/Autonomous Council will be responsible for finalizing the district plans and for monitoring and supervising the Employment Guarantee Scheme in the district. District Panchayat can also execute works from among the 50% that are not to be executed by Gaon Panchasyat.

### **6.7.10.4 State Government:**

The State Government will formulate Rural Employment Guarantee Scheme and the rules pertinent to its implementation, in consonance with the Act. It will set up the state employment Guarantee Council and may establish a state employment Guarantee Fund to ensure timely resource support to the scheme.

## **6.7.11 Other Agencies:**

The State Government and Zilla Parishads/Autonomous Council will form a panel of selected non-government organisations having good track record in execution of works as implementing agencies in addition to the panchayats.

6.7.11.1 Works will be allotted to these non-government organisations as and when required and their proposal will also be incorporated in annual action plan.

6.7.11.2 The State Government and Panchayats/Council will maintain close co-ordination with line departments in the implementation of the scheme.

(Ref. Para 2.13 of the aforesaid Notification)

**6.7.12** Co-ordination among agencies/officials working at different levels in Assam.

- (i) Zilla Parishads/Autonomous Council, Anchalik Panchayats and Gaon Panchayats/Village Development Committees will co-ordinate with each other for effective implementation of the scheme.
- (ii) Information on new applications shall be given at least once in a week by the GPs/Village Development Committees to the Programme Officer. GP shall also specify how many of the new applicants are being employed and how many are to be provided employment by the Programme Officer under general works.
- (iii) Programme Officer will have overall responsibilities of co-ordination and to provide resource support to the GPs/Village Development Committees and other implementing agencies.
- (iv) DPC will co-ordinate with the P.O. and other implementing agencies to ensure that applicants are provided employment as per their entitlement.

(Ref. Chapter-III of the aforesaid Notification)

**6.7.13 Preparation of Perspective Plan:**

6.7.13.1 Objective of preparation of the perspective plan is to identify the types of works that will be encouraged in the district and the potential linkage between these works and long term employment generation for sustained development.

6.7.13.2 Gaon Panchayat wise, village level development Committee wise, block wise incorporating the Village Development Plan will be prepared under the scheme for a period of five years covering the estimate of labour demand and estimates of works expected to respond to demand. The Perspective Plan will map the existing infrastructure facilities and also list out the requirements of infrastructures in rural areas as against the labour demand.

6.7.13.3 Annual Plan will flow out of the perspective plan.

(Ref. Chapter-IV of the aforesaid Notification)

**6.7.14 Annual Action Plan:**

6.7.14.1 Gaon Sabhas will be organized, if required, special Gaon Sabhas will be organized to estimate the demand for labour and priority of works to be taken up according to the felt need of the people for the financial year. Gaon panchayat

will prepare annual plan based on the recommendation of the Gaon Sabhas indicating demand for labour and works to be taken up.

- 6.7.14.2 Annual plan so prepared will go to the programme officer who will scrutinise the feasibility of the works and watch each with probable demands for works. Programme Officer will prepare consolidated shelf of project distinguishing panchayat works and general works. Intermediate panchayat will accord approval to the plan and forward it to district planning co-ordinator. Intermediate panchayat will maintain the priority of works as indicated by Gaon panchayats but inter G.P. works will be included.
- 6.7.14.3 District Planning Co-ordinator will consolidate the plan coming from different Programme Officer after scrutinizing the appropriateness, adequacy and feasibility.
- 6.7.14.4 Every year the Gaon Panchayat/Village Development Committee shall convene a meeting of the Gaon Sabha to estimate the demand for labour and to propose the number and priority of works to be taken up in the next financial year. Participation of likely beneficiaries should be ensured in the Gaon Sabha so that their priorities and needs shape the Annual Plan.
- 6.7.14.5 The recommendations formulated in the Gaon Sabhas will be forwarded to the Gaon Panchayat/Village development committee. Based on these recommendations, the Gaon Panchayat/Village development committee will prepare an annual plan and forward it to the programme officer. The Gaon Panchayat will also identify the 50 percent of the works in its area that it may wish to take up.
- 6.7.14.6 The plan for the area of intermediate panchayat will be approved by the Intermediate Panchayat and forwarded to the District Programme Co-ordinator. The District Programme Co-ordinator will scrutinize the plan proposal of all the Intermediate Panchayats, examining the appropriateness and adequacy of works in terms of likely demand as well as their technical and financial feasibility. He/She will consolidate all these proposals into a District plan proposal to be discussed and approved by the District Panchayat. The time frame for each project must be specified.

(Ref. Para 4.5 of the aforesaid Notification)

### **6.7.15 Application for registration, issue of job card, application for works etc.**

- 6.7.15.1 Application for registration will be made to the Gaon Panchayat/Village Development Committee in prescribed form or in a plain paper containing all necessary details as indicated in the Annexure
- 6.7.15.2 Special Gaon Sabha will be organized for mobilizing application and conduct of verification. Verification of application will be regarding local residence in the Gaon panchayat concerned, as an entity, and the fact that applicants are adult members of the house hold.
- 6.7.15.3 Special Gaon Sabhas will be conducted covering small areas to make it more meaningful and convenient. Door to door survey will also be taken up.
- 6.7.15.4 Job cards will be issued after proper verification and will remain valid for five years.
- 6.7.15.5 Application of work will be submitted to Gaon Panchayat. This application can also be submitted to Programme Officer as ÷fall backö option.
- 6.7.15.6 The Department of Panchayat and Rural Development, Assam, will prepare in prescribed proforma in local language for the smooth implementation of the scheme. Formats in Assamese for registration, Job cards, application for employment, intimation for allotment works, format for grievance redressal, muster roll register, assets register, information to be displayed at public places, application registration register, job card register, employment register, complaint register will be prepared.
- 6.7.15.7 Every adult member (above 18 years) of a family who reside within a Gaon Panchayat/council and volunteers to do unskilled manual work can register with the GP/PO. Registration will be done throughout the year at GP office. Job cards will be issued within 15 days of application for registration. After getting a job card from GP, household can demand for employment. A house hold can also mention specific period of employment. However, the period of employment shall be at least 14 days continuously with not more than six days in a week, within 15 days after application date, the household should be allotted with work. This 100 days work can also be shared within the household. Household members can work simultaneously or at different times. For panchayat works, GP is the authority to issue the work and for general works the Programme Officer will be the issuing authority.
- 6.7.15.8 An individual may appear personally and make an oral request for registration.



- 6.7.15.9 Verification of applications will be regarding local residence in the Gaon Panchayat concerned, the household as an entity and the fact that applicants are adult members of the household.
- 6.7.15.10 A door to door survey may also be undertaken to identify persons willing to register under the Act. The Survey may be conducted by a team headed by the President of the Gaon Panchayat/Village development Committee and involving ward members, SC/ST and women residents, a village level government functionary and the Gaon Panchayat Secretary.
- 6.7.15.11 The process of verification shall be completed as early as possible and in any case not later than a fortnight after the receipt of the application in the Gaon Panchayat.
- 6.7.15.12 Every registered household will be assigned a unique registration number. The registration number shall be assigned in accordance with the coding system similar to that prescribed by the central and the state governments for the BPL census, 2002.
- 6.7.15.13 Copies of the registration shall be sent to the Programme Officer for the purpose of reporting to the Intermediate Panchayat and District Panchayat/Autonomous Council for further planning, tracking and recording. This must be done immediately, so that the Programme Officer has a consolidated record of likely demand to enable him/her to organise resources accordingly.
- 6.7.15.14 A Gaon Sabha of registered workers must be held.
- 6.7.15.15 The Gaon Panchayat will issue job cards to every registered household. The timely issue of well designed job card is essential; this is a critical legal document, which also helps to ensure transparency and protect labourers against fraud.
- 6.7.15.16 The Job cards should be issued immediately after verification, i.e. within a fortnight of the application for registration. Job cards should be issued in the presence of the local community.
- 6.7.15.17 Photographs of adult members who are applicants have to be attached to the job cards. The identity portion of the job card may be laminated. The cost of job cards, including that of the photographs will be borne as part of the programme cost.
- 6.7.15.18 A copy of job card will be maintained at the Gaon Panchayat. The job cards shall be valid for a period of five years and will have provisions for the

addition/deletion of members eligible to work. Deletion in any household on account of demise or permanent change of residence of member are to be reported immediately by the household concerned. Additions desired may be applied for by the household.

6.7.15.19 All additions and deletions made in the Registrations Register will be read out in the Gaon Sabha/Village Development Committee. The Gaon Panchayat will send a list of additions/deletions to the Programme Officer.

6.7.15.20 A card holder may apply for a duplicate job card if the original card is lost or damaged. The application will be given to the Gaon panchayat and shall be processed in the manner of a new application.

6.7.15.21 Every agency making payment of wages must record on the job card without fail the amount and the number of days for which payment has been made.

(Ref. Para 5.1 to 5.15 of Chapter V of the aforesaid Notification)

#### **6.7.16 Works to be taken up in the districts of Assam.**

6.7.16.1 Following works will be taken up to implement the scheme in the state of Assam depending upon the felt need and priority of the area. Different places in different districts will require different works according to the local condition. Perspective plan and annual action plan will be prepared accordingly.

- (i) Water conservation and water harvesting.
- (ii) Drought proofing, including afforestation and free plantation.
- (iii) Irrigation canals, including micro and minor irrigation works.
- (iv) Provision of irrigation facility to land owned by households belonging to the SC/ST or to be land of the beneficiaries of land reforms.
- (v) Renovation of traditional water bodies including de-silting of tanks.
- (vi) Land development.
- (vii) Flood control and protection works, including drainage in water logged areas.
- (viii) Rural connectivity to provide all weather access. The construction of roads may include culverts where necessary and within the village area may be taken up including drains.
- (ix) Any other works that may be notified by the Central Government in consultation with the state government.

(Ref. Chapter VI of the aforesaid Notification)

**6.7.17 Sanctioning of works:**

- 6.7.17.1 Works shall be of two types: Those implemented by the Gaon Panchayat (Panchayat works) and those implemented by other implementing agencies (general works).
- 6.7.17.2 In each block, the Programme Officer shall allot at least 50% of the works in terms of its cost under a scheme to be implemented through the Gaon Panchayat (NREGS, Section 16 (5)).
- 6.7.17.3 All works on both lists will be required to obtain Administrative Sanction and Technical Sanction in advance, by December of the year preceeding the proposed implementation.
- 6.7.17.4 For panchayat works the Gaon Panchayats are the appropriate authorities empowered to start works (by issuing work order) and to allocate employment among persons who have applied for work.
- 6.7.17.5 For general works, the Programme Officer shall act as the authority to start works (by issuing work orders).

(Ref. Para 7.2 of the aforesaid Notification)

**6.7.18 Payment of wages:**

- 6.7.18.1 Every person working under the scheme shall be entitled to wages at the minimum wage rate fixed by the State Government for agricultural labourers under the Minimum wage Act, 1948, unless the wages have been notified by the Central Government under section 6 (1) of the Act.
- 6.7.18.2 Equal wages shall be paid to both men and women workers, and the provision of Equal Remuneration Act, 1976 shall be complied with.
- 6.7.18.3 The State Government may provide for a portion of the wages to be paid to the labourers on a daily basis during the period of employment.

**6.7.19 Measurement of works for payment of wages:**

- 6.7.19.1 Wages may be paid at Daily wages (time rate basis) and piece rates basis.
- 6.7.19.2 Where wages are paid on a time rate basis the supervisory authorities will be responsible for ensuring that productivity norms are met.
- 6.7.19.3 Where wages are paid on a piece rate basis the works must be of such a nature that each labour work can be individually measured.
- 6.7.19.4 In construction works, skilled labourer can be paid on a piece rate basis.
- 6.7.19.5 No worker shall be paid less than the daily minimum wages.

(Ref. Para 8.1 to 8.9 of Chapter VIII of the aforesaid Notification)

**6.7.20 Muster Roll:**

- 6.7.20.1 The Block Programme Officer shall supply each village panchayat and other executing agencies with Muster Rolls.
- 6.7.20.2 Muster Rolls shall be maintained by Gaon Panchayat and other executing agencies for every work separately, showing the details of wages paid to workers.
- 6.7.20.3 To prevent non-payment or under payment of wages or any manipulation, muster rolls should be maintained in stitched forms and all its pages must be numbered.
- 6.7.20.4 Muster rolls each with a unique identity number will be issued by the Programme Officer to the Gaon Panchayats and all executing agencies.
- 6.7.20.5 Muster rolls maintained by Gaon Panchayats and other executing agencies will contain the following information for each work:
- (i) Name of the person on work; his or her job card number, days worked and days absent; and wages paid. The payment made and the number of days worked will be entered in the household job card of every worker.
  - (ii) Unique identity number given to that work.
  - (iii) Signature or thumb impression of the payee.
  - (iv) The original muster roll will form Part of the expenditure record of the executing agency.
  - (v) Any muster roll that is not issued from the office of the Programme Officer shall be considered unauthorized.

(Ref. Para 8.10 of the aforesaid Notification)

**6.7.21 Wage material ratio:**

- 6.7.21.1 The ratio of wage costs to material costs should be no less than the minimum norms 60:40 stipulated in the Act. This ratio should be applied preferably at the Gaon Panchayat, Block and district levels.
- 6.7.21.2 Wages of skilled labourers and rates should be included in the materials cost.

(Ref. Para 8.11 of the aforesaid Notification)

**6.7.22 Unemployment allowances:**

- 6.7.22.1 Unemployment allowances will be provided if authority fails to provide employment to worker within 15 days. 15 days will be calculated from the date on which work is requested and unemployment allowance shall be payable by the State Government at the rate prescribed in the Act.

**6.7.22.2** The Programme Officer shall be responsible for the prompt payment of unemployment allowances throughout the block.

**6.7.22.3** Unemployment allowance should be paid on a weekly basis at the Gaon Panchayat level, on employment guarantee day.

(Ref. Para 8.13 of the aforesaid Notification)

**6.7.23 Fund and Funding Pattern:**

6.7.23.1 The programme will be implemented as a centrally sponsored scheme on cost sharing basis between the centre and the state in the ratio 90:10.

**6.7.23.2 Central Government will bear –**

- (i) Entire cost of wages of unskilled manual labourers.
- (ii) 75% of the cost of the materials and wages for skilled and semi skilled workers.
- (iii) Administrative expenses as may be determined by the Central Government.
- (iv) Administrative expenses of central Employment Guarantee Council.

**6.7.23.3 State Government will bear –**

- (i) 25% of the material cost and wages of skilled and semi skilled workers.
- (ii) Unemployment allowance

**6.7.23.4 National Employment Guarantee Fund:**

Central Government establishes this fund from which the grants for State Governments or Districts will be released.

**6.7.23.5 Employment Guarantee Fund:**

Established by State Government state share of expenditure will be released from this fund. Functions as revolving fund.

6.7.23.6 Annual budget will be decided based on the Annual work plan and Budget proposal (AWPB) submitted by state to the Ministry of Rural Development for that year.

6.7.23.7 The state share of fund will be released within 15 days of the release of the central fund.

6.7.23.8 Programme Officers will release funds to the Gaon Panchayats and other implementing agencies.

6.7.23.9 To reduce the risk of financial leakages and to promote transparency and accuracy in fund management, the practice of monthly squaring of accounts should be introduced. This consists of verifying that all the money under NREGA is accounted for under the following heads ó

- (i) Money held in bank accounts at various levels.
- (ii) Advances to implementing or payment agencies.
- (iii) Vouchers of actual expenses.

(Ref. Para 9.1 to 9.5 of the aforesaid Notification)

**6.7.24 Monitoring and Evaluation:**

- 6.7.24.1 Gaon Sabhas monitor all the scheme activities at village level, including registration and issuing of job cards and timely payment of wages.
- 6.7.24.2 Intermediate Panchayat and Programme Officer will monitor the Registration of the households and employment provided to them, payment of wages and unemployment allowance, flow of fund, social audit and progress and quality of work.
- 6.7.24.3 District Panchayat and District Programme Co-ordinator will monitor all aspects of implementing at Block and Village level.
- 6.7.24.4 District wise studies should be conducted or commissioned by the State Employment Guarantee Council.
- 6.7.24.5 Block wise studies should be conducted or commissioned by the District Programme Co-ordinator.

(Ref. Chapter XII of the aforesaid Notification)

**6.7.25 Gaon Sabhas for implementation of the scheme in Assam:**

- 6.7.25.1 As per Assam Panchayat Raj, Gaon Panchayat should organise Gaon Sabhas after every three months.
- 6.7.25.2 Gaon sabhas are organized in the State of Assam at Gaon Panchayat level covering the adult population of the entire Gaon Panchayat.
- 6.7.25.3 Gaon sabhas will take part in participatory planning for the implementation of the scheme including selection of works and their prioritization.
- 6.7.25.4 Gaon sabhas will take part in verification and registration of workers.

(Ref. Chapter XIII of the aforesaid Notification)

**6.7.26 Maintenance of accounts:**

- 6.7.26.1 Accounts of the scheme shall be maintained as per the prescribed norms of the government.
- 6.7.26.2 Accounts will be maintained in the new formats prescribed by C&AG.

[Ref. Chapter XIV (Para 14.1 & 14.2) of the aforesaid Notification]

**6.7.27 Joint Signature:**

6.7.27.1 Each Gaon Panchayat will have a single bank account for the purpose of implementing NREGS works. This REGS account will be operated jointly by the President and the Secretary of the Gaon Panchayat.

6.7.27.2 All payments made from the REGS account will be reported to the Gaon Panchayat at its next meeting and approval will be obtained.

6.7.27.3 The REGS related accounts of the Gaon Panchayat shall be presented for scrutiny at the biannual social audits of the Gaon Sabha, in pre-specified formats.

(Ref. Para 14.3, 14.4, 14.6 of the aforesaid Notification)

**6.7.28 Administrative approval and technical sanction:**

6.7.28.1 Sanction of the project upto ₹2.00 lakh will be accorded by the Programme Officer.

6.7.28.2 Sanction of the project costing more than ₹2.00 lakh will be given by the District programme Co-ordinator.

6.7.28.3 Technical sanction will be accorded as per existing State Government norms for implementation of Rural Development programme.

(Ref. Para 14.10 to 14.12 of the aforesaid Notification)

**6.7.29 Accredited Engineer:**

6.7.29.1 The State Government may constitute panels of accredited engineers at the District and Block levels for the purpose of assisting with the estimation and measurement of works.

6.7.29.2 The State Government shall fix the rates to be paid to accredited engineers in cases where they are not government servants.

(Ref. Para 14.14 & 14.16 of the aforesaid Notification)

**6.7.30 Physical and Financial audit:**

6.7.30.1 Financial audit will be done by local fund auditor and Chartered Accountant.

6.7.30.2 Audit by Accountant General will also be done.

6.7.30.3 Internal audit will also be taken up by District Programme Co-ordinator to scrutinise the reports of Gaon Sabha.

6.7.30.4 Special audit will also be taken up if necessary.

6.7.30.5 Audit reports will be submitted to the State Government and action will be taken against irregularities.

6.7.30.6 In addition to normal audit physical audit of the works in the field will also be taken up.

(Ref. Para 14.18 of the aforesaid Notification)

**6.7.31 Social audit:**

6.7.31.1 Social audit forum will be convened twice a year by order.

6.7.31.2 Basic norms to be promoted by Gaon Sabha:

Transparency (ii) Participation (iii) Consultation and consent  
(iv) Accountability (v) Redressal.

6.7.31.3 Public vigilance and verification of implementation will be done in the social audit forum.

6.7.31.4 In the context of NREGA, the process of Social audit should include public vigilance and verification of the following 11 stages of implementation:

- (i) Registration of families.
- (ii) Distribution of job cards.
- (iii) Receipt of work application.
- (iv) Preparation of shelf of project and selection of sites.
- (v) Development and approval of technical estimates and issuance of work order.
- (vi) Allotment of work to individuals.
- (vii) Implementation and supervision of works.
- (viii) Payment of unemployment allowance.
- (ix) Payment of wages.
- (x) Evaluation of work.
- (xi) Mandatory social audit in the Gaon Sabha (Social Audit forum)

6.7.31.5 Initial registration shall be conducted by the Gaon Panchayat to enumerate all the families and their adult members.

6.7.31.6 Subsequent to the initial registration, there shall be public reading at the Gaon Sabha of:

- (i) List of all registered households.
- (ii) List of registered adults in each registered household.
- (iii) The final list will be put up for public display at the Gaon panchayat office and updated every three months.
- (iv) The list of job card holder must be updated every month and be available for inspection at the Gaon Panchayat office.
- (v) A file containing photocopies of all job cards issued shall open for inspection at the Gaon Panchayat office.



- (vi) Individuals may send their applications for works by post or deliver it by hand.
- (vii) They will have the right to an immediate, written, signed and dated receipt.
- (viii) Maintain a work allocation register for public scrutiny at the Gaon Panchayat office.
- (ix) Ensure that the public is informed through notice board and through other measures.
- (x) The public must be able to access muster rolls on demand.
- (xi) A copy of the sanction work order must be available for public inspection at the worksite.
- (xii) A daily material register must be kept and verified by five workers every day.
- (xiii) The vigilance committee should check the records.
- (xiv) Payments should be made in public place on fixed days.
- (xv) Verification of work for conformity with the work order in terms of specifications and quality must be carried out at an open project meeting with all REGS workers who worked on that site and open to all the people of Gaon Panchayat.

(Ref. Chapter ó 15 of the aforesaid Notification)

#### **6.7.32 Application Registration Register:**

Every Gaon Panchayat shall maintain a register of applications (or requests) received for registration. This should contain the name of each applicant, the date of receipt of application or request and the date on which the job card was issued.

(Ref. Para 15.11.31 of the aforesaid Notification)

**6.7.33 Job Card Register:** Every gaon panchayat shall maintain a job card register. A duplicate of this register will be maintained in computerized form at the office of the programme officer.

(Ref. Para 15.11.32 of aforesaid Notification)

#### **6.7.34 Employment Register:**

Every Gaon Panchayat shall maintain a register that records; (a) employment demanded, (b) employment allotted; and (c) employment actually taken up.

(Ref. Para 15.11.33 of the aforesaid Notification)

#### **6.7.35 Asset Register:**

Gaon Panchayat and every implementing agency shall maintain a register of all works sanctioned, executed and completed (in the proforma given in Annexure ó

B-10). The information in the register will be reported by the Gaon Panchayat and all other implementing agencies to the Programme Officer on the same proforma.

(Ref. Para 15.11.34 of the aforesaid Notification)

**6.7.36 Muster Roll Receipt Register:** Gaon Panchayat and implementing agencies shall maintain a muster roll receipt register. The Gaon Panchayat shall also maintain a record of the copies of muster rolls received from other implementing Agencies.

(Ref. Para 15.11.35 of the aforesaid Notification)

**6.7.37 Complaint Register:**

Complaint Register shall be maintained at all the panchayat levels.

(Ref. Para 15.11.36 of the aforesaid Notification)

**6.7.38 Check list:**

In addition to the general checks prescribed for audit of schemes under NREGS/AREGS the following checks may also be exercised as per the checklist given below:

1. Whether beneficiary list was prepared by conducting door to door survey within the time frame by the specific committee of officials.
2. Whether all the persons eligible and willing to register for employment as per survey reports were issued job cards.
3. Whether unique registration number was assigned to each registered household.
4. Whether the names, job card number of labourer that were paid wages as per Muster Rolls were cross checked with the corresponding job card number and name appearing in the Job Card Register.
5. Whether Job Card Register is maintained by the Gaon Panchayat/Programme Officer.
6. Whether the list of labourer registered under NREGA was available in the Gram Panchayat Office.
7. Whether the house hold details maintained by Gram Panchayat/Block for other purposes such as election, ration card etc. were compared with the details of households registered for NREGA.
8. Whether the files through which job cards were issued or the files containing copies of job cards were checked to verify whether photos were pasted on the job cards.

9. Whether job card number was recorded on the Muster/Acquittance Roll against each name and whether the cases with missing job card numbers tally with the list of job card holders.
10. Whether the concerned job cards bear the signature of card holders and Secretary of the Gaon Panchayat.
11. Whether reconciliation was carried out during audit regarding the days of employment provided as indicated in the Muster Rolls of the works and the number of days of employment provided during that period as per the employment demanded and provided.
12. Whether there are any duplicate job card numbers in the Muster Rolls (each job card uniquely identified with a registration number).
13. Whether job card numbers and the card holders' names are recorded in the Muster Rolls used for making payment.
14. (i) Whether the Job Card Application Register was checked to ascertain the dates of receipt of application.  
(ii) Whether this date was compared with the date of issue of job card recorded in the Job Card Register to comment on the deviation, if the job cards were not issued within 15 days of application.
15. Whether the file containing copies of the job cards maintained by the Gaon Panchayats was checked to ascertain whether the cards were issued by the competent authority and they are in conformity with the format prescribed.
16. Whether the names of the labourers paid through the M.R. were checked with the registered household list and the land holders list of the concerned Gaon Panchayat's revenue record to identify the land holder's names to comment suitably in case of discrepancy.
17. Whether the cases where un-employment allowance was paid were examined to assess whether there were corresponding work applications and receipts thereof.
18. Whether selected month wise Muster Rolls for various works were checked to find out the names appearing in every month's Roll to select the cases from the list with no break in attendance.
19. Whether the dates of payment indicated in the Employment Register were compared with the dates of completion of works indicated in the Works Register to verify whether the payment dates preceded the work completion dates and to comment accordingly.

20. Whether the Muster Rolls of different works of a given period were checked to identify common names, if any, appearing simultaneously in various Muster Rolls for the same period.
21. Whether the list of works approved by the Gaon Panchayat was compared with the name of works/projects for which wages were paid and to comment if payment of wages was made against non-existing projects.
22. Whether the Muster Rolls based on which wages were paid were selected for test check to trace the job card numbers indicated in the Muster Rolls to the Job Card Register and from there to the Employment Register to find out whether the labourers actually existed or not and to comment on the payment towards non-existing works.
23. Whether the District Perspective Plan from district panchayat/district programme co-ordinator was obtained to assess (if available) whether the works executed during the period of audit were included in the annual plan.
24. Whether the annual plans from of Gaon Panchayats/Programme Officer were obtained to assess whether the works executed during the period of audit were included in the annual plans and to ascertain the reasons for non-compliance, if any.
25. Whether the Works Register which contain the details of the assets, their cost, location, current status, benefits derivable and the details of works that have been taken up was checked with the works listed in the Schedule-I of MNREGA to bring out deviations, if any and to make comment.
26. Whether the Asset Register contains details of the assets, their cost, location, current status, details of work. Whether the Asset Register (to be maintained by the programme officer/Gaon Panchayat) was verified to identify the nature of works taken up as per Muster Rolls payments and to trace their details to the Asset Register/Works Register.
27.
  - (i) Whether all important items of works were included in the estimate.
  - (ii) Whether there were changes in the specifications that resulted in extra items.
  - (iii) Whether any important item was omitted and subsequently executed through extra rates.
  - (iv) Whether there was any abnormal increase or decrease in the quantities executed.

28. (i) Whether the specification of the materials received tallied with those specified in the orders placed for procurement of materials/estimates.  
(ii) Whether full payments were made even though the material did not conform to the quality norm.
29. Whether the list of works under execution were included in the approved list of works and their particulars were displayed in the G.P's office.
30. Whether there was delay between execution of works and measurement of works.
31. Whether the file pertaining to works/Project Completion Report in the office of the implementing agency was checked to ascertain whether Project Completion Report was sighted.
32. Whether the Muster Rolls used were scrutinized and their source of supply traced in order to determine their genuineness and to verify whether all the mandatory particulars of labourers and works executed were maintained.
33. Whether records containing overwriting/white fluid were checked for their substantive testing with reference to the names of employees, their job card numbers, etc to find out any deviation and comment thereon.
34. i) Whether the work wise M. Roll and acquittance Roll were checked to assess whether the quantum of payment made and the duration of work agree with the quantum of work involved and  
(ii) Whether the nature of work involved would warrant the quantum of payment made and comment accordingly.
35. Whether work order numbers were quoted in the Muster Rolls and each work order was uniquely numbered.
36. Whether there were Muster Rolls that do not bear the signature of the Programme Officer and whether the rolls contain all the required information.
37. Whether the employment statistics maintained at the Gaon Panchayat were compared with those reported to block office/programme co-ordinator/data entered on line from time to time to point out deviation, if any.
38. (i) Whether funds were available with PRIs from other sources such as the Central Finance Commission, other Centrally Sponsored Scheme (such as SGRY), Drought Prone Area Programme (DPAP) and whether the works executed through other agencies or line Department appeared to be those executed through NREGA.

- (ii) Whether description of work, sanction order number recorded in Muster Rolls could be traced to the Works Register to identify deviation, if any.
39. Whether the vouchers of monthly expenses maintained were checked to identify any cases where the funds were utilised for purposes other than those stipulated in the Act.
40. Whether bank reconciliation of transactions was done pertaining to a period for discrepancy of accounts occurring between the money held in bank and the expenditure incurred including balance available.
41. Whether the works that were scheduled to be in progress (at the time of audit) as per the Perspective Plan were displayed at the G.P.'s office.
42. (i) Whether the yearly physical and financial audit report were in arrear.  
(ii) The period for which the audit was in arrear and  
(iii) The risk areas identified and key recommendations made during the last audit to assess the extent of compliance made and to comment accordingly.
43. (i) Whether monthly allotment and Utilisation Certificate, Watch Register containing date wise information on allotment, expenditure, balance available with the implementing agencies and the details regarding submission and pendency of Utilisation Certificate were checked during audit.
44. (i) Whether the social audit report was obtained to verify the issues that require compliance.  
(ii) Whether the minutes of the Gram Sabha meetings pertaining to social audit were obtained to verify if there were any pending issues that were mentioned for immediate compliance.  
(iii) Whether the process of social audit included public vigilance and verification of various key stages of implementation of the scheme.  
(iv) Whether apart from the ongoing process of social audit, there were mandatory reviews of all aspects of the social audit at the Gaon Sabha meetings to be held at least once every six months for this purpose.

#### 6.7.39 Task wise responsibilities of different agencies.

Main task.

	Agency responsible
1. Implementation	1. Secretary, Gaon Panchayats and Programme Officer designated agencies
2. Coordination	2. Programme Officer & District Programme Coordinator.
3. Planning, supervision and monitoring	3. At all levels

4. Recommendation of works to be taken up	4. By Gaon Sabhas to be conducted by Gaon Panchayats
5. Conducting social audit	5. By Gaon Sabhas to be conducted by Gaon Panchayat
6. Preparation of development plan	6. Secretary, Gaon Panchayat
7. Registration household	7. Gaon Panchayats
8. Social mobilisation for registration	8. Secretary, Gaon Panchayats
9. Door to door survey for registration and verification	9. President and Secretary of the Gaon Panchayats
10. Issuing job card	10. Secretary, Gaon Panchayat
11. Allocating employment	11. Secretary for panchayat works and PO for general works
12. Preparation of perspective plan	12. District Programme Coordinator (DPC)
13. Appropriateness, adequacy and Feasibility of the plan	13. PO at the block level, DPC at the district level.
14. Preliminary approval of the plan	14. Secretary, Gaon Panchayat
15. Inviting proposals from other agencies	15. PO at block level, DPC at district level
16. Consolidation of plan	16. PO at block level, DPC at district level
17. Identification of implementing agencies other than panchayat	17. PO
18. Preparation of technical estimates and sanction	18. DPC will coordinate.
19. Updating job registers	19. Secretary Gaon Panchayat in coordination with PO
20. Submission for grievances	20. PO at the block level, DPC at the district level and also in Gaon Sabhas.
21. Intimation of allocation of employment	21. Secretary, GP for panchayat works and PO for general works
22. Allocation of employment if GP fails	22. PO
23. Issue of master rolls	23. Each implementing agencies
24. Facilities at the worksite	24. Concerned implementing agencies
25. Payment of wages	25. PO
26. Payment of unemployment allowances	26. DPC & PO
27. Release of fund to implementing agencies	27. Secretary, Gaon Panchayat/PO
28. Presentation of accounts in social audit.	28. State Government
29. Engagement of quality monitors	29. President of GP, PO and designated agencies
30. Evaluation studies	30. Secretary, Gaon Panchayat, PO & DPC
31. Management of data and maintenance of records	31. All implementing agencies
32. Proactive disclosure of information	32. Secretary, Gaon Panchayat and PO
33. Placing of information before Gaon Sabha	33. State Employment Guarantee Council on the basis of report received from DPC &

34. Preparation of Annual Report.	PO	34. Secretary, GP and PO
35. Display of reports in the office premises		35. Secretary, GP
36. Financial audit		36. Local fund auditors/Chartered Accountant and Accountant general.
37. Formation of Vigilance and Monitoring Committee		37. Gram Sabha will elect the members of the committee.
38. Social audit forum		38. President/Secretary Gaon Panchayat
39. Publicity on date and agenda of the forum		39. President/Secretary Gaon Panchayat
40. Preparation of summaries of information to be presented in the forum.		40. Secretary, Gaon Panchayat & PO

[Ref: Notification No. RDD. 123/2006/1 dt. 10.11.2006 the Notification issued in the Assam Gazette (Extraordinary) dated 16<sup>th</sup> November, 2006]

#### **6.7.40 Role and responsibilities of different implementing agencies:**

- Recommended works to be taken up
- Monitor and supervise the work
- Conduct social audit.
- Forum for sharing information relating to implementation.
- Ensuring transparency and accountability.

#### **Gaon Panchayat**

- Planning of the works
- Registering households
- Issuing job card
- Allocating employment
- Executing 50% of the works
- Monitoring and implementation.

#### **Intermediate panchayats/blocks**

- Planning at block level
- Monitoring and supervision
- Executing works outside 50% earmarked for Gram Panchayats.

#### **Programme Officer**

- Coordinator at Block level.
- Scrutinize village plan.
- Match employment opportunities with demand for work



- Supervise the implementing agency
- Safe guard the entitlement of the workers.
- Ensuring social audit.
- Respond to the compliant.
- Can execute workout of 50% not give to GP

### **District Panchayat**

- Finalise the district plan.
- Monitoring and supervision.
- Can execute work out of 50% not earmarked to gram panchayats.

### **District programme Coordinator**

Responsible for overall coordination and implementation in the district

### **State Government**

Makes rules and the scheme  
 Set up State Council and fund  
 Release of state share  
 Provide technical support and training  
 Implementation of the scheme  
 Monitoring & evaluation  
 Pay unemployment allowances

### **State Employment Guarantee Council**

Advising the state government.  
 Determining preferred works  
 Review redressal mechanism  
 Dissemination of information  
 Monitoring of implementation  
 Preparing annual report  
 Taking up evaluation studies.

### **Central Government**

Makes rules and guidelines  
 Notify area  
 Release of central share  
 Setting up of guarantee council

Technical support  
Monitoring and evaluation

### **Central Employment Guarantee Council**

Advise central government  
A develop evaluation and monitoring system advise central government  
Dissemination of information  
Monitor the implementation  
Prepared annual report.

[Ref. Notification No. RDD. 123/2006/1 dt. 10.11.2006 the Notification issued in the Assam Gazette (extra ordinary) dated 16<sup>th</sup> November 2006]

## **6.8 Indira Awaas Yojana (IAY)**

### **6.8.1 Introductory:**

The Indira Awaas Yojana (IAY) is a flagship scheme of the Ministry of Rural Development to provide financial assistance to the rural people living below the Poverty Line (BPL) for construction of a house.

The programme for construction of houses such as National Rural Employment Programme (NREP) began in 1980 and it was superseded by Rural Landless Employment Guarantee programme (RLEGP) which began in 1983. Both the schemes did not provide a uniform policy for rural housing in the states. During 1985-86 Indira Awaas Yojana (IAY) was launched as a sub-scheme of RLEGP and thereafter continued as a sub-scheme of Jawahar Rozgar Yojana (JRY) since its inception in April, 1989. IAY was de-linked from JRY and made an independent scheme w.e.f. 1<sup>st</sup> January, 1996. However, IAY as a flagship scheme of the Ministry of Rural Development became effective from 1.4.2004 and the provision made in the Guidelines have been discussed in the succeeding paragraphs with probable audit points. The modifications made thereafter (1.4.2004) are also to be taken into account by the auditors.

### **6.8.2 Objective:**

The objective of the Indira Awaas Yojana is Primarily to help construction/upgradation of dwelling units of members of scheduled caste/scheduled Tribes, freed bonded labourers and other below poverty line non-SC/ST rural households by providing them a lump-sum financial assistance.

### **6.8.3 Funding Pattern:**

The Indira Awaas Yojana is a centrally sponsored scheme funded on co-sharing basis between the government of India and the State Governments in the ratio of 75:25. In the case of union territories, the entire funds under this scheme are provided by the Government of India.

(Ref. Para 1.3 of the IAY Guidelines)

### **6.8.4 Target group – eligible to get assistance under IAY:**

BPL rural house holds of scheduled castes, scheduled tribes, non-scheduled caste and non scheduled tribes, Ex-serviceman of the armed and Paramilitary forces killed in action, physically and mentally challenged persons, freed bonded labourers and minorities are eligible to get assistance under Indira Awaas Yojana.

(Ref. Para 1.4 of the IAY Guidelines)

### **6.8.5 Earmarking of funds for various categories:**

- 1) Audit should verify that the funds available under the scheme are earmarked for various categories of beneficiaries as follows:
  - (i) At least 60% of the total IAY allocation during a financial year has been utilised for construction of dwelling units for SC/ST BPL households.
  - (ii) A maximum of 40% of the total IAY allocation during a financial year has been utilised for non-SC/ST BPL rural household.
  - (iii) 3% of the above categories have been utilised for physically and mentally challenged.

### **6.8.6 Strategy for the implementation of the programme:**

The programme will be implemented through the Zilla Parishads/DRDAs and houses will be constructed by the beneficiaries themselves.

(Ref. Para 1.6 of the IAY Guidelines)

### **6.8.7 Identification and selection of beneficiaries:**

The Zilla Parishad/District Rural Development Agencies (DRDA) on the basis of allocations made and targets fixed shall decide the number of houses to be constructed/upgraded panchayat wise under IAY, during a particular financial year. The same shall be intimated to the Gaon Panchayat concerned. Thereafter the Gaon Sabha will select the beneficiaries from the list of eligible BPL households, restricting this number to the target allotted as per the programme Guidelines. Selection by the Gaon Sabha is final.

No approval by a higher authority is required. Zilla Parishads/DRDAs and Block Development Offices should however, be sent a list of selected beneficiaries for their information.

(Ref. Para 2.1. of IAY Guidelines)

Since the selection by the Gaon Sabha is final audit should verify that as per Para 2.2 of IAY Guidelines priorities were given to the beneficiaries in the following manner and that benefit actually granted to the intended/selected beneficiaries:

- (i) freed bonded labourers
- (ii) SC/ST household in the following order:
  - SC/ST households who are victims of atrocity.
  - SC/ST households, headed by widows and un-married woman.
  - SC/ST households effected by flood, natural calamities like earthquake, cyclone and man made calamities like riot.
  - Other SC/ST households.
- (iii) Families/widows of personal from defence services/para military forces killed in action.
- (iv) Non-SC/ST BPL households.
- (v) Physically and mentally challenged persons.
- (vi) Ex-serviceman and retired members of the paramilitary forces.
- (vii) Displaced persons on account of development projects, nomadic/semi nomadic and de-notified tribals, families with physically/mentally challenged members.

The selection of the beneficiaries should be further subjected to the condition that the households of all the above categories except (iii) are Below Poverty Line (BPL).

#### **6.8.8 Involvement of beneficiaries:**

With reference to Para 2.3 of the IAY Guidelines audit should verify that:

- (i) the beneficiaries have been involved in the construction of houses;
- (ii) the beneficiaries have made their own arrangements for procurement of construction material, engaged skilled workmen and also contributed family labour;
- (iii) the beneficiaries have enjoyed complete freedom as to the manner of construction of houses;

- (iv) whether the beneficiaries have made any request to the concerned Zilla Parishad/DRDA in appropriate manner to help in acquiring raw materials on controlled rate;
- (v) whether the concerned Zilla Parishad/DRDA has rendered such help to the beneficiaries;
- (vi) whether any committee has been formed to co-ordinate the work.
- (vii) Whether hazard-resistant feature have been incorporated in the design.

(Ref. Para 2.3 of the IAY Guidelines)

#### **6.8.9 Allotment of houses:**

With reference to para 2.4 of the Guidelines Audit should verify that the allotment of dwelling units have been made in the name of female member of the beneficiary household or in the name of both husband and wife.

#### **6.8.10 Unit cost for construction of IAY houses and upgradation:**

Audit should verify (with reference to Para 3.1.of IAY Guidelines) that the Gaon Panchayat has strictly followed the ceiling on grant of assistance per unit cost under the IAY for construction of new and upgradation of unserviceable kutch house as given below:

(a)	Construction of house including sanitary latrine and smokeless chullah	₹38,500/- (2009-10)	₹48500/- (2010-11)
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**6.8.11** Regarding construction of sanitary latrine and smokeless chullas (with reference to para 3.2 of the IAY Guidelines) audit should verify:

- (a) Whether sanitary latrine and smokeless chulla have been provided with each IAY house;
- (b) Whether any effort has been made to devetail funds from total sanitation campaign (TSC) for providing sanitary latrine so that more money can be made available for construction of the IAY house. If not, what is the implication on the performance under IAY for the non-availability of additional fund;
- (c) Whether the efforts made under sub-para (ii) above, are in order;
- (d) Whether Gaon Panchayat is deducting an amount of ₹600/- from the assistance to be provided for construction of the new IAY house or for upgradation of an unserviceable Kutch house for the failure of beneficiary to construct a sanitary latrine; and

- (e) Where smokeless chulla has not been constructed whether the Gaon Panchayat is deducting an amount of ₹100/- from the assistance made to the beneficiary.

#### **6.8.12 Loan for IAY beneficiaries:**

With reference to para 3.3. of the IAY Guidelines audit should verify whether the state government/DRDA concerned has discharged its responsibility to co-ordinate with the financial institutions to make available the credit facility to those beneficiaries who are interested to take such loan in addition to the assistance provided under IAY, for construction of IAY houses or for upgradation of unserviceable kutcha houses.

#### **6.8.13 Credit cum-subsidy for construction/upgradation of rural houses:**

With reference to para 3.4 of the IAY Guidelines, audit should check that upto 20% of the total funds have been utilised for up-gradation of existing kutcha houses and towards subsidy for construction of houses with credit from Banks/Financial Institutions. Audit should also check that the credit cum subsidy has been provided considering the following conditions:

- (i) Rural households have annual income upto 32000/- only.
- (ii) Ceiling of subsidy under the IAY is ₹12500/- per household.
- (iii) The upper limit of construction loan under the IAY is ₹50000/- only and the credit arrangement has been made in accordance with para 3.3 ibid.

#### **6.8.14 Location of the Indira Awaas Yojana:**

Audit should verify (with reference to para 3.5 of the Guidelines) that:

- (i) the IAY dwelling units have been built on individual plots in the main habitation of the village; or
- (ii) the IAY dwelling units have been built in a cluster within a habitation. So as to facilitate the development infrastructure, such as internal roads, drainage, drinking water supply etc. and other common facilities.
- (iii) the house under the IAY are located close to the village and not far away. So as to ensure safety, security, nearness to work place and Social communication; and
- (iv) the site is not located in disaster prone areas (for example, frequently flooded areas).

### **6.8.15 Criteria for allocation of resources:**

Central assistance under IAY is allocated to the States/UTs on the basis of poverty ratio and housing shortage, with each of these variables being given equal weightage. The poverty ratio prepared by the planning commission are used for this purpose, while housing shortage is determined with reference to the last census report. The proportions of rural SC/ST population in housing shortage in a district to the total rural SC/ST population and housing shortage in the state are the criteria of inter-district allocation of the IAY funds within the state. Both these variables are given equal weightage in the inter district allocation. Diversion of resources from one district to another is strictly prohibited. Upto 20% of the total funds can be utilised for upgradation of existing kutcha houses and towards subsidy for construction of houses with credit in accordance with para 3.1 and 3.4.

(Ref. Para 4.1 & 4.3.4 of the Guidelines).

Audit should verify that:

- (i) the same principles has been adopted while allocating funds to the Blocks within a district;
- (ii) no diversion of resources has taken place from one district to another;
- (iii) upto 20% of the total funds have been utilised for upgradation of existing kutcha houses and towards subsidy for construction of houses with credit in accordance with para 3.1 and 3.4 of the Guidelines *ibid*.
- (iv) the Gaon Panchayat has utilised the fund for completion of all incomplete houses sanctioned/taken up in the previous years first (with the funds available during the current year) even if there is a deduction while releasing the 2<sup>nd</sup> instalment in the previous year due to un-avoidable circumstances.

### **6.8.16 Release of Central assistance to Zilla Parishads/DRDAs.**

The IAY funds are operated by the Zilla Parishads/DRDAs at the district level. The central assistance is released every year to the Zilla Parishads/DRDAs in two instalments subject to the fulfillment of the conditions as stated in para 4.2 of the IAY Guidelines. In connection with release of central assistance to Zilla Parishads/DRDAs audit should verify that:

- (i) the Gaon Panchayat has furnished the required and correct information to the concerned panchayat samities /Zilla Parishads to enable the Zilla Parishad to place its demand for timely release of IAY funds;
- (ii) the opening balance of the Gaon Panchayat has not exceeded 15% of the funds available during the previous year;

- (iii) the Gaon Panchayat has furnished utilisation certificates regarding proper utilisation of IAY funds and the said certificate is in order;
- (iv) no diversion or embezzlement have taken place in connection with the IAY funds;
- (v) the Gaon Panchayat has received the IAY funds in time and recorded the same in its accounts/registers and the corresponding entries agree with the grant release orders etc.

#### **6.8.17 Earmarking of Resources under the IAY:**

- 1) 5% of the total allocated funds under IAY are kept apart to meet the exigencies arising out of natural calamities and other emergent situations like riot, arson, fire, rehabilitation under exceptional circumstances etc.;
- 2) Funds to be released for this purpose should not exceed ₹50 lakh per district;
- 3) The relief will be disbursed as per the norms with regard to per unit ceiling of assistance for IAY house prescribed under the scheme;
- 4) In order to avoid any duplication in relief work, both physical and financial progress reports of the funds so spent have to be furnished.

#### **6.8.18 Audit scrutiny regarding earmarking of resources under IAY:**

With reference to para 4.4 of the guidelines audit should verify that:

- (i) the Gaon Panchayat has utilised the resources received in order to meet exigencies arising out of natural calamities and other emergent situations, in a proper manner;
- (ii) no diversion and embezzlement have taken place in this regard;
- (iii) the gaon panchayat has maintained proper accounts of the same and these are in order;
- (iv) there exists proper monitoring in order to avoid any duplication of relief work.

#### **6.8.19 Maintenance of accounts of IAY funds:**

In accordance with para 4.5 of the IAY Guidelines audit should verify that:

- (i) Zilla Parishads/DRDAs have followed the accounting procedure prescribed by the Ministry of Rural Development.
- (ii) The finalized accounts of the previous year have been got approved by the General Body of the concerned DRDA on or before 30<sup>th</sup> June and got audited on or before 31<sup>st</sup> August of the same year.



#### **6.8.20 Separate Bank Account for the IAY:**

The IAY funds (central share as well as state share) shall be kept in a nationalized/scheduled or co-operative bank or a post office in an exclusive and separate savings bank account by the DRDAs.

(Ref. Para 4.7 of the Guidelines)

Audit should verify that:

- (i) the Gaon panchayat has maintained a separate savings account in a Nationalised/Scheduled or a Co-operative Bank or a Post office for IAY funds;
- (ii) the Bank/Post office Pass Book entries agree with the Gaon Panchayat records and are in order.

#### **6.8.21 Utilisation of interest earned on deposit:**

With reference to para 4.8 of the Guidelines audit should verify that the interest amount accrued on the deposit of IAY funds, has been treated as part of IAY resources and not for other purposes. Cases of non-accrual/loss of interest, if any, and reasons therefor should also be highlighted.

#### **6.8.22 Drawal of IAY funds:**

Audit should verify (with ref. to para 4.9 of Guidelines) that the drawal of funds from the accounts of IAY has been made for incurring expenditure only under the IAY i.e. there was no diversion of fund.

#### **6.8.23 Payment to beneficiaries:**

(i) Payment should be made to the beneficiary on a staggered basis depending on the progress of work. The entire money should not be paid to the beneficiary in lump sum.

(Ref. Para 4.10 of the Guidelines)

(ii) Referring to Govt. of India's letter No. G-20011/1/2009 (RH) dt. 15.5.2009 and D.O. No. H-12012/1/2009-RH dt. 30.6.2009 the Commissioner, Panchayat and Rural Development Assam, vide his letters No. DRD-5 (RH)/10/2009/59 dt. 10<sup>th</sup> July, 2009 directed all the Project Directors, DRDAs in Assam that IAY funds/cheques would be routed through the Block Development Officer. The BDOs would distribute the cheque to the beneficiaries ceremonially in presence of PRIs and in case of sixth schedule areas in presence of VCDs. The cheque would be deposited in Bank Accounts that would be operated jointly by the beneficiary and the concerned Jr. Engineer of the Block.

Audit should verify that payment is made to the beneficiary as per the guidelines and govt. instructions.

#### **6.8.24 Ban on contractors/Government Departments:**

As per para 5.1 of the Guidelines no contractor shall be involved in the construction of dwelling units. The house should not also be constructed by any government department. However, government department or organisation can give technical assistance or arrange for co-ordinated supply of raw materials (building materials) if the beneficiary so desires.

Audit should verify that:

- (i) The Gaon Panchayat has not involved any contractor in the construction of dwelling units under the IAY.
- (ii) The houses under IAY have not been constructed by any government department.
- (iii) The government Department or organisation have given technical assistance or made adequate arrangements for supply of raw materials to the beneficiaries in response to their request.

#### **6.8.25 Use of appropriate construction technologies and local materials.**

Audit should verify that efforts have been made to utilize local materials and cost effective disaster resistant and environment friendly technologies developed in compliance with the para 5.2 of the Guidelines.

#### **6.8.26 Type design:**

With reference to para 5.3 of the Guidelines audit should verify that:

- (i) the Gaon Panchayat has not prescribed any type design for the IAY dwelling units.
- (ii) The Gaon Panchayat has maintained proper records to confirm that the houses constructed under IAY have the plinth area of not less than 20 sqr. Mtrs.
- (iii) The Gaon Panchayat has not imposed any restriction regarding the lay out, size and type design of the IAY dwelling units apart from the restriction at (ii) above;

- (iv) The houses are designed in accordance with the preference of the beneficiaries considering the local conditions, climatic conditions, need to provide ample space, kitchen, ventilation, sanitary facilities, smokeless chullah etc.
- (v) The barrier free concept has been incorporated in the houses meant for the physically challenged persons; and
- (vi) The disaster resistant features have been incorporated in the design for construction of houses under IAY in areas frequented by natural calamities such as fire, flood, cyclones, earthquakes etc.

#### **6.8.27 Fuel efficient chullah:**

With reference to para 5.4 of the Guidelines audit should verify that each IAY dwelling unit has been provided with a smokeless chulla, which is a fuel efficient alternative, smoke free, healthy for clean environment and more convenient to use.

#### **6.8.28 Drinking water supply:**

With reference to para 5.5 of the Guidelines audit should verify that Gaon Panchayat has ensured the availability of drinking water supply to the dwelling units.

#### **6.8.29 Environmental improvement and Social Forestry:**

With reference to para 5.6 of the Guidelines audit should verify that the Gaon Panchayat has taken steps for improvement of environment and Social Forestry.

#### **6.8.30 Training:**

Audit may verify (with ref. to para 5.7 of the Guidelines) that Gaon Panchayat has taken steps (through awareness campaign like exhibitions, workshops, seminars etc.) to encourage the beneficiaries about the use of low cost, disaster resistant, environment friendly technology and local materials.

#### **6.8.31 Involvement of non government organisations:**

With reference to para 5.8 of the Guidelines audit should verify:

- (i) whether the Gaon Panchayat has involved Non-Governmental Organisations (NGO) to provide assistance for the construction of dwelling units under the IAY.
- (iii) whether the said Non-Government Organisations (NGOs) have a proven track record or not;
- (iv) whether the performance of the said NGOs are satisfactory;

- (v) whether the Gaon Panchayat has utilised the money for this purpose from the earmarked funds for training or by dovetailing with the total sanitation campaign;
- (vi) whether the intended objectives have been achieved through this expenditure, and
- (vii) whether the said expenditure is in order.

#### **6.8.32 Inventory of houses:**

- (1) With reference to para 5.9 of the Guidelines audit should verify that:
  - (i) Gaon Panchayat has maintained a complete inventory of houses constructed/upgraded under the IAY in a proper manner.
  - (ii) The said inventory contains:
    - (a) details of date of commencement of construction of dwelling unit (s) under the IAY;
    - (b) details of the date of completion of construction of dwelling unit(s);
    - (c) the name of the village and Block in which the house (s) is/are located;
    - (d) occupation and category of beneficiaries and other relevant particulars etc., and
    - (e) the said entries are in order
- (2) Audit may take the recourse to physical verification to confirm the facts recorded in the inventory.

#### **6.8.33 Display of IAY Board and Logo:**

With reference to para 5.10 of the Guidelines audit should verify that:-

- (i) the task of completion of dwelling unit (s) has not taken more than two years;
- (ii) each house constructed under IAY, display a board indicating the Government of India Rural Housing Logo, year of construction, name of the beneficiary, etc. and the displayed facts agree with the entries recorded in the inventory;
- (iii) the expenditure incurred on this account has been met from the funds available under the scheme accruing due to interest;
- (iv) the cost of each such logo has not exceed ₹30/-; and
- (v) the Gaon Panchayat has maintained a proper accounts of the same.

#### **6.8.34 Monitoring and Evaluation:**

Audit should verify (with reference to para 6.1 and 6.2 of the Guidelines) that:

- (i) there exists proper monitoring and evaluation system to assess the satisfactory performance/progress of work under IAY; and
- (ii) the Gaon Panchayat has taken proper remedial action on the basis of observations made in the Previous Audit Report.

**6.8.35 Transparency in the implementation of IAY:**

With reference to para 6.3 of the Guidelines audit should verify:

- (i) Whether the Gaon Panchayat has maintained proper transparency in the implementation of the IAY at various levels;
- (ii) Whether the Gaon Panchayat has strictly followed the IAY maxim that disclosure of information is the rule and withholding of information is an exception;
- (iii) whether the Gaon Panchayat has provided the following information to the public:
  - (a) list of people below poverty line in the village;
  - (b) list of disaster resistant construction features suitable for the region/locality;
  - (c) list of beneficiaries identified during preceeding year and current year including details of SC/ST, women beneficiaries and physically/ mentally challenged persons under IAY;
  - (d) allocation made to the village under IAY;
  - (e) guidelines of IAY/criteria of selecting beneficiaries;
  - (f) display of IAY signboards/logo on the allotted houses etc.
- (iv) whether the information provided to the public in compliance with the IAY Guidelines is in order.

**6.8.36 Check list:**

In addition to general procedures for audit of accounts under IAY as described above, a check list is given below which may also be used by the auditor for conducting local audit of the scheme:

1. Whether Selection of beneficiaries was based on the basis of Gaon Panchayats IAY wait list.
2. Whether the permanent wait lists have been prepared serial wise from the BPL list, 2002 with the poorest being selected on priority.

3. Whether beneficiaries are taken as per GP's priority wait list and each and every ward of Gaon Panchayat is covered serial wise from the BPL list maintained.
- 4.
- (i) Whether at least 60% of the total IAY allocation during a financial year has been utilised for the construction/upgradation of dwelling units for SC/ST BPL house holds.
  - (ii) Whether a maximum of 40% of the total IAY allocation during a financial year has been utilised for non SC/ST BPL rural household.
  - (iii) Whether 3% of the above categories has been utilised for physically and mentally challenged persons.
- 5.
- (i) Whether the beneficiaries have been involved in the construction of houses.
  - (ii) Whether the beneficiaries have made their own arrangements for procurement of construction material, engaged skilled workmen and also contributed family labour.
  - (iii) Whether the beneficiaries have enjoyed complete freedom as to the construction of houses.
  - (iv) Whether the concerned beneficiaries have made any request to the concerned Zilla Parishad/DRDA in the appropriate manner to provide raw material at controlled rate.
  - (v) Whether the concerned Zilla Parishad/DRDA has rendered such help to the beneficiaries or not.
  - (vi) Whether any committee has been formed to co-ordinate the work or not.
6. Whether the Gaon Panchayat has strictly followed the ceiling on grant of assistance per unit cost for construction of new house and upgradation of unserviceable Kutcha house as below:
- |     |                                                                         |   |                   |                   |
|-----|-------------------------------------------------------------------------|---|-------------------|-------------------|
| i)  | Construction of house including sanitary - latrine and smokeless chulla | - | <u>Plain area</u> | <u>Hilly area</u> |
|     |                                                                         |   | *₹25000/-         | ₹27,500/-         |
| ii) | Upgradation of unserviceable Kutcha houses                              | - | ₹12500/-          | ₹12500/-          |
- \* The unit cost was enhanced to ₹38500/- w.e.f 1.4.09 to 31.3.10 after which enhanced to ₹48500/- w.e.f. 1.4.10 at uniform rate.
7. Whether the central assistance is utilised (vide Para 4.2 of guideline) to fulfill the following conditions:

- (i) The Gaon Panchayat has furnished the required and correct information to the concerned Panchayat Samiti/Zilla Parishad.
  - (ii) The opening balance of the Gaon Panchayat has not exceeded 15% of the funds available during the previous year.
  - (iii) The G.P. has furnished the utilisation certificates regarding proper utilisation of IAY funds.
  - (iv) No diversion and embezzlement have taken place in connection with the IAY funds.
  - (v) The Gaon Panchayat has received the IAY funds in time and recorded the same in its accounts/register and the corresponding entries agree with the grant release order.
8. Whether bank/postal account in the name of beneficiaries were opened before distribution of bank draft/cheques in the ceremonial function under concerned block.
  9. Whether JEs assisted by GP Secretaries conducted supervision in the construction work of IAY houses in all respects and for uploading of MIS data base and preparation of monthly progress report in the concerned block.
  10. Whether while releasing the fund to the beneficiaries one undertaking on non-judicial stamp paper was taken from them stating that he/she would utilise the fund only for construction of house and no diversion would be made.
  11. Whether in the event of diversion or misappropriation of fund the fund was returned to the Govt. alongwith 10% interest or was liable to appropriate legal action.
  12. Whether state level/district level officer frequently visited the field and inspected the progress of work who ultimately submitted the Inspection Report to the Commissioner, Panchayat and RD and government accordingly.
  13. Whether Gaon Sabha was called for Selection of beneficiaries from the permanent wait list and whether the beneficiaries who have already attained APL status were deleted from the wait list.
  14. Whether the selected household opened joint account with the JE/EO as the 2<sup>nd</sup> account holder.
  15. Whether in cases where there is a specific direction of the Honøable Court for a particular GP/Block/district the directions of the court are followed and the matter referred to the Govt. and Commissioner, P&RD for taking up before Honøable Court.

16. Whether on the basis of allocation made and targets fixed, the district Panchayat/Zilla Parishads/DRDA decided the number of houses to be constructed/upgraded panchayat wise under IAY, during a particular financial year.
17. Whether upto 20% of the total funds were utilised for up-gradation of existing Kutchha houses and towards subsidy for construction of houses with credit from banks/financial institutions subject to the following conditions:
  - (i) Rural household having an annual income of upto ₹32000/-.
  - (ii) Ceiling of subsidy under the scheme ₹12500/- per household.
  - (iii) The upper limit of construction loan under this scheme will be ₹50000/- only.
18. Whether Zilla Parishads/DRDAs follows the accounting procedures prescribed by the Ministry of Rural Development.
19. Whether the finalized accounts of the previous year are got approved by the General Body of the concerned DRDA on or before 30<sup>th</sup> June and got audited on or before 31<sup>st</sup> August of the same year.
20. Whether State Government releases its share to the Zilla Parishads/DRDAs within one month after the release of central assistance and copy of the same is endorsed to the Ministry of Rural Development.
21. Whether IAY funds are kept in a nationalized/Scheduled or Co-operative bank or a post office on exclusive and separate savings bank account by the DRDAs.
22. Whether contractors are involved in the construction of dwelling units under IAY.
23. Whether each IAY dwelling unit is provided with a smokeless chullah, which is a fuel-efficient alternative, smoke free, healthy for clear environment.
24. Whether construction of IAY house is done keeping the plinth area not less than 20 sq.mtr.
25. Whether the implementing agencies have a complete inventory of houses constructed/upgraded under the IAY giving details of the date of start and date of completion of construction of the dwelling unit, name of the village and block in which the house is located, occupation and category of beneficiaries etc.
26. Whether it was ascertained that time taken completion of a dwelling unit is in no way more than two years.
27. Whether for each house constructed, a display board is fixed indicating the Government of India Rural Housing LOGO year of construction, name of the beneficiary etc and whether the cost of each LOGO does not exceed Rs. 30/-, the expenditure being met out of the fund accruing due to interest.



28. Whether state level vigilance and monitoring committee has monitored the work and submitted to Govt. of India ó (i) a monthly report and  
(ii) a detailed annual progress report by 25<sup>th</sup> April of the succeeding financial year.

**6.9 Local Bodies Grants recommended by 12<sup>th</sup> Finance Commission:  
(2006-2010)**

**6.9.1** The Central Finance Commission is required to make recommendations on the measures needed to augment the Consolidated Fund of a state to supplement the resources of the Panchayats and the Municipalities in the state on the basis of recommendations made by the Finance Commission of the State.ø

**6.9.2** The Twelfth Finance Commission (TFC) recommended a sum of ₹20,000 crore for the PRIs and ₹5000 crore for municipalities for the five year period starting from 2005-06. The aggregate grant of ₹25000 crore represented 1.24 percent of the divisible pool as estimated by them.

(Ref. Para 10.11 of the 13<sup>th</sup> F.C. Report)

**6.9.3** F.C. XII recommended that the grant for PRIs be utilised to improve service delivery in respect of water supply and sanitation schemes subject to their recovering at least 50 percent of the recurring cost in the form of user charges. It also stipulated that at least 50 percent of the grants provided to each state for ULBs should be earmarked for solid waste management through public private partnership.

(Ref. Para 10.21 of 13<sup>th</sup> F.C. Report)

**6.9.4** F.C. XII identified 14 best practices which PRIs could usefully adopt, including enhancing taxation powers, levy of user charges, setting up of SFCs in a timely manner and regular maintenance of accounts and audit.

(Ref. Para 10.34 of 13<sup>th</sup> F.C. Report)

**6.9.5** High priority was to be given to creation data base and maintenance of accounts through the use of modern technology and management system.

**6.9.6 Mode of release of local body grants to states:**

Local body grants are released in two instalments every year ó in January and in July. State governments were requested by FC XII to submit the following details prior to the release of every instalments:

- ii) Details of allocation of funds to local bodies for the forthcoming instalment.

- iii) Details of release of funds to local bodies at all levels at all tiers for the previous instalment.
- iv) Percentage of grants spent on solid waste management by ULBs and on water supply and sanitation by PRIs.
- v) Details of recurring costs recoverable by PRIs on water supply schemes.

(Ref: Para 10.156 of 13<sup>th</sup> F. C.)

**6.9.7** FC XII had stipulated that all local body grants drawn by state government should be transferred to local bodies and interest would be payable if the delay in doing so exceeded 15 days.

**6.9.8 Audit checks:**

Audit may verify:

- (i) whether utilisation of grants by local bodies for
  - (a) maintenance of accounts (b) for creation of database and (c) for maintenance of civic services furnished.
- (ii) whether state government has credited the fund released by Centre to the local body's fund in time.
- (iii) whether the state government has allowed the grants to be used for purposes other than for which these are provided.
- (iv) Whether local bodies have not been able to give priority to spend on the O&M of water supply and sanitation for the rural areas and on scheme of solid waste management in the urban areas.
- (v) Whether in case of delayed transfer of fund beyond the specified period of 15 days, the state government has transferred to PRI/ULBs amount of interest at the rate equal to the RBI Bank rate alongwith such delayed transfer of grants.
- (vi) Whether 50% of recurring cost as user charges recovered by PRI.
- (vii) Whether ZP spent on the admissible items of work like building, food processing units, fairs, stadium, open air theatre, non conventional energy projects and computerization of accounts only.
- (viii) Whether GP spent on maintenance of water supply and sanitation, works, rain water harvesting scheme, village tanks, computerization and creation of Database only.
- (ix) Whether ULBs earmarked 50% of grants for solid waste management with PPP and municipalities to use grants for collection segregation and transportation of solid waste.

**6.10** Local Bodies grant recommended by Thirteenth Finance Commission:

(2010 ó 2015)

**6.10.1** The general basic grant and the total special areas grant has been estimated as aggregating to ₹57693 crore for the five year period 2010-15. An amount of ₹1357 crore has also been allocated to the special areas grant. This amount represents 2.35 percent of the basic grant for the local bodies. This leaves ₹56,335 crore as the general basic grant to be divided amongst states in the manner specified in the manner specified below:

(i) The general basic grant and the general performance grant will initially be segmented into rural and urban shares on the basis of their respective populations as per the 2001 census, with 26.82 percent as the urban share and 73.18 percent as the rural share. The grant for rural and urban local bodies will then be separately allocated amongst states. However, special areas grant, both general and performance will be distributed without distinguishing between urban and rural areas.

(Ref. Para 10.149 & 10.150 of XIII F.C. Report)

**6.10.2** Incentive Framework for general performance grant for all five years between 2010-11 to 2014-15. All states will be eligible to draw down their share of the general basic grant. This will be done in two instalments, latest by 1<sup>st</sup> July and 1<sup>st</sup> January of each year, subject to submission of a utilisation certificate for the previous instalment drawn. This utilisation certificate will provide details of the distribution of the concerned installment to urban and rural local bodies and is not required for the 1<sup>st</sup> instalment in 2010-11.

(Ref. Para 10.160 of the XIII F.C. Report)

**6.10.3** For the years 2011-12, 2012-13, 2013-14 and 2014-15, a State Government will be eligible to draw down its share of the general performance grant only if it complies with the following nine conditions:

- i) The State Government must put in place a supplement to the budget documents for local bodies (Separately for PRIs and ULBs) furnishing the details (other than those relating to Finance accounts). They should require the PRIs and ULBs to maintain accounts.
- ii) The State Government must put in place an audit system for all local bodies (all categories of ULBs and all tiers of PRIs). The C&AG must be given TG&S over the audit of all the local bodies in a state for every tier/category and his Annual Technical Inspection Report as well as the Annual Report of the Director of the

Local Fund Audit must be placed before the States legislature. Certification from the C&AG will demonstrate compliance with this condition.

- iii) The State Government must put in place a system of independent local body ombudsmen who will look into complaints of corruption and misadministration against the functionaries of local bodies, both elected member and official and recommend suitable action.
- iv) The State Government must put in place a system to electronically transfer local body grants provided by the commission to the respective local bodies within five days of their receipt from the central government.
- v) The State Governments must prescribe through an act the qualifications of persons eligible for appointment as members of the SFC consistent with Article 243-I (2) of the constitution.
- vi) All local bodies should be fully enabled to levy property tax (including tax for all types of residential and commercial properties) and any hindrances in this regard must be removed.
- vii) State Government must put in place a State level Property Tax Board, which will assist all municipalities and municipal corporations in the state to put in place an independent and transparent procedure for assessing property tax.
- viii) State Governments must gradually put in place standards for delivery of all essential services provided by local bodies. For a start, State Governments must notify or cause all the municipal corporations and municipalities to notify by the end of a fiscal year (31 March) the Service Standards for four Service Sectors ó water supply, sewerage, storm water drainage and solid waste management proposed to be achieved by them by the end of the succeeding fiscal year.
- ix) All municipal corporations with a population of more than I million (2001 census) must put in place a fire hazards response and mitigation plan for their respective jurisdiction. Publication of these plans in the respective State Government gazettes will demonstrate compliance with this condition.

(Ref. Para 10.161 of the XIIIth F.C. report)

#### **6.10.4 Audit checks:**

While conducting local audit of PRIs/ULBs who are on receipt of grants recommended by 13<sup>th</sup> Finance Commission, the rules and procedures mentioned in the foregoing paragraphs may be taken into account.

# CHAPTER – 7

## PERFORMANCE AUDIT

**7.1** Performance auditing is an independent assessment or examination of the extent to which any entity programme or organisation operates efficiently and effectively with due regard to the economy. It embraces:

- (i) audit of the economy of administrative activities in accordance with sound administrative principles and practices and management policies;
- (ii) audit of efficiency of utilisation of human, financial and other resources including examination of information systems, performance measures and monitoring arrangements and procedures followed by audited entities for remedying identified deficiencies, and
- (iii) audit of the effectiveness of performance in relation to the achievement of the objective of the audited entity and audit of the actual impact of activities compared with the intended impact.

[Ref. Para 1.8 & 1.9 of Performance Auditing (PA) Guidelines]

### **7.2 Objective of Performance Audit:**

Performance auditing has the objective of improving public sector administration and accountability by adding value through an effective programme of performance audits. One of the main objectives of performance auditing is to assist the peoples representatives in exercising effective legislative control and oversight over the policy objective and their implementation. In summary, the performance audits may examine and report on:

- (i) the quality of information and advice available to government for the formulation of policy;
- (ii) the existence and effectiveness of administrative machinery to inform the government whether programme objectives and targets have been determined with a view to fulfilling policy objectives;
- (iii) whether and to what extent, stated programme objectives have been made;
- (iv) the economy, efficiency, effectiveness, equity and ethics of the means used to implement a programme/activity;

- (v) the intended and unintended, direct and indirect other impacts of programmes/activities; for example, the environment impact of government activities etc., and
- (vi) compliance to applicable laws and regulations in the context of the performance audit objectives.

(Ref: Para 1.30 of Performance Auditing Guidelines ó SAI India)

**7.2.1** Performance audits should not confine the objectives to what has been done but should also examine "what has not been done" to meet the policy objectives.

(Ref: Para 1.31 of P.A. Guidelines)

### **7.3 Factors guiding the selection of subjects:**

#### **Risk**

**7.3.1** It is important to identify and analyse the risks associated with the entities under audit jurisdiction. Risk is the exposure to the chances of failure or loss. In the context of Performance audit, it is the risk to delivery of an activity/scheme/programme of the entity with economy, efficiency and effectiveness. Performance audit provides assurance on performance of the public sector activity/scheme/programme.

#### **7.3.2 Risk analysis:**

In analyzing risks, following questions should be addressed:

- What can go wrong?
- What is the probability of it going wrong?
- What are the consequences?

(Para 2.16 of P.A. guidelines)

#### **7.3.3 Identifying risks:**

Following steps need to be conducted for risk analysis of the entity.

- (a) Inherent risks: Some entities/activities are inherently more risky than others. Examples of such entities/activities could be where a new activity or technology has been introduced, where there are complex laws and regulations, occurrence of unusual events, frequent changes in the scope of the activity, multiplicity of the interested parties, a controversial social and political debate surrounding the issue etc. Information that can lead to identification and understanding of these issues would be available in the legislation, parliamentary questions, legislative

speeches entity's plan, annual report, budget policy files, internal guidelines, operating manuals, programme valuation, internal audit reports, management information systems, recent audit reports etc.

**(b) Control environment risks:**

Information required to identify such risks associated with the control environment of the entity can be obtained from the sources mentioned above. In addition, the assessment of the control environment during financial audit could be of great value. The programmes with multiple levels of execution, reporting and accountability relationships may be assessed from the point of view of possible weakness in control environment risks.

**(c) Risks associated with the stage of development:**

It is also essential to keep in view the stage of the entity's programme development while assessing risks. In the development stages, it will be particularly important to examine if the management has set measurable, operational objectives, which clearly identify how the programme will contribute to the organisations objectives. During programme implementation, it will be important to see whether appropriate performance measures are maintained and analysed to assess performance and whether there is a clear identification of roles and responsibilities for each level of programme. If the programme has been in place for sometime, it will be important to assess whether a formal evaluation has been undertaken to ascertain whether the programme is continuing to meet relevant needs as also the extent to which these needs still exist or are being met by other programmes.

**(d) Risks assessment as per programme analysis:**

Programme risk analysis over various stages of the programme, inputs, process etc. can provide a good structure for identifying risks. It can act as a thinking aid while identifying risks to value for money in an entity/programme.

(Ref: Para 2.20 of P.A. guidelines)

**7.3.4 Materiality of the risks:**

After identification of the risk factor that operate in the entity/programme, it is important to assess their materiality judged on the intensity of risks and their possible impact. Assessing the intensity can be done on a scale consisting of high, medium and low risks. The effect of these risks on performance also needs to be

assessed. The existence, intensity and impact of the risks would need to be considered in tandem while prioritizing audit focus.

(Ref. Para 2.21 of P.A. Guidelines)

#### **7.4 Performance audit implementation plan:**

##### **7.4.1 Operational planning:**

Operational planning of the individual performance audits is the most critical process for securing a high standard of audit. Accountant General should provide sufficient time for collection of data and preparation of detailed guidelines for the performance audit of the selected subjects. While the time spent on the audit planning of the individual subjects may vary from subject to subject, generally about 20-25 percent of the total time provided for the performance audits may be expected to be consumed in the planning stage. A good audit planning will ensure as focused field work by the audit team and also facilitate monitoring and review of the progress of audit by Accountants General.

(Ref: Para 3.2 of P.A. Guidelines)

**7.4.2** The critical aspects in planning the individual performance audits that have to be carefully navigated are: Collection of and research on the data and information relating to the subject, scope of audit, preliminary survey and pilot study, setting the audit objectives and criteria, assessment of skill and knowledge required for the conduct of the performance audit and those available internally, plan for bridging the gap through expert advice or appointment of a full time consultants for the duration of audit, assignment of the personal and other resources and finalizing the guidelines along with the audit program etc. The guidelines, which in effect, serve a road map for the performance audit, will inter-alia contain audit criteria, selection of the types of evidence to be collected and evidence gathering techniques, time frame for the various stages of performance audit, sampling of units and sampling of transactions/vouchers/data for audit tests etc.

(Ref. Para 3.3 of P.A. Guidelines)

##### **7.4.3 In addition to the planning steps outlined above, Accountants General should also consider:**

- determining the suitability of audit criteria;
- determining an efficient and effective approach to conducting the audit;
- remaining mindful of the users of audit reports;
- remaining the entity's internal audit system; and



- documenting the audit plan in the form of guidelines.

(Ref: Para 3.4 of P.A. guidelines)

#### **7.4.4 Setting the audit objectives:**

The most important stage in the performance audit process is defining the audit objectives,. These are the basic audit questions that performance auditors seek answer to. Audit objectives, in effect, connect to the very reasons for conducting the audit and should be established early in the audit process to assist in identifying the matters to be audited and reported. Audit objectives are usually expressed in terms of questions about performance i.e. achievement of economy efficiency and effectiveness of an entity/programmes/activity under audit. The audit objectives define the nature of the audit, govern its conduct and the performance auditor reaches conclusions in the context of the audit objectives.

(Ref: Para 3.13 of P.A. Auditing Guidelines)

#### **7.4.5 Determining the thrust areas for the performance audit.**

A comprehensive knowledge of the subject of performance audit and risk analysis will enable the performance auditors to determine the audit thrust areas and audit approach. The thrust areas may be determined on the basis of risk assessment, materiality and audit objectives. Identification of audit thrust areas will also assist in ensuring that the audit resource is optimally utilised by retaining the focus throughout the audit.

(Ref: Para 3.18 of P.A. guidelines)

### **7.5 Implementing the performance audit plan:**

#### **7.5.1 Entry conference:**

Entry conference at the commencement of each field audit serves more than one objective. It affords an opportunity for introduction of the audit team members with the chief of the entity and heads of various divisions. The entry conference affords an opportunity for the audit office to explain the audit plan as applicable to the entity consisting of the audit objectives, approach and time frame besides apprising the entity of the data, information and documents that will be required by the audit team. The working procedures for audit may also be established in this meeting. The audit officer may also utilize this occasion to request the chief of the entity to provide assistance to the team by way of office accommodation, access to the office equipments etc.

(Ref: Para 4.3 of P.A. Guidelines)

### **7.5.2 Developing the audit programme:**

The first stage for field audits is development of an audit programme. In developing the audit programme, it is important that the focus is retained throughout the field audit on the criteria, which are also inherently related to the audit objectives.

(Ref: Para 4.9 of P.A. guidelines)

### **7.5.3 Use of existing data:**

It is important for audit to investigate the data held by entity management and by other relevant sources. This may include the information systems used to manage entity programmes/activities and/or the data collected on individual programmes.

(Ref: Para 4.16 of P.A. guidelines)

### **7.5.4 Case study:**

The case study is a method for learning about a complex issue, based on a comprehensive understanding of a particular instance. The case study involves an extensive description and analysis of the particular issue within the context of the whole area under review.

(Ref: Para 4.18 of P.A. Guidelines)

### **7.5.5 Developing findings:**

Audit findings are identified by relating audit observations to audit criteria. Audit observations are based on the analysis of information collected during the audit. Audit findings should be developed and evaluated throughout the various phases of performance audit. Potential findings identified in the planning stage or during the preliminary study should be followed up in the detailed examination phase of the audit since the auditor, rather than carrying hindsight audit, is expected to take into account the circumstances prevailing at the time of events, it may be desirable that avoidable and un-avoidable causes of findings are segregated.

(Ref: Para 4.40 of P.A. Guideline)

### **7.5.6 Exit conference:**

In audit of all units, the audit team should conclude the audit with an exit conference/meeting with the Chief officer of that unit. The supervisory officer or the Accountant General should lead the team for SAI side in the exit conference depending upon the level of the field entity. All audit observations must be issued to the entity at least one or two days before the scheduled exit conference. The exit

conference is an opportunity for the entity to discuss the audit findings with the SAI representatives. This also afford opportunity to the audit officer/group supervisory officer to clarify any points of doubt that the entity may like to raise. The minutes of exit conference should be recorded and endorsed to the entity.

(Ref: Para 4.56 of P.A. Guideline)

# CHAPTER – 8

## GENERAL PRINCIPLES FOR LOCAL AUDIT

### **8.1 Local audit:**

**8.1.1** The purpose of Local Audit is to audit the initial accounts maintained in certain Government institutions and offices on the spot. The scope of Local Audit is not confined merely to seeing whether the initial accounts are maintained in proper form or whether the financial rules are properly observed but include a test audit in sufficient detail to verify the accuracy and completeness of accounts.

[Ref. Para 6.1.5 of MSO (Audit)]

**8.1.2** Classes of accounts with which Local Audit has to deal are so varied that it is not possible to prescribe any general rules and instructions that may be applicable to all local audits. It should, however, be borne in mind that the essential objective of the accounts of any institution is to present a definite financial picture and that an intelligent audit is not possible unless there is some consideration of the general financial picture as well as investigation of the details of the transactions that lead up to the financial results. Before taking up the audit of any particular institution, the local audit staff should study the system of accounts and books prescribed to see why they have been prescribed and how far they fulfill the desired end. They should consult the periodical administration reports or other government publications so as to obtain a correct perspective of the activities of the institutions/office and to make their audit both intelligent and useful instead of allowing it to become merely a process of checking of registers in a disconnected and mechanical way.

[Ref. Para 6.1.6 of MSO (Audit)]

### **8.2 Audit Approach:**

#### **8.2.1 Working arrangements for conduct of audit:**

Arrangements should be made to contact the auditee unit and to bring about a working arrangement for conduct of audit. The arrangement should inter-alia give due attention to the following points:

- (i) The date by which accounts will be made available for audit;
- (ii) The time required and a tentative period during which audit will be conducted;

- (iii) Adequate internal arrangements within the institution for ensuring availability of all records for audit, supply of replies to preliminary memos of audit in time, arrangement for discussion of reports/audit objections.
- (iv) Period by which audit report will be issued and replies to be furnished by the institution;
- (v) Period within which the finalized Audit Report with audit certificate will be issued;

**8.2.2** Each auditee unit should be informed in advance that audit of its accounts and transactions would be taken up on a specified date and for this purpose, its books of accounts and other records may be made available and necessary facilities provided for audit.

**8.2.3** Even when the finalisation of accounts is in arrears for a particular year in any organisation, it should be advised that records should be made available for audit of transactions.

**8.2.4** The Auditing Standards (2<sup>nd</sup> Edition, 2002) issued by the Comptroller and Auditor General of India to govern audit of transactions should be observed during audit.

[Ref. In the light of para 4.10.4.3 and 4.11 of MIA (PRI)]

**8.2.5 Demarcation of duties:**

There should be a clear demarcation of duties of the personnel in the audit parties. The broad outline of responsibilities and duties of various categories of personnel conducting local audit as contained in MSO (Audit) vide Para 6.1.7 should be followed. The senior Audit/Audit Officer in-charge of the audit party, is, however, not precluded from making changes in the distribution to be indicated to him by writing, keeping in view the suitability of the individual officer for performing the duties proposed to be entrusted or other relevant factors such as the absence of any of the members of the audit party. The Inspection Personnel should be involved in clearly defined areas of work so that their contribution in terms of quality and quantum of audit results can be identified and their accountability ensured.

[Ref: Para 6.1.7 of MSO (Audit)]

A list of duties allotted and performed by each member of the audit party should be attached with the Draft Inspection Report.

## **8.2.6 Responsibilities of Inspecting Officers:**

Normally, auditors should be able to issue inspection memos and put up notes. Separate reports, in the form of materials for inclusion in the Inspection Report, should be submitted by them, the Section officers and the Assistant Audit Officers in the inspection party to the Inspecting Officer, based on the actual work done and inspection memos issued by them and after taking into account the replies thereto. The Inspecting officer will remain responsible for the efficiency of the inspection as a whole, though some items of work may, in accordance with the local instructions or local usage, be entrusted to the subordinate staff. He must guide the members of the party in their work and determine the extent of independent action to be allowed to each of its members with reference to their experience, qualities and capacity to act independently. Based on such judgment, the Inspecting Officer may permit individual members of the party to issue audit memos themselves and see them in due course after issue. In cases where it is considered appropriate, he should stipulate that the memos be issued only with his approval. The Inspecting Officer should always keep himself posted with the progress of audit and the observations that have been communicated to the office inspected.

[Ref: Para 6.1.8 of MSO (Audit)]

## **8.3 Audit Planning:**

### **8.3.1 Biennial Audit Plan:**

In order to improve the quality of Audit Reports, detailed and well defined planning is required before local audit is undertaken. Every year, the office will frame a formal Audit Plan covering a period of two years and comprising a detailed plan for the first of the two years and a broad frame work for the second year. The aim of the audit plan will be to:

- (i) derive the optimum of available resources for conducting the audits;
- (ii) prioritise the audit assignments to cover the mandatory audits and other high risks areas/sectors with special emphasis on current issues and thrust areas;
- (iii) improve the quantity of audit to minimize the risk of crucial areas remaining uncovered;
- (iv) pay special attention to new and emerging challenges to audit attributable to the changes in the auditee environment (i.e. of PRIs/ULBs) and develop the necessary information base and skills.

[Ref: Para 6.1.9 of MSO (Audit)]

### **8.3.2 Objectives of the biennial audit plan:**

The overall objectives of the biennial audit plan would be to:

- (i) provide assurance to the legislature that all audit worthy, significant and auditable entities were considered while deciding the priorities;
- (ii) provide a frame work for identifying the departments, programmes and common functions which are significant and/or vulnerable to risks and serious irregularities and, therefore, need urgent audit attention;
- (iii) optimize the use of available resources for achieving the long-term and short-term audit objectives;
- (iv) minimize redundant audits and ensure proper utilisation of available manpower and other resources; above all, the most important output and the main objective of the Audit Plan would be to ensure the comprehensiveness, equality and depth of the conventional Audit Reports.

[Ref: Para 6.1.10 of MSO (Audit)]

### **8.3.3 Annual Audit Plan:**

Early in January each year, the concerned Headquarters section of the office will prepare a plan for local audit to be undertaken during the financial year based on the availability of parties during the year. The plan will be in the form of an annual programme and approved by the Accountant General (Audit). This will be further split up into quarterly programmes for various inspection parties. In addition to the units selected for audit, copies of this programme of local audit should also be sent to the Administrative Departments and the Heads of the Departments concerned.

[Ref: Para 6.1.11 of MSO (Audit)]

### **8.3.4 Use of Risk Assessment methodology in Audit Planning:**

Risk assessment methodologies and techniques need considerable strengthening and on appropriate programme for risk assessment should be developed. The following could be some of the risk indicators:

- (i) Expenditure trends;
- (ii) Persistent and unexplained excess drawals;
- (iii) Unadjusted account bill;
- (iv) Transfer to Personal Ledger Accounts;
- (v) Large Purchases;
- (vi) Delivery under programmes not being susceptible to verification;

- (vii) Leakage of revenue;
- (viii) Lack of attention to serious audit objections;
- (ix) Weaknesses in internal control mechanisms.

[Ref: Para 6.1.17 of MSO (Audit)]

#### **8.4 Guidelines/Instructions to Audit Parties:**

**8.4.1** Clear cut guidelines and instructions should be issued, in writing to the Audit Parties before they proceed on local inspection/audit. Additionally, various aspects of the audit are required to be discussed and guidelines provided to the parties by the Group Officers before they proceed to the field. It will be necessary for the Accountants General/Principal Directors of Audit as well as the Group Officers to devote their personal care and attention to this purpose.

[Ref: Para 6.1.16 of MSO (Audit)]

**8.4.2** It would be impracticable to establish a code of rules, sufficiently elaborate, to cater to all situations and circumstances which an Auditor might encounter. In the observance of Auditing standards, therefore, the Auditor must exercise his judgment in determining the auditing procedures necessary in the circumstances, to afford a reasonable basis for his opinion and the content of his report.

[Ref: Para 4.2 of Auditing Standards (2<sup>nd</sup> Edition 2002)]

**8.4.3** The auditors should plan the audit in a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

[Ref: Para 4.1 of Auditing Standards (Chapter III)]

**8.4.4** In planning an audit of specific auditees, the auditors should:

- (a) Identify important aspects of the environment in which the audited entity operates;
- (b) Develop an understanding of the accountability relationship;
- (c) Consider the form, content and users of audit opinions, conclusions or report;
- (d) Specify the audit objective and the tests necessary to meet them;
- (e) Identify key management systems and controls and carry out a preliminary assessment to identify both their strengths and weakness;
- (f) Review the internal audit of the audited entity and its work programme.
- (g) Determine the materiality of matters to be considered.
- (h) Assess the extent of reliance that might be placed on other auditors, for example, internal audit;
- (i) Determine the most efficient and effective audit approach.



- (j) Provide a review to determine whether appropriate action has been taken on previously reported audit findings and recommendations, and
- (k) Provide for appropriate documentation of the audit plan and for the proposed field work.

[Ref: Para 4.2.2 of A.S. (Chapter III)]

**8.4.5** The following planning/steps are normally included in an audit:

- (a) Collect information about the audited entity and its organisation in order to assess risk and to determine materiality;
- (b) Define the objective and scope of audit;
- (c) Undertake preliminary analysis to determine the approach to be adopted and the nature and extent of enquires to be made later;
- (d) Highlight special problems foreseen when planning the audit;
- (e) Prepare a budget and a schedule for the audit;
- (f) Identify staff requirements and a team for the audit, and
- (g) Familiarize the audited entity about the scope, objectives and the assessment criteria of the audit and discuss with them as necessary.

[Ref: Para 4.3 of A.S. (Chapter III)]

**8.4.6** Auditor should design the audit to provide reasonable assurance of detecting materials misstatements resulting from non-compliance with provisions of contracts or grant agreements that have a direct and material effect on the determination of financial statement accounts. If specific information comes to the auditor's attention that provides evidence concerning the existence of possible non-compliance that could have a material indirect effect on the financial statements, auditor should apply audit procedures specifically directed to ascertaining whether that non-compliance has occurred.

[Ref: Para 4.5 of A.S. (Chapter III)]

## **8.5 Supervision and Review:**

**8.5.1** The work of the audit staff at each level and audit phase should be properly supervised during the audit, and a senior member of the audit staff should review documented work.

[Ref: Para 5.1 of A.S. (Chapter III)]

**8.5.2** Supervision is essential to ensure the fulfillment of audit objectives and the maintenance of the quality of audit work. Proper supervision and control is, therefore, necessary in all cases, regardless of the competence of individual auditors.

**8.5.3** Supervision should be directed both to the substance and to the method of auditing.

It involves ensuring that:

- (a) The members of the audit team have a clear and consistent understanding of the audit plan;
- (b) The audit is carried out in accordance with the auditing standards and practices of the SAI.
- (c) The audit plan and action steps specified in that plan are followed unless a variation is authorized.
- (d) Working papers contain evidence adequately supporting all conclusions, recommendations and opinions;
- (e) The auditor achieves the stated audit objectives; and
- (f) The audit report includes the audit conclusions, recommendations and opinion, as appropriate.

[Ref: Para 5.2.2 of A.S. (Chapter III)]

**8.5.4** All audit work should be reviewed by a senior member of the audit staff before the audit opinions of reports are finalized. It should be carried out as each part of the audit progress. Review brings more than one level of experience and judgment to the audit task and ensure that:

- (a) All evaluations and conclusions are soundly based and are supported by competent, relevant and reasonable audit evidence as the foundation for the final audit opinion or report;
- (b) All errors, deficiencies and unusual matters have been properly identified, documented and either satisfactorily resolved or brought to the attention of a more senior officer (s).
- (c) Changes and improvements necessary to the conduct of future audits are identified, recorded and taken into account in later audit plans and in staff development activities.

[Ref: Para 5.2.3 of A.S. (Chapter III)]

**8.5.5** This standards emphasizes the importance of involvement of each higher level of supervision and does not in any way absolve the lower levels of audit staff carrying out field investigations from any negligence in carrying out assigned duties.

[Ref: Para 5.2.4 of A.S. (Chapter III)]

# CHAPTER – 9

## LOCAL AUDIT OF PANCHAYAT SAMITIES' ACCOUNTS

### 9.1. Applicable Rules:-

In addition to the Assam Panchayat Act, 1994 (Assam Act No.-XVIII of 1994), the following Rules govern the functioning of the Panchayat Samities in Assam: -

- (1) The Assam Panchayat (Financial) Rules, 2002.
- (2) The Assam Panchayat (Financial) (Amendment) Rules, 2004.

Auditors while conducting Local audit of accounts of Gaon Panchayat, Anchalik Panchayat and Zilla Parisad fund shall keep in mind the provisions of those Act/Rules along with other rules as may be prescribed from time to time.

### 9.2 Audit of Budget for Panchayat fund:

#### 9.2.1 Budget for Gaon Panchayat fund:

As per Rule 32 of the Assam Panchayat (financial) Rules 2002, before the end of February each year, the State Government or the Central Government or the Zilla Parisad or the Anchalik Panchayat, as the Case may be, as under sub-Section (1) (a) (b) (c) of Section 24 of the Act shall intimate each Gaon Panchayat the amount of contribution, grant and loan, if granted any, to prepare the Gaon Panchayat estimate of revenue and expenditure including other receipts mentioned in section 24 (1) (d) (e) (f) (g) and (h) of the Act for the ensuing Panchayat financial year beginning from first of July and ending on 30<sup>th</sup> June each year or any other date as may be prescribed by the State Government subsequently in Form-9 of the schedule which will constitute the budget of the Gaon Panchayat fund as under Section 27(i) of the Act.

The budget so prepared shall be submitted to the concerned Anchalik Panchayat after approval by the Gaon Panchayat for its approval under 27 (2) of the Act.

The Anchalik Panchayat shall either approve the budget or return for modification and on such modification being done, the Gaon Panchayat shall have to resubmit the budget to the Anchalik Panchayat and the Anchalik Panchayat concerned shall accord its approval to the Gaon Panchayat budget. If the Anchalik Panchayat fails to convey its

approval within 30 days from the date of submission or re-submission, as the case may be, the budget shall be deemed to have been approved by the Anchalik Panchayat.

### **9.2.2. Budget for Anchalik Panchayat:**

As per Rule 33 of the Assam Panchayat (financial) Rule 2002, the State Government or the central Government or the Zilla Parisad as the case may be, as under section 56 (i) (a) (b) (c) of the Act, shall intimate each Anchaik Panchayat the amount of contribution and grants and loans, if granted any, to prepare its estimates of revenue and expenditure including other receipts as mentioned in 56 (i) (d) (e) (f) and (g) of the Act. for the ensuing Panchayat Financial year beginning from 1<sup>st</sup> of the July and ending on 30<sup>th</sup> June each year or any other date as may be prescribed by the State Government subsequently in Form 10 of the schedule to these Rules which will constitute the budget of the Anchalik Panchayat fund as under Section 59 (i) of the Act.

The budget so prepared shall be submitted to the concerned Zilla Parisad after obtaining approval of the Anchalik Panchayat Body as required under section 59 (2) of the Act.

The Zilla Parisad shall either approve the budget or return for modification and on such modification being done the Anchalik Panchayat shall resubmit the budget and the Zilla Parishad shall approve the budget. If the Zilla Parishad fails to approve the budget within the time specified, the budget shall be deemed to have been approved by the Zilla Parishad.

Minor heads may be added in the budget as and when necessary in form No.10 of the schedule.

### **9.2.3 Budget of Zilla Parisad:**

As per Rule 34 of the Assam Panchayat (Financial) Rules 2002, the State Government or the Central Government as the case may be, as under Section 91 (i) (ii) of the Act, shall intimate each Zilla Parisad, the amount of Contribution and grants and loans, if granted any and the amount to be transferred to Zilla Parisad fund by appropriation out of the Consolidated Fund of the State to prepare its estimates of revenue and expenditure including other receipts as mentioned under clauses (iii) (iv) (v) (vi) and (vii) of section 91 of the Act for the ensuing Panchayat financial year beginning from 1<sup>st</sup> of July and ending on 30<sup>th</sup> June each year or any other date as may be prescribed by the State Government in Form No.11 of the schedule which will constitute the budget of the Zilla Parisad fund as under sub-section (1) of Section 96 of the Act.

The Zilla Parisad budget so prepared and after approval of the same by it shall be submitted to the State Government in the Department of Panchayat and Rural Development through the Director of Panchayat and Rural Development Assam for its approval as required under Section (2) of Section 96 of the Act.

The Director of Panchayat & Rural development shall forward the budget to Government latest by the fifteenth of August with his comments if there be any. The State Government may either approve the budget within 30 days from the date of submission or re-submission as the case may be. If the State Government fails to convey its approval within the time specified the budget shall be deemed to have been approved by the State Government.

N.B: The form No. 3, 8, 9.10.11 as prescribed vide the Assam Panchayat (Financial Rule) 2002 were substituted vide the Assam Panchayat (Financial) (Amendment) Rules, 2004.

#### **9.2.4 Audit of budget should be Primarily directed towards ascertaining that:**

- (i) the Panchayat Samities have obtained information from the appropriate authority as prescribed in the rule regarding the amount of probable grants, contributions and allotments under plan and non-plan heads.
- (ii) the time schedule as prescribed for various stages of preparation of budget has been followed.
- (iii) adhere to all procedures prescribed in the rules regarding preparation of budget and revised and supplementary budget:-
- (iv) the budget is realistic estimates of both receipts and expenditure. To offer comments in this regard the auditor should cite instances of deviations in a tabular form.
- (v) In case where the budget has not been prepared by the Panchayat samities the auditor should indicate the reasons for non preparation of budget and highest the delays at all stage with implications.
- (vi) Revised Budget and supplementary budget alongwith the documents of re-appropriation of funds should be compared with the head wise actuals or receipts and payments and cases of huge deviations may be highlighted.

#### **9.3 Audit of Zilla Parishad/Panchayat Fund:**

**9.3.1** A Zilla Parishad fund as under Section 91 of the Assam Panchayat Act, 1994, shall be administered by the Chief Executive Officer in the manner as prescribed under Section (1) (e) of Section 103 of the Act and held in the manner as prescribed under sub section

(1) of Section 92 of the Act. An Anchalik Panchayat fund as under sub-section (1) of section 56 of the Act shall be administered by the executive officer of the Anchalik Panchayat. The Gaon Panchayat fund as under sub-section (1) of section 24 of the Act shall be administered by the Secretary of the Gaon Panchayat as provided under section 24 of the Act.

Audit should verify that:

- i) the Chief Executive Officer of the Zilla Parishad or the Executive Officer of the Anchalik Panchayat or the Secretary of the Gaon Panchayat, as the case may be, has not made any expenditure out of the respective panchayat fund without prior approval/sanction of the concerned president.
- ii) the Chief Executive Officer of Zilla Parishad, the Executive Officer of Anchalik Panchayat and Secretary of Gaon Panchayat have maintained their accounts properly.
- iii) the funds just after receipt are placed to the credit thereof at the nearest Branch of the State Bank of India or any other Nationalised Bank or the Co-operative Apex Bank or Regional Rural Bank.
- iv) the Panchayat Fund has been maintained as per the Assam Panchayat (Financial) Rules, 2002.

#### **9.4 Forms for maintenance of accounts:**

**9.4.1** As provided under sub-section (1) of Section 28 and section 60 and section 97 of the Assam Panchayat Act, 1994, the Gaon Panchayat, the Anchalik Panchayat and the Zilla Parishads respectively shall maintain respective accounts, in the Forms Prescribed.

Audit should verify that:

- 1) The accounts under different detailed heads has been maintained separately for different Minor Head in a ledger (Abstract Ledger) in Form No. 1 & 1A of the schedule.
- 2) Whether the accounts of different Zilla Parishad, Anchalik Panchayat and Gaon Panchayat under a particular detailed minor head has been recorded in different pages in the ledger.
- 3) Whether in addition to General Ledger, a control ledger has been maintained in Form No. 2 of the schedule to record total transaction under all detailed minor head with a budget group in a month as recorded in the general ledger.

## **9.5 Maintenance of Cash Book:**

**9.5.1** As per Rule 8 (4) (a) of the Assam Panchayat (Financial) Rules, 2002 a Cash Book should be maintained by the Panchayats in Form No. 3. Audit should verify that:

- (i) All monetary transactions whether in cash or by cheque or by Draft or by postal order have been entered in the Cash Book in Form No. 3 of the Schedule as and when occurred and attested by the Chief Executive Officer in respect of Zilla Parishad, by the Executive Officer in respect of Anchalik Panchayat and by the Secretary in respect of Gaon Panchayat, with date in token of his check, before attesting.
- (ii) Whether the Cash book has been closed and balanced each day and checked by the officer and whether he has verified each entry in the Cash book column against the closing balance in taken of his having verified all the entries of the day inclusive of the closing balance.
- (iii) Whether at the end of each month the officer has verified the closing balance in the Cashbook and recorded a dated certification to that effect that the cash physically verified and found correct as per closing balance.
- (iv) Analysis of the balance at the close of each month has been worked out separately for Government and Panchayat fund.
- (v) Whether, in addition, there is a separate memorandum recorded in the last page of each month showing reconciliation of the Bank Account which has also been signed with date by the Chief Executive Officer in respect of Zilla Parishad, Executive Officer in respect of Anchalik Panchayat and by the Secretary in respect of Gaon Panchayat accounts in token of his verification of the bank balance in the Cashbook and that of Pass book.
- (vi) Whether the Cash book is bound in convenient volumes and the pages machine numbered. Cash book should be machine numbered before bringing a Cash book into use, and whether the respective officer has counted the number of pages and recorded a certificate of count of the reverse of the fly leaf of the Cash book.

## **9.6 Imprest cash:**

**9.6.1** As per Rule 10 of the Assam Panchayat (Financial) Rules, 2002 a Zilla Parishad, Anchalik Panchayat and a Gaon Panchayat shall retain as imprest cash upto a maximum of ₹5000/-, ₹1000/- and ₹250/- respectively subject to sanction of the concerned Panchayat.

### **9.6.2 Audit should verify that:**

- (i) The imprest Cash has not exceeded the permissible limit as prescribed under rule *ibid*.
- (ii) No money has been withdrawn from the respective fund unless it is required for immediate disbursement.
- (iii) If for any reasons, the amount drawn could not be utilised and disbursed immediately, the amount as such has been refunded immediately to the respective fund.

### **9.7 Audit of Receipts:**

**9.7.1** Rule 14 (1) of the Assam Panchayat (Financial) Rules, 2002 provides that all receipts due to Zilla Parishad, Anchalik Panchayat and Gaon Panchayat shall be collected by an officer or an employee in the employment of the Panchayat concerned, authorized by the Secretary in case of Gaon Panchayat, Executive Officer in case of Anchalik Panchayat and Chief Executive Officer in case of Zilla Parishad. In case of Gaon Panchayat, the Secretary of the Gaon Panchayat shall function as cashier.

### **9.7.2 Audit should verify that:**

- (i) All such receipts have been handed over to the cashier or any other officer authorized for the purpose, through the Accountant in respect of Zilla Parishad and the Anchalik Panchayat and the Secretary in respect of Gaon Panchayat who should account for such receipts.
- (ii) Whether the cashier or any other officer authorized in this behalf has entered all such receipts in the Cash book on the very date of receipts and each entry in the Cash book is authorized by the drawing and disbursing officer concerned with his dated initial.
- (iii) Auditor should ensure that when contribution or allotment from the Government or any other authority is received, the accountant in respect of Zilla Parishad and the Anchalik Panchayat and the Secretary in respect of Gaon Panchayat has immediately accounted for the same in the relevant ledger and handed over such receipts to the cashier or any other officer authorized in this behalf who should enter all such receipts into the Cash book on the date of receipt.

[Ref: sub-rule (4) of Rule-14 of the Assam Panchayat rules, 2002]



(iv) Whether, in case of receipt as under sub-rule above, the cashier or any other officer authorized in this behalf has issued a pucca receipt in favour of the payee duly signed by the cashier, or the officer in this behalf.

(v) Whether separate set of Books of accounts have been maintained for Government receipts and panchayats own receipts as well.

## **9.8 Audit of stores:**

**9.8.1** Under Rule 30 (1) of the Assam Panchayat (Financial) Rules, 2002 all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken and these should be kept in-charge of the Accountant in respect of Zilla Parishad and Anchalik Panchayat and in charge of the Secretary in respect of Gaon Panchayat who shall account for the materials in the Stock Book and be required to give a certificate on the body of the bill to the effect that he actually received the materials in good condition and recorded these in the corresponding stock book maintained in Form No. 8 of the schedule.

[Rule 30 (2)]

## **9.8.2 Audit should ensure that:**

- (i) the procedures as provided under rule for procurement and maintenance of accounts of stores have been followed by the panchayats.
- (ii) the stock book maintained in the Prescribed Form.
- (iii) the Chief Executive Officer in respect of Zilla Parishad, the Executive Officer in respect of Anchalik Panchayat and the Secretary in respect of Gaon Panchayat has verified and signed with date the entries in the stock book quarterly and also recorded an appropriate certificate under his/her dated initials in token of his/her having verified all the updated entries in the stock book.

[Ref: Rule 30 (3)]

## **9.9 Audit of Fraud/embezzlement:**

During audit it is to be ascertained that:-

- (i) In case of any fraud/embezzlement noticed in the office of the Zilla Parishad/Anchalik Panchayat/Gaon Panchayat the matter has been brought to the notice of the higher authority as provided vide Rule 37 (iv) of the Assam Panchayat (Financial) Rule, 2002.
- (ii) The compliance on due investigation by the higher authority is intimated to audit.

## **9.10 Audit of works Expenditure:**

**9.10.1** Audit should verify that the procedure for execution of works as laid down in Rule 36 of the Assam Panchayat (Financial) Rules, 2002 has been strictly followed. Audit should see that:

- (i) The Zilla Parishad or the Anchalik Panchayat or the Gaon Panchayat has accorded the administrative approval to carry out any work the estimated cost of which does not exceed ₹50,000/- out of its own fund in respect of Zilla Parishad, ₹20,000/- in respect of Anchalik Panchayat and ₹10,000/- in respect of Gaon Panchayat.
- (ii) For construction work Zilla Parishad, Anchalik Panchayat or Gaon Panchayat has obtained technical approval from the technical wing of the District Rural Development Agency on the detailed plan and estimate including site plan prepared by the respective panchayat.
- (iii) Whether the authority of the Panchayat Samities have accorded approval to any plan and estimate against the corresponding budget provisions and availability of respective panchayat fund.
- (iv) The technical officer posted by the Government under Section 112 of the Act has inspected the works which are carried out by the Gaon Panchayat or Anchalik Panchayat or by the Zilla Parishad.

## **9.11 Audit of Tax Rates and fees:**

### **9.11.1 Audit of Taxes, fees, cess etc. imposed by Gaon Panchayat:**

A Gaon Panchayat may impose tax in the manner as prescribed vide Rule 41 of the Assam Panchayat (Financial) Rules, 2002.

### **9.11.2 Audit points regarding imposition of taxes by Gaon Panchayat:**

- (a) It should be ascertained in audit that:
  - (i) For bricks or R.C.C. buildings used for purposes other than business ₹150/- per annum payable by the owner or the occupant has been levied as taxes or fees or cess.
  - (ii) In case of an occupied brick or R.C.C. Building used for business, a rate not exceeding ₹250/- has been imposed as tax/fees/cess.

- (iii) For Assam type house with C.I. sheet roofing used for purposes other than business ₹50/- per annum payable by the owner or the occupant imposed as tax/fees/cess.
  - (iv) For Assam type house with C.I. sheet roof used for business purposes ₹200/- per annum payable by the owner or occupant has been imposed as Tax/Fees/cess.
  - (v) For house hold with bamboo, mud wall and thatched roof ₹10/- per annum payable by the owner or occupant has been imposed as fee/tax or cess.
- (b) Tax on trades, callings, manufacture and production and employment save and except those levied under any provision of the aforesaid Act or under any enactment for the time being in force, a sum not exceeding ₹350/- per annum has been imposed.
  - (c) A fee for providing sanitary arrangement at places of worship, pilgrimage, fairs or melas, a sum not exceeding ₹200/- imposed per diem.
  - (d) A lighting rate where arrangement for lighting of Public street and places is made, a sum not exceeding ₹100/- per light point per month recovered from the beneficiaries.
  - (e) A conservancy rate where arrangement for clearing private latrine and urinals is made, a sum not exceeding ₹100.00 per occasion per unit and ₹50/- per occasion respectively recovered from the beneficiaries.

### **9.11.3 Audit points regarding imposition of fes/cess by Anchalik Panchayat:**

**9.11.4** An Anchalik Panchayat constituted under the Act shall by one year from the date of its constitution frame by laws as provided under Section 57 of the Assam Panchayat Act 1994, where in indicated rates in the items as under sub-Section 1 (a), (b), (c), (d), (e), (f), (g), of Section 57 of the Act and submit the same to the concerned Zilla Parishad. On receipt of the Bye laws from all the Anchalik Panchayats under it, the Zilla Parishad shall consolidate the same keeping conformity for the whole district and then submit the same to the Government.

**9.11.5** Audit should verify that fees, taxes etc. levied on different items as mentioned in sub-Section 1 (a) to (g) of Section 57 of the Act as per the rates fixed by the Government.

**9.11.6** Fees imposed by Zilla Parishads:

**9.11.7** Under Section 95 (1) of the Assam Panchayat Act, 1994, a Zilla Parishad can impose fees, as mentioned in sub-Section 1 (a), (b) (i) (ii) (iii) (iv) (v) of the Act.

**9.11.8** Audit should verify that the toll fees are imposed on the items as per the rates fixed as per bye laws. In the items where exemption of fees as provided by bye laws may also be looked into by audit.

**9.12** Audit on the settlement of Hats, Markets, Ferries and Fisheries etc.

**9.12.1** Rule 47 (1) of the Assam Panchayat (Financial) Rules, 2002 provides that Hats, markets, Fisheries, Ponds and Ferries etc. as are vested or under the control and administration of the Panchayat under section 105,106,107, 108 and 109 of the Assam Panchayat Act, 1994 shall be settled by inviting sealed tenders affixing court fee stamp for such amount as has been prevailing otherwise and earnest money not below two percent of the minimum bid value for sale and settlement of the right to collect the authorized fees in respect of the markets or ferries or the fisheries and the ponds for a period coinciding with one Panchayat financial years.

**9.12.2** Audit should ensure that:

- (i) Tenders were floated at least forty five days before the last day of Panchayat financial year stating in the tender notice (a) the name of location of each asset to be leased, (b) conditions for submission of tenders including the amount of Security money for the purpose, (c) full details of the asset to be leased out, (d) the period for which the lease will be given, (e) the last date for submission of tender, (f) Date, place and time of opening tender.
- (ii) The tender notice was given wide publicity and a copy thereof hanged on the notice board of the Deputy Commissioner, the sub-divisional officer, the Public Works department and the offices of the Gaon Panchayat, Anchalik Panchayat, and the Zilla Parishad and displayed in prominent places.
- (iii) The tenders are opened, processed and settled by the Committee as provided in sub-Section 1 (i) of Section 22 or the sub-Section 1 (a) of Section 52 or sub-Section (a) of Section 81 of the Panchayat Act, as the case may be.
- (iv) The Committee as under sub-Section referred to in (iii) above, the members present have signed all papers in a tender and prepared a comparative statement setting forth full details of the tenders and obtained dated signatures of the members on the comparative statement.
- (v) On acceptance of the tender the selected tenders has submitted acceptance letter within seven days and deposited with Panchayat concerned not less than thirty percent of his quoted amount in his tender as security.
- (vi) In case of failure of the tenderer to comply with the condition set forth in the tender, his earnest money has been forfeited which was deposited in the Panchayat fund.

### **9.13 Audit of Vouchers:**

#### **9.13.1** Audit should verify that:

As provided by Rule 20 (1) of the Assam Panchayat (Financial) Rules, 2002 ó

- (i) The cashier or the officer authorized in this behalf, has obtained for every payment he made, voucher setting forth full and clear particulars on the claims and all information necessary for its proper classification and identification in the Accounts.
- (ii) Every voucher bears an acknowledgement of payment, signed by the person by whom or on whose behalf the claim is put forwarded, the acknowledgement being taken at the time of payment.
- (iii) The Accountant in respect of payment made by the Zilla Parishad or the Anchalik Parishad and the Secretary in respect of Gaon Panchayat has obtained -Pay orderø of the C.E.O, E.O. or the Secretary respectively on the voucher after obtaining approval from the concerned President of the Zilla Parishad or the Anchalik Panchayat or the Gaon Panchayat as the case may be and recorded the details of the payment in the corresponding ledger before the same is passed on to the cashier by the officer authorized in this behalf.
- (iv) All paid vouchers and sub-vouchers are stamped õPaidö and ñcancelledö so that these cannot be used for second time.
- (v) All vouchers and the copies of such vouchers are stamped original/duplicate/triplicate or cancelled.

### **9.14 Audit of payment of remuneration to the non-officials of Panchayats:**

**9.14.1** Audit should verify that the remuneration payable to the President, Vice President, members of Zilla Parishad, Anchalik Panchayat and Gaon Panchayat as provided under Section 71 (1), 39 (1) and Section 12 (2) of the Assam Panchayat Act, 1994 respectively has not exceeded the permissible limit as shown below:

- (i) President of Zilla Parishad ₹2000/- per month, Vice President ₹1500/- per month and each members of Zilla Parishad ₹700/- per month.
- (ii) President of Anchalik Panchayat ₹1500/- per month, Vice President ₹1000/- per month and each member ₹500/- per month.
- (iii) President of Gaon Panchayat ₹1000/- per month, Vice president ₹600/- per month and each member ₹300/- per month.

[Ref: Rule 13, 14 & 15 of the Assam Panchayat (Administrative) Rules 2002]

### 9.15 Various Forms maintained by Panchayats;

Sl. no.	Form No.	Reference to Rule	Purpose of maintenance
1.	Form No. I	The Assam Panchayat (Financial) Rule, 2002	Receipt and Expenditure ledger pertaining Panchayat Fund only.
2.	Form No. I A	The Assam Panchayat (Financial) Rule, 2002	Receipt and Expenditure Ledger pertaining Govt. Fund only.
3.	Form No. 2	The Assam Panchayat (Financial) Rules, 2002	Control Ledger of Receipt and Expenditure, Govt. Fund, Anchalik Panchayat/Gaon Panchayat Fund.
4.	Form No. 3	The Assam Panchayat (Financial) (Amendment) Rules 2004	Cash book of Zilla Parishad/Anchalik Panchayat/Gaon Panchayat
5.	Form No. 4	The Assam Panchayat (Financial) Rules, 2002	Receipt
6.	Form No. 5	-do-	Register of Receipt book
7.	Form No. 6	-do-	Register of properties and assets
8.	Form No. 7	-do-	Register of Government Fund.
9.	Form No. 8	The Assam Panchayat (Financial) (Amendment) Rules, 2004.	Register for Stock book
10.	Form No. 9	-do-	Budget of Gaon Panchayat.
11.	Form No. 10	-do-	Budget of Anchalik Panchayat
12.	Form No. 11	-do-	Budget of Zilla Parishad
13.	Form No. 12	The Assam Panchayat (Financial) Rules, 2002	Register for earnest money and Security Deposit
14.	Form No. 13	-do-	Muster Roll
15.	Form No. 14	-do-	Measurement Book
16.	Form No. 15	-do-	Assessment and Collection of Taxes etc. Register.
17.	Form No. 16	-do-	Licence
18.	Form No. 17	-do-	Register for Licence holders
19.	Form No. 18	-do-	Register of Markets, ferries, Fisheries and Ponds.
20.	Form No. 19	-do-	Register of Permits for fishing in fisheries.
21.	Form No. 20	-do-	Permit for Fishing in Fishery allotted to Panchayat.

# CHAPTER – 10

## AUDIT OF URBAN LOCAL BODIES

### 10.1 Audit of Municipal Board and Town Committees' Accounts:

#### 10.1.1 Checking of cashier's Cash book:

As per Rule 26 of the Assam Municipal (Accounts) Rules, 1961 a Cash Book should be maintained by the cashier in Form 6 3.

Audit should verify that:

- (i) All sums received by him on account of Municipality are entered in the Cash Book.
- (ii) The entries are in full details of names and particulars except in regard to collections for which separate registers are prescribed and as regards tax collections by Sarkars where daily total arrears and total current need to be shown.
- (iii) The daily totals on the receipt side of the Cash Book are correct and are remitted to the treasury daily.
- (iv) The remittances to the treasury as shown in the payment side of the Cash Book are correct with reference to challans/bank receipts.
- (v) The Vice Chairman or Executive Officer of the M.B. has at least once in a week examined the cashier's Cash Book with the Sarkar's daily register and receipt books, and with all the subsidiary forms and registered in which receipts are given or collections are recorded.

(Ref: Rule 30 of the Assam Municipal (Accounts) Rules, 1961)

- (vi) The remittances as shown in the Cash Book tally with the Bank Pass book/Treasury receipt Schedule.
- (vii) The Vice Chairman or the executive officer of the Municipal Board has verified the cash balance of the cash chest and recorded the result of verification in the Cash Book with dated initial.
- (viii) The details of each remittance are classified according to the different heads of revenue and appear in the cashier's Cash book in the payment side.
- (ix) The Chairman, Vice Chairman or the Executive Officer under whose custody the bank Pass book is kept has examined the Pass book from time to time

with the remittances in Cash book and has immediately called the attention of the treasury officer to any discrepancy that may appear between the debits and credits shown in the Pass book and those shown in the accounts/Cash book of Municipal Board/Town Committee Office.

#### **10.1.2 Audit of License Fees on Carriages and Animals:**

The register for the exhibition of amount of taxes realised on account of carts, carriages and animals shall be maintained in Form 23.

(Ref: Rule 102 of the aforesaid Rules)

As soon as the license fee or tax has been paid and not before, the license shall be prepared in Form 24; and when the necessary particulars have been posted in the register (form 23), both register and License shall be placed before the Chairman, Vice Chairman, Executive officer or other Licensing Officer, who shall sign the license and initial the register in the proper column.

(Ref: Rule 103 of the aforesaid Rules)

#### **10.1.3 Audit should:**

- (i) Check counterfoils of licenses issued for carriages and animals with corresponding entries in the carriage and animal tax Register and the daily or periodical totals in the later. Audit should also compare with applications for licenses forwarded by the owners and filed in the office.
- (ii) Trace the totals of the entries in the cashier's Cash book.
- (iii) Check Stock Register of license forms and tin tickets and verify the book balances with the balances actually in stock.
- (iv) See that tickets are of a different colours and size for each half years.
- (v) Ensure that all unused forms of licenses contained in a book and the unused tickets relating to each half year are destroyed to prevent their fraudulent use.

#### **10.1.4 Hackney carriage and Driver's fees:**

Audit should exercise the same checks as mentioned in the Paragraph 10.1.3 above.

#### **10.1.5 Cart Registration Fees:**

Tin tickets shall be issued to owners of carts which have been registered. These tin tickets shall be of a different colours for each period of issue. They shall be of a size easily distinguishable and they shall bear consecutive numbers. Licenses or receipts for the



registration fee in Form 36, may be given in addition to the tin tickets if this is found to be desirable.

Separate Registers shall be used for different fees.

(Ref: Rule 105 of the aforesaid Rule)

Audit should:

- (i) Check counterfoils of receipts for cart registration fees with entries in the cart Registration Register and the daily or periodical total of the later. Trace the totals into the cashier's cash book.
- (ii) Check the totals and balances in Stock Book of cart Registration tickets with cart Registration Register and verify the balances with tickets actually in hand.
- (iii) See that tickets are of a different colour and size for each period of Registration. Also to ensure that all unused tickets are destroyed to prevent their fraudulent use.

#### **10.1.6 Audit of Quarterly and Annual Accounts:**

At the close of every month the totals under the various heads of account recorded in the Abstract Registers (Forms 12 & 13) shall be entered in English by the accountant in the separate registers (Form 17 & 18) against the corresponding heads under the appropriate month.

If it is desired to show that the expenditure is greater than according to the prescribed budget heads, additional details heads may be inserted in the register of expenditure and the particulars of the charges to be posted under these heads can be obtained from the Cash book or voucher.

These two registers from the quarterly statement shall be prepared immediately after the close of each quarter.

The re-appropriations sanctioned from time to time shall be noted against the heads concerned with appropriate 'plus' or 'minus' entries in column 2 of the Register (Form 18).

A copy of this account shall be sent not later than the 30<sup>th</sup> April following to the Magistrate of the District in which the municipality is situated.

To enable the magistrate to make the prescribed comparison between the estimates and the actual receipts and expenditure of the Municipal Board the amounts by which the actual figures fall short of or exceed the estimated figures shall be shown in two separate columns provided for the purpose, within the body of Form 19.

(Ref: Rule 89 to 92 of the aforesaid Rules)

Audit should verify:

- (i) that the accounts of the Board are punctually and correctly compiled and submitted in Proforma;
- (ii) that extravagant and unauthorized expenditure is promptly brought to notice of the authority;
- (iii) that budget provision is not usually exceeded and that where exceeded steps are taken finally for re-appropriation;
- (iv) that prompt action is taken to remove any irregularities disclosed in audit.

#### **10.1.7 Audit of Assessed Tax:**

The principal record of the tax assessment department is the Demand Register and the Officer-in-Charge of that department shall be responsible for seeing that it is correctly prepared and that all alterations therein are attested by the proper authority, where, however, the same officer controls the collection and assessment department, the demand register may be kept in (Form B), which also serves the purposes of the bill register.

The Municipalities shall be divided into collecting circles by a calculation based on the area of ground to be traversed and the number of bills to be delivered. The collecting circles should be as compact as possible and so arranged as to distribute the work of tax collecting evenly among the Sarkers. The circles having been determined, and the assessment list, or the valuation and the rating list prescribed by Section 94 of the Act, having been published, the register of the municipal rates and taxes shall be opened.

(Ref: Rule 63 to 68 of the Assam Municipal (Accounts) Rules, 1961)

Audit should verify that:

- (i) The tax demand is correctly assessed and vouched for by proper authority;
- (ii) The original Demand is signed as required by the Act, and that the mutation of assessment are also signed and initialed.
- (iii) The Demand Registers have been totaled and signed by the Chairman or the Vice Chairman and that there are no unattested corrections or erasures;
- (iv) File of petitions received for creation of new buildings or for improvement of old buildings indicate that they have all been promptly assessed;
- (v) A new assessment coming into force, the Assessment list compared with the Demand Register for at least one ward in each circle.

- (vi) The totals of the Abstract Demands with the totals of the bills have been checked and to see that these have been correctly shown in the Sarkar's Ledgers for each quarter.

#### **10.1.8 Audit of Sarkar's daily collection register:**

Audit should verify that:

- (i) The Sarkar's Note Book indicates that the collections are brought to account on the date of collection.
- (ii) The Collection Register of each circle when checked (at least for one month in a quarter) indicates that the entries in the cashier's Cash book tally with the postings in the Sarkar's Collection Register.

#### **10.1.9 Audit of Bill Register and Bill Books:**

The duty of Audit is to:-

- (i) Check the totaling of the Bill Registers at least for one ward in a circle for one quarter;
- (ii) Compare the postings in the Bill Register at least for one ward in each circle for one quarter with the Demand register, and also with the entries in the memorandum at the beginning of the connected bill book.
- (iii) Check the collections shown in the Bill register with the Collection Register.
- (iv) Cross check the remissions shown in the Bill Register for at least one ward in each circle for one quarter with the Remission Register;
- (v) Obtain lists of outstanding bills on the date. The verification may be made with the balance worked out from the accounts till the same date. Audit is also to see that the lists have been totaled, signed and dated by the Vice Chairman; compare the amount of each bill entered in the lists with each undelivered receipt to trace out discrepancy, if any. Check the totals and compare them with the balance worked out in Sarkar's Ledger and progress statement on the date of verification.

#### **10.1.10 Audit of Stock Register of Bill Books etc:**

Rule 29, 30 & 31 of the Assam Municipal (Accounts) Rule 1961 provide for procurement of bills/bill forms/bill books.

Audit is to see that:

- (i) The entries of the receipt of bill books in the Stock Register are agreed with the supply bill or invoice received from the press;
- (ii) The issues shown are not in excess of requirements and that the books issued are all forthcoming at the time of audit, either as used or unused;
- (iii) The printed machine numbers have been noted in the Stock Register (maintained in Form G) and that acknowledgements from clerks concerned have been obtained for forms supplied to them;
- (iv) The stock in hand agrees with the book balances;
- (v) All bill Books, receipt and License Books are kept in the personal custody of the Chairman or the Vice Chairman.
- (vi) Bill forms contained in each book are counted on receipt from the press and the number of forms noted in the memorandum before entering in the Stock Register.

#### **10.1.11 Audit of Miscellaneous Receipts:**

The duty of Audit is to:

- (i) See whether necessary assessment has been made for all dangerous and offensive trades, etc. as required by section 229 and also in respect of public cinematography exhibitions etc. under section 230 of the Assam, Municipal Act, 1956;
- (ii) Check counterfoils of miscellaneous receipts and licenses granted for dangerous and offensive trades, druggist's shops, slaughter house etc., public cinematographic exhibitions, dramatic performances, circuses, variety shows with the credits shown in the cashier's Cash book.
- (iii) Point out the balances of license fees outstanding with reference to any record kept of the Demand.

#### **10.1.12 Audit of Remission Register:**

The duty of Audit is to:

- (i) Check the remission orders and lists of remissions with the Remission Register;
- (ii) To check the remission into the memorandum at the beginning of the bill books, and into the bill register;
- (iii) Check all the full remission with the cancelled receipts and see that all such receipts are forthcoming in audit for destruction;

- (iv) Total the Remission Register and trace the monthly totals into the Sarkar's ledger.

#### **10.1.13 Register of unpaid Bills and order Book:**

The duty of audit is to:

- (i) Check the Register of unpaid Bills (Form-5) and the order Book (Form-6) and report any claims the settlement of which being unduly delayed.
- (ii) See whether the bottom entries of the Order Book are regularly and carefully posted and report omission in this respect.
- (iii) Check and verify the list of outstanding debts sent to the magistrate of the District, trace all subsequent payments into the same and point out in the audit report all cases in which the old debts are not traceable in the above list.

#### **10.1.14 Unrealised Bills:**

Audit is to see if the totals of unrealised bills in the heads of the Tax Collectors are compared periodically or at least once a year with the balances shown in the Sarkar's Ledger and the progress statement and if the discrepancies reconciled as laid down in Rule 54 of Appendix-A to the Account rules.

#### **10.1.15 Miscellaneous Bill Register:**

The duty of audit is to:

- (i) Check the correctness in the preparation of the bills entered in the miscellaneous Bill register.
- (ii) Check the realizations of the amounts of bills shown in the Register with the cashier's Cash Book.
- (iii) Report the amount of miscellaneous bill outstanding.

#### **10.1.16 Vaccination Fees:**

The duty of audit is to:-

- (i) See from the Register of Persons vaccinated that the prescribed fees are levied from the vaccinated at their houses. Trace the realizations into the Vaccinator's Collection Register;
- (ii) Check counterfoils of receipts for vaccination fees with the vaccinator's collection Register and trace credits of the totals of the later into the cashier's Cash Book.

#### **10.1.17 Memorandum of Bill Book.**

Audit is to see that the memorandum attached to the Bill Book is duly filled up and that it is periodically reviewed by the Vice Chairman.

#### **10.1.18 Audit of Embezzlements etc.**

Whenever any loss of money or other property due to embezzlement or theft or to facts indicating misconduct, neglect or dishonesty on the part of any officer or servant of the Board is discovered, the fact shall be promptly reported by the Chairman or Executive Officer to the appropriate authority of the State Government and the District Magistrate and ask for a regular Police investigation under the code of criminal procedure 1898. When such an investigation is taken up the Chairman or Executive Officer shall take all possible steps to facilitate the investigation and he shall also submit a further report to the authority showing the total sum of money or property lost, the manner in which it was lost and the steps taken to recover the amount and punish the offenders, if any.

No money or other property lost shall be written off except with the sanction of the commissioner of Division.

[Ref: Rule 8 (2) of the Assam Municipal (Acts) rules, 1961]

Audit should ensure that the steps are taken as per the Act and also should scrutinize all the sanctions or orders to write off and with the reasons for the write off.

#### **10.1.19 Register of works:**

The duty of audit is to:

- (i) See that every original or repair work is recorded in the Register of works.
- (ii) Ensure that expenditure incurred including the arrears due for which part payments have been made are shown in the Register in comparison to the estimate.
- (iii) See that when the outlay is estimated to cost not less than Rs. 2500/- the records are kept by sub-heads in details in Form 47 (A).
- (iv) See that when the work is completed, a double red ink line is ruled below the last entry and a note made thus ó õworks completed. Completion Certificate submitted oní í í í í ..200í í í ö

#### **10.1.20 Muster Roll:**

Rule 147 of the Assam Municipal Account Rule 1961 provides that when work is done by daily labour through departmental agency, the basis of the account shall be the

muster roll, and when payments are not made daily; the muster roll must be nominal one. Audit is to verify that:

- (i) The Muster Roll are maintained in Form 646 and written up daily when labourers are employed daily on a work.
- (ii) For large works or a group of works labour reports in the prescribed Muster Roll Form No. 46A are submitted daily by the subordinate deputed for the purpose.
- (iii) Discrepancies between labour reports and muster rolls are investigated and actual position ascertained.
- (iv) The Vice Chairman or the Executive Officer has exercised careful check over the muster rolls with the daily labour reports.
- (v) An extract from the measurement books are endorsed on the muster rolls and the quantity of work turned compared with the cost of the labour employed.
- (vi) Payments on muster rolls are made by the officer-in-charge of the work.
- (vii) Signature or thumb impression as the case may be of the payees are taken and the officer in charge certified to the payments individually or by groups.
- (viii) The amount paid on each date noted in words as well as in figures at the foot of the muster rolls.
- (ix) The Muster Rolls are countersigned by the Vice-Chairman or the executive officer.

#### **10.1.21 Stock and Store Account:**

As per Rule 151 of the Assam Municipal (Accounts) Rule, 1961 a stock and store accounts register is to be kept in Form-48.

Audit is to verify that:

- (i) A separate set of pages is assigned to each description of stock or tools and plants.
- (ii) The figures entered in the column "Balance" are certified to half yearly by the Vice-Chairman or Executive Officer as representing articles found by actual counting or measurement.
- (iii) In case of a large of stores for use by the Engineering Department, registers of daily receipts and issues with inner columns for each kind of stores are kept instead of Form 48 and the registers are balanced monthly.

- (iv) A site account in the Assam Financial Rule Form No. 37 showing the sources of receipt of materials brought to the site of the work and their issues to the sub-heads of the estimates on which they are used up, are maintained for each work in which materials obtained direct by the Board are used.
- (v) A separate account of tools temporarily lent to contractors or in use by the Municipal subordinate is kept.
- (vi) The balance are counted from time to time and the date on which each item of stores actually counted are entered in the stock and store register or the half yearly balance return.

## **10.2 Audit of Guwahati Municipal Corporation:**

### **10.2.1 General check:**

Audit is to check the Accountant's cash book, the cheque books, the bank reconciliation statements, the bank deposit slips and the vouchers, to trace the remittances as per cashier's cash book into the Accountant's cash book.

### **10.2.2 Cashier's Cash Book:**

It is the duty of audit to:

- (i) Check the daily totals of the cashier's cash book on the receipt side and see that total collections are remitted to the Bank on each opening day.
- (ii) Check the remittances shown on the expenditure side with Bank Deposit Slips.
- (iii) Check the classification of remittances to the Bank on the payment side of items other than Assessed Rates and Taxes;
- (iv) Verify the cash in hands of the cashier and other employees of the Corporation entrusted with the duties of collecting money on account of taxes on holdings, carts, license fees on carriage and animals, on hackney carriages, bid money for markets, parking places, check gates/posts/ghats and on other miscellaneous accounts etc and report shortage/excess etc.
- (v) See that the cashier does not retain a portion of the money in hand when he makes a remittance to Bank.

(Ref: Sec. 110 of GMC Act, 1971)

### **10.2.3 Zonal Cash Book:**

Each zone of Guwahati Municipal Corporation should maintain a zonal cash book. Audit should check the receipts collected by each zone with the receipt books, verify totals



and see that amounts are entered in the zonal cash book in full and finally entered in the cashier's cash book.

#### **10.2.4 License Fees:**

The duty of Audit is to:

- (i) Check the counterfoils of licenses for carriages and animals with the corresponding entries in the carriage and Animal Tax register and also the daily or periodical totals in the later. Compare also with the applications for licenses forwarded by the owner and filed in the office.
- (ii) Trace the totals of the above into the cashier's Cash book.
- (iii) Check the Stock Register of License forms and of tin tickets and verify the book balance with the balances actually in stock. See that the tickets are of a different colour and size for each half year. Audit also to ensure that all unused forms of licenses contained in a book and the unused tickets relating to each half year are destroyed to prevent any fraudulent use.

The Guwahati Municipal Corporation (licensing of Rickshaw and Rickshaw Puller) Bye Laws, 1976 fixed the license fees and transfer fees of Rickshaw and Rickshaw Puller as under:

- (i) Owner's licence for a cycle rickshaw or rickshaw van ₹20/- per annum.
- (ii) Roller's license for cycle rickshaw Rs. 10/- per annum.
- (iii) Renewal of Roller's license for a cycle rickshaw Rs. 10/- per annum.
- (iv) Renewal of owner's license for a rickshaw Rs. 10/- per annum.
- (v) Transfer fee ₹5/- in each case.

(The rates are subject to charges from time to time)

Audit is to verify that the license fees and transfer fees are levied at the appropriate rate, taken into account and deposited to the Bank in time. Audit is also to ascertain if the rates were revised and the license fees levied at revised rates.

#### **10.2.5 Cart Registration Fees:**

It is the duty of audit to:

- (i) Check counterfoils of receipts for Cart Registration Fees with entries in the Cart Registration Register and the daily or Periodical total of the later. Trace the totals into the cashier's Cash book.

- (ii) Check the totals and balances in the Stock Book of Cart Registration tickets with the Cart Registration Register

#### **10.2.6 Miscellaneous Receipts:**

The duty of Audit is to:

- (i) See whether necessary assessment has been made for all the dangerous and offensive trades etc as required under Section 275 and also in respect of Theatres, Cinema to Cinematographic exhibitions etc. under Section 171 of the Guwahati Municipal Corporation Act, 1971.
- (ii) Check counterfoils of miscellaneous receipts and licenses granted for dangerous and offensive trades, druggist's shops, slaughter houses etc. Public cinematographic exhibitions, dramatic performances, circuses, variety shows and also check counterfoils of receipts for realization of fees for temporary cinema shows, circuses, dramatic performance, variety shows and also for fees with the credits shown in the cashier's Cash book.
- (iii) Report the balance of license fees outstanding with reference to record kept in the Demand Register.

#### **10.2.7 Miscellaneous Demand Register:**

The duty of Audit is to:

- (i) Check the correctness in the preparation of bills in the miscellaneous Demand Register;
- (ii) Check the realizations of the amounts of bills shown in the Register with the cashier's cash book;
- (iii) Report the amount of bills outstanding.

#### **10.2.8 Miscellaneous Fixed Demands:**

The duty of Audit is to:

- (i) See that proper account is kept of rent of buildings, site rent, parking places etc.
- (ii) Check the realizations shown in the Register with challans and trace credits in the cashiers/Accountant's Cash book.

#### **10.2.9 Audit on assessment of Taxes:**

Under Sec. 144 of GMC Act 1971 Taxes to be imposed and levied.

The duty of Audit is to:

- (i) See that tax demand is correctly assessed and vouched for by proper authority.
- (ii) Take up the Demand Register and Mutation Register, starting from the last audit, trace from mutation orders to the Mutation Register and from the Mutation Register to the Demand Register few numbers of cases as individual alterations for each zone of the quarter under audit.
- (iii) Call for the file of petitions received for creation of new buildings or for improvement of new buildings and see that they have been promptly assessed.
- (iv) See that the original demand is signed as required by the Act and the mutation of assessment are also signed. Also see that the Demand registers have been totaled and signed by the Commissioner and there are no unattested corrections or erasures.
- (v) When a new assessment comes into force, compare the assessment with the Demand Register at least for one ward in each zone.
- (vi) Trace the totals of additions and deductions shown in the Mutation register into the Abstracts of Demands;
- (vii) Check the totals of Abstract of Demands with the totals in the Demand Register.

#### **10.2.10 Demand Registers:**

Sec. 185 of the GMC Act 1971 provides for time and manner of payment of taxes. A demand Register may be maintained in each zone for different works and the authority is to issue demand notices to the tax payers.

The duty of audit is to:

- (h) Check the totaling of the Demand Register for at least one ward of each zone for one quarter.
- (i) Check whether the demand was raised accurately/correctly.
- (j) Compare the postings in the Demand Register for at least one ward in each zone with the Remission Register;
- (k) Obtain complete lists of outstanding Demand on the date. Verification is to be made with the balance worked out from the accounts upto the same date. See that the lists have been totaled, signed and dated by the Commissioner.

### **10.2.11 Daily Collection Registers:**

The duty of audit is to:

- (i) Check the totals and see that the Collections are brought to account on the date of collection;
- (ii) Check the totals of the Collection Register of each zone at least for one quarter in each year and compare the totals of all the Collection Registers of one month with the entries in the cashier's cash book and also with the postings in the Demand Register.

### **10.2.12 Warrant register:**

Audit should:

- (i) Check the fees shown as realised in the Warrant Register with the Collection Registers.
- (ii) Ensure that warrants are regularly issued and promptly disposed of.
- (iii) See that only one fourth of the fee is remitted in the cases when the amount demanded is paid before a sale of the property distrained is held.

### **10.2.13 Distraint Register:**

Audit is to check the Register of Distraints with the Collection Register.

(Ref: Sec. 191 of GMC Act; 1971)

### **10.2.14 Stock Register of Receipt Books, License Books etc.**

The duty of Audit is to:

- (i) See that entries of the Receipt Books in the Stock Register are in agreement with the supply bill or invoice received from the press;
- (ii) The issues shown are not in excess of requirements and the books issued are all forthcoming at the time of audit, either as used or unused;
- (iii) The printed machine numbers of books issued have been noted in the Stock Register and that acknowledgements from employees concerned have been obtained for books supplied to them.
- (iv) The stock in hand agrees with the book balance.
- (v) All the Receipt and License Books are kept in the personal custody of the Commissioner or the Deputy Commissioner of the GMC.

- (vi) Forms contained in each book are counted on receipt from the press and the number of forms noted before entering in the Stock Register.

#### **10.2.15 Reconciliation of closing balance with the Bank Statement:**

The duty of audit is

- (i) to find out the closing balance as per Cash Book as on 31<sup>st</sup> March;
- (ii) to see whether closing balance as per Cash book was reconciled with bank statement in the event of occurring any discrepancy.
- (iii) to verify whether detailed analysis of closing balances was recorded at the end of each and every month when Cash Book is closed.

#### **10.2.16 Government Grants and loans:**

Audit should obtain a statement showing receipt of grants and loans received from Government and other organisations during the period covered by audit with sanction letter No. and date, purpose and their utilisation. If necessary, audit may also call for copy of sanction letter or utilisation certificate in addition to bills and vouchers.

#### **10.2.17 Bill Registers:**

Audit should verify the following bill Registers:

- (i) Incoming bill Register.
- (ii) Bill Passing Register.
- (iii) Bill Ledgers.

Audit also should see that bills of contractors and suppliers are chronologically entered in the Registers with details and no cheques are issued without relevant entries in the Register.

#### **10.2.18 Maintenance of Ledgers:**

Audit should see that following ledgers are maintained properly:

- a. Stock ledger of materials.
- b. Stock ledger of stationery articles.
- c. Cycle advance and recovery ledger.
- d. Motorcar advance and recovery ledger.
- e. House building advance and recovery ledger.
- f. Provident Fund advance and recovery ledger.

- g. Income tax recovery ledger.
- h. Security Deposit Recovery ledger.
- i. Earnest money Deposit/Recovery Ledger.

**10.2.19 Receipt and payment account:**

Audit should verify the monthly receipt and expenditure statement and also annual receipt and payment account prepared by the Corporation. Audit also should see that the entries in the accounts are made as per cash book and different ledgers.

# CHAPTER – 11

## RESULTS OF AUDIT

### 11.1 Preliminary Objection Statement (POS):

The Inspecting AAO should jot down all objections and queries which should be submitted to the Head of the office as preliminary Objection Statement a copy being kept by carbon process. As audit progresses the AAO should issue daily preliminary objection statements and discuss all objections in the first instance with the Office Staff if necessary and thereafter with the head of the office towards the close of audit and settle the objections on the spot as possible. The AAO should take all possible care that the replies to the POS are received from the heads of the offices periodically while audit is in progress and definitely by close of audit, unless there are very special reasons in any particular case for not doing so. The heads of the offices may also be requested to be present for discussion on the POS by the completion of the audit. In case for special reasons, the head of office cannot be present, he should direct a responsible officer (Gazetted Officer if there be any or the head clerk of his office) to discuss the objections and to return the preliminary objection statements after verifying the facts mentioned there in. The replies to the Preliminary objection statements should be carefully verified with reference to the initial records, correspondence etc.

### 11.1.2 Responsibilities of Inspecting Officers:

Normally auditor should be able to issue inspection memos and put up notes. Separate reports, in the form of material for inclusion in the Inspection Report should be submitted by them, the section officers and by the Assistant Audit Officers in the audit party to the Inspecting officer, based on the actual work done and inspection memos issued by them after taking into account the replies there to. The Inspecting officer will remain responsible for the efficiency of the inspection as a whole, though some items of works may suitably be entrusted to the subordinate staff. He must guide the members of the party in their work and determine the extent of independent action to be allowed to each of its members with reference to their experience, qualities and capacity to act independently. Based on such judgment, the Inspecting Officer may permit individual members of the party to issue audit memos themselves and see them in due course after

issue. In cases where it is considered appropriate, he should stipulate that the memos be issued only with his approval. The Inspecting officer should always keep himself posted with the progress of audit and the observations that have been communicated to the office inspected.

[Ref: Para 6.1.8 of MSO (Audit)]

## **11.2 Audit evidence:**

**11.2.1** Sufficient, competent, relevant and reliable evidence should be obtained to support the auditor's judgment and conclusions regarding the body, programme and function under audit.

The audit findings, conclusions and recommendations must be based on evidence. Since auditors seldom have the opportunity of considering all information about the audited entity, it is crucial that the data collection and sampling techniques are carefully chosen.

[Ref: Para 8.1 of Chapter III of Auditing Standards (PRIs & ULBs)]

**11.2.2** The following paras will explain audit evidence as an auditing standard:

- (i) The audit findings, conclusions and recommendations must be based on evidence. Since Auditors seldom have the opportunity of considering all information about the audited entity, it is crucial that the data collection and sampling techniques are carefully chosen. When computer based system data are an important part of the audit and the data reliability is crucial to accomplishing the audit objective, auditors need to satisfy themselves that the data are reliable and relevant.
- (ii) Auditors should have a sound understanding of techniques and procedures such as inspection, observations, enquiry and confirmation, to collect audit evidence. The IA should ensure that the techniques employed are sufficient to reasonably detect all quantitatively material error and irregularities.
- (iii) In choosing approaches and procedures, consideration should be given to the quality evidence, i.e. the evidence should be sufficient, competent, relevant, reliable and as direct as possible so as to fulfil the need for interferences to be made.
- (iv) Auditors should adequately document the audit evidence in working papers, including the basis and extent of the planning, work performed and the findings of audit. Working papers should contain sufficient information to enable an



experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the Auditor's significant findings and conclusions.

- (v) Adequate documentation is important for several reasons. It will:
  - (a) Confirm and support the Auditor's opinions and reports;
  - (b) Increase the efficiency and effectiveness of the audit.
  - (c) Serve as a source of information for preparing reports or ensuring any enquiries from the audited entity or from any other party.
  - (d) Serve as evidence of the Auditor's compliance with auditing standards;
  - (e) Facilitate planning and supervision.
  - (f) Help the Auditor's professional development.
  - (g) Help to ensure that delegated work has been satisfactorily performed;  
and
  - (h) Provide evidence of work done for future reference.
- (vi) The Auditor should bear in mind that the content and arrangement of the working papers reflect the degree of the Auditor's proficiency, experience and knowledge. Working papers should be sufficiently complete and detailed to enable an experienced Auditor having no previous connection with the audit subsequently to ascertain from them what work was performed to support the conclusions.

[Ref: Para 8.2.1 to 8.2.6 of Chapter-III of Auditing standard for audit of PRIs & ULBs]

### **11.3 Draft Inspection Report (DIR):**

On the completion of each audit assignment, the Draft Inspection Report (DIR) should be drawn up. When an Inspecting Officer supervises the inspection, he should draw up the DIR himself. In other cases the report should be written by the Inspecting AAO/SO.

**11.3.1** The culmination of the audit process is the reporting which summaries the evidence gathered during the conduct of audit and communicates the audit opinion and other findings. It is essential for the auditor to prepare report in such a way so that audit observations are easy for reader to understand. Timeliness of the report is the essence as delay may make the report irrelevant and corrective action may not be practicable.

On the completion of each audit assignment, the Auditor should prepare a written report setting out the audit observation and conclusions in an appropriate form.

The content of the report should be easy to understand and free from vagueness or ambiguity supported by sufficient, relevant and reliable audit evidence and be independent, objective, fair, complete, accurate, constructive and concise.

[Ref: Para 1.1. & 2.1 of Chapter IV of Auditing standard (As) for PRIs and ULBs]

**11.3.2** The audit Inspection Report (I.R.) should be complete i.e. it should contain all pertinent information needed to satisfy the audit objectives and to promote an adequate and correct understanding of the matter reported. It should also include appropriate background information.

(Ref: 2.10. of Chapter IV of As for PRIs & ULBs)

**11.3.3** In most cases, a single example of a deficiency is not sufficient to support a broad conclusion or a related recommendation. All that it supports is that a deviation, an error or a weakness existed. However, except as necessary, detailed supporting data need not be included in the report.

(Ref: Para 2.10.1 of A.S for PRIs & ULBs)

**10.3.4** Evidence presented should be true and the conclusions should be correctly portrayed so that the report is accurate. The conclusions should flow from the evidence. The need for accuracy is based on the need to assure the users that what is reported is credible and reliable.

The report should include only information findings and conclusions that are supported by competent and relevant evidence in the auditor's working papers.

(Ref: Para 2.11 & 2.11.1 in Chapter IV of AS for PRIs & ULBs)

**11.3.5** The Presentation throughout the report be balanced in content and tone. The audit report should be fair and impartial and not misleading and should place the audit results in proper perspective. This means presenting audit results impartially and guarding against the tendency to exaggerate or over emphasise deficient performance.

(Ref: Para 2.12 Chapter IV of A.S. for PRIs & ULBs)

**11.3.6** The audit results should be presented in the report persuasively and the conclusions (and recommendations) followed logically from the facts presented. The information presented should be sufficient to convince the readers to recognize the validity of the findings and reasonableness of audit conclusions.

(Ref: Para 2.13 Chapter IV of A.S. for PRIs & ULBs)

**11.3.7** The report should be easy to read and understand. Use of straightforward, non technical language is essential. If technical terms and unfamiliar abbreviations are used, they should be clearly defined.

(Ref: Para 2.14 Chapter IV of A.S. for PRIs & ULBs)

**11.3.8** Being concise requires that the report is no longer than necessary to convey the audit opinion and conclusions. Too much detail detracts from the report and conceals the audit opinion and conclusions and confuses the readers. Complete and concise reports are likely to receive greater attention.

(Ref: Para 2.15 Chapter IV A.S. for PRIs & ULBs)

**11.3.9** In drafting the report it is essential that a detached, dispassionate and objective attitude is maintained and that expressions suggestive of a political opinion or bias are avoided

[Ref: 7.3.27 Chapter 6 III, Section VII of MSO (Audit)]

**11.3.10** Efforts should be made to reduce the use of passive voice and complex sentences and to avoid verbosity, parenthetical clauses and inclusion of information extraneous to the comments and strictly not relevant. Inclusion of statistical data that are not quite relevant and not necessary for clear presentation of the issues should be avoided.

[Para 7.3.30 Chapter 6 III, Section VII of MSO (Audit)]

**11.3.11** I.R. should be confined to serious irregularities and to matter of a general nature, which are important enough to be brought to the notice of the authorities and the Government. It should be divided into paragraphs and arranged in order of importance of the subject dealt with; all objections of a similar character or on the same subject should be grouped together. When there are several items of the same nature, they should be entered in a statement, a reference should be made to it in the body of the report.

**11.3.12** (i) The I.R. together with the TAN should be completed and shown to the head of the office on the last day of the audit. They should be despatched to the head office after the close of the audit within the days as prescribed.

(ii) The draft IR should be accompanied by a certificate stating that the audit checks prescribed in the manual have been carried out.

**11.3.13** Objections and observations arising out of audit should be communicated at the earliest opportunity and should be registered at first in detail in the prescribed records maintained in the audit office.

[Ref: Para 7.2.2 of MSO (Audit)]

**11.4 Format and contents of Reports:**

**11.4.1** The Inspection Report contains 3 parts and the Draft Inspection Report should be drawn up in the following format:

## **PART – I**

- A. Introductory:**
- B. Disclaimer Statement:**
- C. Incumbency:**
- D.** (i) Summary of Budget provision and expenditure of main items and schemes for the last 3 years.
- E. Review of outstanding audit paras.**

## **PART – II**

- A.** Consisting of major irregularities, which are likely to materialize into Draft Paras for Audit Report.
- B.** Consisting of irregularities which though not major but are important enough to be brought to the notice of the higher authorities and followed up by the Pr. Accountant General/Accountant General (Audit).

## **PART – III**

Test Audit Note containing minor irregularities to which a schedule of items settled on the spot should be attached. The procedural irregularities in respect of which the Head of office has held out assurance about following correct procedure in future should be noted in the schedule. Test Audit Note should be issued on the spot under the signature of the Head of the party and not to be included in the Inspection Report.

**11.4.2** The 'Introductory' Section will contain a paragraph indicating the duration of the period covered by audit. The 'Incumbency' Section will contain a paragraph containing the name of the head of office, D.D.O. and the period of their charge. The Introductory Section should also contain (in case of PRI) some more particulars/statistical data in the form of a statement to be enclosed to the report. (A specimen form is given in Annexure ó I).

### **11.4.3 Time allowed for drafting of audit Inspection Report and issue thereof:**

The Inspection Report should be despatched to the auditee within a maximum period of one month from the date of completion of audit. The time limit for the work at several stages, fixed for the purpose is as below:

- (i) The Draft Inspection Report must reach the Head Quarter Section within seven days from the date of the completion of audit. For this purpose the Inspecting AAO/AO/Sr. AO should dispatch the Draft Inspection Reports to the HQ Section on the working day immediately, following the date of completion of audit (excepting in the case of last audit of the quarter, when the audit party may bring draft inspection report along with them).
- (ii) The HQ Section will put up the draft Inspection Reports after verifying the facts along with connected papers to Branch officers, HQ, within 4 (four) days and to Sr. DAG/DAG LBAA within 7 days of its receipts.
- (iii) The scrutiny and final approval of the reports may then take another week or so.
- (iv) The finally approved report should then be typed and issued within 10 (ten) days of its approval.

(Ref: D.G. (Audit)ø letter No. 125-Audit/109-95 dt. 02.8.2004)

**11.4.4** The inspection Report forwarded by the Inspecting officer is to be scrutinised and edited in the head office. At the time of vetting the IRs, the Branch Officer in the head office should satisfy himself that only such of those objections or audit ó observations which merit inclusion in the report have been included there in and record a certificate to the effect that the IR includes objections of a serious nature only. After approval by the Group officer, the edited IR is to be issued.

[Ref: Para 6.1.24 of MSO (audit)]

**11.4.5 Title Sheet:**

In submitting the Draft IR to the head office, the audit party should attach a little sheet in the proforma as in vogue and given in Annexure ó 2 to the Paragraph after duly filled in.

**11.4.6 Distribution of works:**

Allocation/distribution of works among the members of the local audit party should be made by the head of the party. The full details regarding the nature of works allocated to each member of the party should also be attached to the Draft Inspection Report.

**11.4.7 Interview with the Head of office inspected:**

The Inspecting officer/AAO should first seek interview with the head of the office, to be audited. Advantage should be taken of this interview to invite any suggestions, which the head of the office may like to offer on the general conditions of the accounts of

his office or regarding any part of it, which requires close inspection. He should also see the head of office as often as is necessary with a view to discuss with him the matters of importance and should also discuss the results of audit.

#### **11.4.8 Discussion of Draft Inspection**

The Draft IR should be discussed with the head of office inspected on the last day of audit. A minutes of discussion on the papers/POS where the acceptance/difference of opinion and reasons for not accepting the views of the Head of office to be recorded against the relevant paras, should be prepared and got signed by both the Inspecting officer and the head of the office with whom, the discussion held.

#### **11.5 Settlement of old objections:**

Settlement of outstanding paras of the earlier Inspection Report is one of the important duties of the Inspecting Staff and should be given priority. The Inspecting Officer/parties will hold discussion with the departmental officer during audit for settling objections on the spot. Headquarter Section will prepare a detailed brief on outstanding paragraphs of previous Inspection Reports for the Inspection Officer. The Inspection Officer/inspecting AAO/SO will after discussions with the departmental officer send results/recommendations to HQ.

(Authority: C&AG's letter No. 528-O&M/7-81 V, dt. 10<sup>th</sup> June, 1982).

#### **11.6 Fraud, illegal acts and other non-compliance:**

**11.6.1** When auditors conclude based on evidence obtained, that fraud or an illegal act, either has occurred or is likely to have occurred they should report relevant information. Auditors need not report information about fraud or an illegal act that is clearly inconsequential. Auditors should also report other non-compliance (for example a violation of contract provision) that is material to the financial statements.

(Ref: Para 10.1 of A.S. for PRIs & ULBs)

**11.6.2** Whether a particular act is, in fact, illegal may have to wait final determination by a court of law.

(Ref: Para 10.2 of AS for PRIs & ULBs)

**11.6.3** Thus, when auditors disclose matters that have led them to conclude that an illegal act is likely to have occurred, they should take care not to imply that they have made a determination illegally.

(Ref: Para 10.3 of AS for PRIs & ULBs)

**11.6.4** In reporting material fraud, illegal acts, or other non-compliance, the Auditors should place their findings in proper perspective. To give the reader a basis for judging the prevalence and consequences of these conditions, the instances identified should be related to the universe or the number of cases examined and be quantified in terms of money value, if appropriate. In presenting material fraud, illegal acts or other non-compliance, Auditor should ensure that standard for objectives, scope and methodology, audit results and presentation standards, as appropriate, are observed. Auditors may provide less extensive disclosure of fraud and illegal acts that are not material in either a quantitative or qualitative sense.

(Ref: Para 10.4 of AS for PRIs & ULBs)

**11.6.5** When auditors detect fraud, illegal acts, or other non-compliance that are not of material nature, they should communicate those findings to the auditee, preferably in writing and should refer to such communications in their report on compliance. Auditors should document in their working papers all communications to the auditee about fraud, illegal acts and other non-compliance.

(Ref: Para 10.5 of AS for PRI & ULB)

**11.6.6** Management is responsible for taking timely and appropriate steps to remedy fraud or illegal acts that Auditors report to it when fraud or an illegal act involves assistance received directly or indirectly from Government or any other agency (for example, State Government Grants), the Auditors may have a duty to report it directly (to the Government/any other agency) if management fails to take remedial steps.

(Ref: Para 10.6. of AS for PRIs & ULBs)

**11.6.7** Auditors should obtain sufficient, competent and relevant evidence (for example, by confirmation with outside parties) to corroborate assertions by management that it has reported fraud on illegal acts.

(Ref: Para 10.7 of AS for PRIs & ULBs)

## **11.7 Instructions under Right to information Act 2005**

**11.7.1** According to Article 151 (1) of the Constitution of India, the Reports of the Comptroller and Auditor General of India relating to the accounts of the union shall be submitted to the President, who shall cause them to be laid before each house of Parliament. Under clause (2) of the said Article, the Reports of the Comptroller and Auditor General of India relating to the accounts of a State shall be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State.



Under Section 8 of the Right to information Act, 2005, there is no obligation to disclose information that would cause breach of privilege of Parliament or the State Legislature.

**11.7.2** The Audit Report goes through various processes before its finalisation. Having regard to the intent and provisions of the right to Information Act 2005, all documents/information contained in Inspection Reports and other like documents issued to the auditee may be disclosed. The intent to report any matter to Parliament/State Legislature is established for the first time only when 'Draft Audit Paras/Draft Review' is sent to the Government (auditee entity) for confirmation of facts and figures and for comments. Accordingly, privilege may be claimed only in respect of Draft Audit Paras/Draft Reviews and 'Bond Copies' of Audit Reports sent for signature of C&AG. Once the Audit Report is laid on the table of the Parliament/State Legislature (s) it would come within the public domain. Audit memos, Half margins and other working papers that relate to Inspection Reports and Audit Reports are internal in nature, may not be disclosed.

**11.7.3** Inspection Reports may be issued with the following disclaimer statement:-

öThe Inspection Report has been prepared on the basis of information furnished and made available by í í í í í í í (Name of auditee entity). The office of the Principal Accountant General/Accountant General (Name) disclaims any responsibility for any misinformation and/or non-information on the part of auditee.ö

In respect of information being sought on past IRs information may be disclosed to any person with a similar disclaimer statement.

**11.7.4** In case of request for letters and other communications issued by the auditee entity, action may be taken in terms of Section 6 (3) of the Right to Information Act, 2005 to transfer the request to the concerned public authority under intimation to the Petitioner within the time limit prescribed under the said Act. This will relate to all letters and communications issued by the auditee entity and mentioned in the Inspection Reports and Audit reports already placed before Parliament/State Legislature.

**11.7.5** The obligation under the Right to Information Act, 2005, is to disclose only the information available and it is not necessary to generate information for discloser. As a general rule, internal noting should not be disclosed.

(Authority: Headquarters' letter No. 629 LC/III-2005 dated the 7<sup>th</sup> October 2005).

## **11.8 Quarterly meeting with Pr. A.G./A.G. (Audit)**

**11.8.1** To attain excellence in pursuit in different disciplines and to discuss various problems and constraints faced by the field parties as well as LBAA (HQ) section, a

meeting of the field parties and head quarter officer with the Principal Accountant General (audit) is to be organized at the beginning of each quarter's programme.

The progress of the compliance of the instructions, decisions taken in the last quarterly meeting is also to be reviewed in the meeting.

### **11.9 Audit intimation:**

**11.9.1** The LBAA (HQ) Section must inform the Heads of the offices to be audited sufficiently in advance of the date of proposed audit. They should also be asked to keep the records of the subordinate offices ready for inspection in their offices.

### **11.10 Annual List Register and Audit Plan:**

At the end of each financial year (prior to start of 1<sup>st</sup> quarterly programme of the following year), an Annual List Register for the items due for audit during the year categorizing the items on the basis of VLC data, is to be prepared by the LBAA (HQ) Section and get it approved by the Principal Accountant General (Audit).

As per instructions issued from time to time by HQ office, the Annual Audit Plan is to be prepared on the basis of available manpower/mandays considering the Risk factors and thrust areas of audit and sent to HQ office for approval. The items/units selected/planned and approved for audit thus becomes the Annual Programme and are to be covered through 4 Quarterly programmes.

### **11.11 Control Register of I.R.**

**11.11.1** In order to have proper control over the receipt and issue of IRs, the LBAA Section should open and maintain a Control Register with the following columns:

**Control Register for issue of IR**

**(Ref: Para 11.11.1)**

Sl. no.	Name of the unit with year of accounts audited	Name of the party members	Duration of audit		IR due on (5 working days from the date of closing of Inspection)	IR received at HQ on	Draft IRs submitted for approval	Draft IR approved on	If any rectification	Draft IR sent for type	Draft IR sent for comparing on	Typed IR submitted to DAG for signature on	Typed IR signed by DAG on	Due date of issue of IR	Actual date of issue of IR with Memo No.	Remarks
			From	To												
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17

## **11.12 Follow up of Audit Inspection Report:**

**11.12.1** Adequate, prompt and proper follow up action by the entity on and in the light of audit conclusions projected will enhance the effectiveness of audit and promote public accountability.

Systems and procedures should be in place and implemented for securing appropriate conclusions and preventive follow up action on audit reports. In subsequent audits and otherwise, the auditors should examine and report whether satisfactory action was taken on the audit reports.

(Ref: Para 3 Chapter IV of AS for PRI & ULBs)

## **11.12.2 Audit Objection Committee (AOC):**

Inspection reports and objections which could not be settled through discussions at lower levels should be referred to Audit Committees, each consisting of Secretary to Government or Head of Department concerned and sufficiently senior representatives of the Accountant General and the Finance Ministry/Department, to decide upon the further course of action to be taken for their settlement. Where such committees do not exist and the progress of settlement of objections is not satisfactory, the Government should be persuaded to constitute them.

[Ref: Para 7.1.12 (vi)]

## **11.13 Objection Book:**

**11.13.1** An objection book as shown in the format enclosed herewith may be maintained in LBAA Headquarters Section.

**11.13.2** Individual money value objections or paragraphs included in inspection reports such as those relating to recovery of overpayments, non-availability of financial sanction etc. should be pursued to finality and should not be dropped from the objection books or inspection reports.

To raise an objection and not pursue it further without any valid reason sends wrong signals to the organisations subjected to audit. An objection should not be treated as having been settled in the absence of reply since settlement is possible based on the merits of the reply alone. Inspection reports should be vetted properly to avoid the inclusion therein of 'wrong objection' taken by field parties.

[Ref.: Para 7.1.21 & 7.1.22 of MSO (Audit)]

**11.13.3** The Accountant general should ensure that the Group Officer and the Audit Officer responsible for settlement/adjustment and clearance of objections devote their un-remitting personal attention to this task

When it is decided to withdraw an objection once raised, either on re-consideration or in the light of information made available subsequently, the authority to whom the objection was originally addressed should be informed forthwith/so that he can keep a note of the withdrawal of the objection.

[Ref.: Para 7.2.13 & 7.2.14 of MSO (Audit)]

**11.13.4** The responsibility for settlement of objections and other points raised in audit devolves primarily upon disbursing officers, heads of offices and controlling authorities. To assist the Finance or concerned Department of the Government in enforcing financial and accounting discipline, the Accountant General is expected to maintain a constant and careful watch over objections and to keep the controlling authority fully acquainted with not only individual instances of serious disregard of financial rules and orders but also generally with the progress with the clearance of objections. The procedure to be followed in this regard should be determined by the Accountant General in consultation with the Finance Department.

[Ref.: Para 7.1.11 of MSO (Audit)]

**11.13.5** Half Yearly lists of inspection reports and objections outstanding for over six months or one year should be sent to the departments concerned to enable them to have an idea of the pendency and expedite their settlement.

[Ref.: Para 7.1.12 (iii) of MSO (Audit)]

#### **11.13.6 Review of previous IRs**

- (i) The Inspecting Officers as well as Assistant Audit Officer of the Audit Party should devote the first day to the study of the old outstanding Paras of previous IRs and suggest whether it is worthwhile to persue them
- (ii) Persistent irregularities should be incorporated as a fresh Para in the current Inspection Report.
- (iii) The Paras that can not be settled should be updated and taken into current I.R. giving a reference to the year where the objection was originally raised by audit.
- (iv) Paras which can not be settled for want of sanctions, write off orders it may be clubbed into a single Para with brief details of old Paras (duly updated)

forming sub-paras thereunder and incorporated in the current IR dropping the earlier ones. This action should be taken as a last measure. The thrust should be either to develop an objection into a draft Para or settle it in view of the satisfactory reply furnished thereof.

[Ref.: Para 19.3.12 of MIA on PRI]

**11.13.7** The instructions contained in the foregoing paragraphs are generally applicable to audit reports on the first two tiers of PRIs. Considering that (i) the transactions of a G.P. are usually of a lesser magnitude, (ii) collections of numerous items of revenue are the responsibility of the Panchayat and (iii) its accounts are relatively simpler, a check list for Model Audit Report on the accounts of a village Panchayat is suggested at the Annexure-3 attached herewith.

## OBJECTION BOOK

(Ref: Para 11.13.1 of Chapter – II)

Sl. No.	Ref. to accounts audited/officer inspected and designation of the officer responsible for clearance of the objections	IR No.	Para No.	Amount under objection pending recovery			Outstanding advances & loans	Nature of objection (gist to be given)	Details of correspondences	Details of amount under objection	Details amount cleared/adjusted (including month and manner of clearance/adjustment)	Initials of SO/AAO and AO/Sr. AO
				Misappropriation/fraud/defalcation, etc.	Excess payment loss/shortage of stores etc.	Miscellaneous						
1	2	3	4	5	6	7	8	9	10	11	12	13

## Annexure – 1

### (Referred in Paragraph 11.4.2)

Some particulars about PRI Inspected

1. Name of PRI
  - a) In case of District level Panchayat:-  
Number of Gaon Panchayats  
And Anchalik Panchayats
  - b) In case of Anchalik Panchayats:-  
Number of Gaon Panchayats
2. Geographical area
3. Population
4. Number of Elected members
5. (a) Number of meetings held by the Panchayat  
(b) Number of Sub-committees, Standing committees etc. constituted and the number of meetings held by each.
6. Staff Strength
7. Assets of PRI
8. Own projects of PRI
9. Number of Programmes/Schemes
  - (a) Involving Social Security.
  - (b) Involving Employment Generation Programme.
  - (c) Number of Programme completed during the year.
  - (d) Number of beneficiaries.
10. Collection of revenue such as Taxes, Rates, Duties, Rents, Tolls etc. in the year and outstanding arrears.
11. Total expenditure during the year
  - (a) General
  - (b) Schemes (on scheme)
12. Whether the annual plans and budget were discussed and passed by the elected body.



**Annexure – 2**

(Ref: Para 11.4.5 of Chapter ó II)

**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT) ASSAM  
TITLE SHEET OF THE INSPECTION REPORT  
(See chapter para – 177)**

General

1. Name of the office Inspection
2. Period of Accounts
3. Description of Accounts
4. Personal of the party

I.O.

I.A.

A.A.

Part I carry - 5 period of Inspection from í í í í í í í to í í í í í . í í í  
(No. of working days) í í í í í í í í í í í í í í í í .

6. I.R. Drawn up by í í í í í í í í í í ..I.O./I.A. (I.R. and P.O.S. to be cross reference)
7. Dates of issue of P.O.S. & number of P.O.S. issued on each day  
í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í  
í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í  
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(if no P.O.S. was issued then the omission may be adequately explained)
8. Date of receipt of replies to P.O.S (If replies were not received reasons should be recorded why reply could not be obtained)
9. No. and date of issue of part- III (TAN) of the I.R. (Copy of TAN to be enclosed to the I.R.).
10. Total cash recoveries affected.  
Paragraphed in which each recovery suggested.
11. Total wasteful of expenditure avoided at the Instance of audit.
12. (i) Month(s) for which accounts checked in detail (ii) í í í í í í í í í .  
Remittance checked with treasury accounts.
13. Whether stores and stock accounts checked as per S.O. No. OA-1/27 dated.
14. Leave accounts (i) Total No. of employees & leave accounts

(ii) No. due to retire in next two years

(iii) No. checked (list to be attached).

15. Documents accompanying the Reports (i)
  - (ii)
  - (iii)
16. Paragraphs in which any embezzlement detected by audit
17. List of outstanding I.R. reviewed. If any outstanding I.R. is not reviewed then reasons for the omission may be stated.
18. Whether draft I.R. was discussed with the head office Inspected? (if not state reasons).
19. Whether time allowed for audit is adequate//inadequate or excessive? (Record reasons for reply).
20. Whether periodicity or this audit required to be changed.
21. Serial numbers of para requiring any action in HQr (other than OAD) & particulars of such action.
22. Serial number of paras requiring attention in subsequent local audit.
23. Are there any points of general nature or special importance, which in the opinion of the IA/IO requires to be taken up with any higher authority or other department? If any so give separate notes on such points for considerations of OAD (HQ).
24. Are there any aspects which may be of interest of ECPA if so indicate the relevant para.
25. Whether copies of annexure/statements required in accordance with the total number of endorsement submitted.
26. (a) Whether authenticated statement of LOC/FOC checked and observation if any made.  
(b) Whether the expenditure conformed to the LOC issued to DDOs and is within the approved budget allocation.
27. Whether statement or allocation of fund showing the bifurcation under salary (both plan & Non plan) along with LOC/FOC collected and incorporated in the DIR with audit comments, if any. The details in respect of ceiling under non-salary should invariably be furnished in the statement.
28. (a) Whether KDs required with reference to para have been collected if so, list of KDs should be furnished. If no, reasons should be stated.  
(b) Whether page numbering and cross reference of POS/KDs in the DIR done.  
(c) No of POS issued  
No of POS developed

No of POS dropped.

29. Whether unaudited period of accounts due to seizure of documents accounts etc. in dictated and list of seized documents furnished along with the DIR.
30. Whether for a new unit the audit of which is taken up for the first time, the copies of Govt. notification creating the unit, date of opening the cash book, cash balance etc. are mentioned in the introductory portion of DIR.
31. Reasons for gap period of incumbency suitably stated.
32. Objection/function of the organisation.
33. Whether treasury transit register in support of Treasury drawal has been verified.
34.
  - (a) Date of completion of audit.
  - (b) Date of submission of DIR.
  - (c) Reasons for delay.
35. Whether budget allotment/expenditure (plan & non plan) for 3 completed financial years incorporated in the DIR.
36. Criteria for selection of months for detail check.
37. Name of important project & scheme.
38. Whether the points/allegations made in the paper (press clipping) was examined and verified and audit findings incorporated in the DIR.
39. Whether any enquiry undertaken by State Vigilance/Director of Economic Offences/CBI or any other agency during the period covered by audit and cases of suspension/dismissal/departmental proceedings, if any, against officer/staff, if so furnished, brief particulars.
40. Whether two copies of Disclaimer Statement along with copy of Specimen Format relating to consolidated list of record/documents/information called for and furnished/not furnished by the auditee unit/organisation attached in the DIR.

I (IA/IO) certify that it was found that the Treasury Rules/AFR/GFR have been satisfactorily adhered to.

Misc. 1 Remarks of IA about performance of Auditors & separate sheet as annexure to the title sheet.

i. í í í í í í í í í í í í í í í í í í í í í í í í í í í í í í

ii í í í í í í í í í í í í í í í í í í í í í í í í í í í í í .

2. Remarks of I.O. about performance of IA & AAø (to be filled in by IO in case supervised items).

- Part-II - Allocation of duties (Separate list to be attached)
- Part ó III - List of records checked.
- Part-IV - Performance of duties remarks I.O.
- Part-V - For use at Headquarter.

For approval and issue of the Inspection Report.

### Annexure – 3

*(Ref: in Paragraph 11.13.7 of Chapter-II)*

**Check list for model Audit Report on ..... (Name of the Panchayat)  
for the year.....**

#### **PART – I – Introductory**

A. Name of Panchayat Head who were in office during the audit period. Name of Auditor and his/their designation.

Dates of Audit:

Period covered during audit.

B. Important Particulars about the Village Panchayat

1. Location of Panchayat office
2. Geographical Area (Village-wise, if Panchayat has under its jurisdiction more than one village).
3. Population (Village-wise, if Panchayat has under its jurisdiction more than one village).
4. Number of elected members.
5. Number of meetings held during the year under audit.

#### **PART II – Comments on accounts and receipts**

A. Accounts, Registers & Periodicals etc.

Comments, if any, on the following points:-

1. Whether the accounts of the Panchayat are prepared in the prescribed forms correctly and submitted by the due dates to designated authorities regularly as per rules, after approval by the component authority.
2. Whether cash book, vouchers and other prescribed registers and records are maintained/closed properly.
3. Verify carefully the cheques, if any, drawn in the name of the Panchayat heads. Furnish statement of irregular drawals, if any.

4. What is the cash balance available with the Panchayat heads on the date of audit? Whether the cash was physically verified. Whether it agrees with the balance in Panchayat accounts.
5. Whether proper accounts are maintained for the deposits remitted by contractors and employees.
6. Whether Register of Assets owned by the Panchayat is maintained as per Rules. Are steps taken to ensure proper maintenance and upkeep of assets?
7. Whether Stock Registers of Furniture, Tools and Plants, lights, books etc. are maintained as per rules.
8. Whether physical verification of cash, stores and assets to conducted regularly and proper action taken as per rules regarding shortages/discrepancies, if any, noticed.
9. Whether Bank/treasury reconciliation is being done regularly.

**B. Receipts:**

Comments, if any, on the following points:-

1. Whether (a) taxes such as house/land tax, profession tax, etc. (b) license fees; (c) fees for grazing on lands, sanitation, private toilets, drainage, street lighting, wells and pump sets etc. (d) rents, rates and duties on markets, meals, bus/car stands, slaughter houses, cattle/sheep pounds, avenue trees, fish ponds, Endowments/Trusts etc., and (e) miscellaneous demands on drinking and irrigation water supply, trades/business, cremation charges, tolls on roads, bridges and ferries, auction sales of moveable or immovable properties, unserviceable articles etc., are levied/raised in accordance with the Panchayat Act and the rules/notifications issued thereunder and with appropriate approval of competent authority.
2. (a) assessment has been made properly in each case, as prescribed.  
(b) whether there is undue delay in finalising the demand of any tax, fees, rents, etc, and furnishing the demand list.  
(c) Whether any modification has been carried out in the levy of taxes etc, during the audit year. If so, are they in order and done under proper authority and whether they have been duly written up in the demand list.

(d) Whether any alteration has been made in the demand list in the middle of the audit year. If so, whether sanction of appropriate authority has been obtained.

(e) Whether total demand has been written correctly in the Demand Register in respect of each item for each half year.

(f) Whether periodical revision as prescribed had fallen due. Whether such revision has been made and enforced promptly.

3. Whether periodical lists of persons liable for paying taxes etc, has been written up as prescribed.
4. Whether any demand has become time-barred because of undue delay in raising it or in collecting it. If so, give details of such items with names and designations of persons responsible.
5. Whether auctions have been conducted as per rules and proper records maintained. Whether lease agreements are correctly executed and kept in safe custody. Whether adequate security deposits have been recovered from parties as prescribed.

**6. Collections:**

Whether all dues are collected regularly. Indicate lapses, if any. Whether proper receipts with printed serial number have been issued for all collected amounts duly signed by the official authorised to collect money.

Whether receipts books (used and unused) are properly maintained and accounted for as per rules.

Whether all collections have been duly credited in the Panchayat accounts and written up promptly. Indicate cases of omission or commission.

Whether collection are correctly and promptly recorded in Demand Collection and Balance Register. Whether this register is maintained and closed periodically as prescribed.

Whether effective steps are taken to collect arrear demands.

Whether the system of demand and collection of revenues in force is fool proof and does not give room for any short demand, misappropriation or leakage of revenue.

Whether revenues from the assets of the Panchayat are being realised properly.

7. Whether Government grants, local cess surcharge, judicial fines, entertainment tax, subsidies given by other local bodies and donations given by private persons for engineering works, House Tax, matching grant, arrears of lease amounts, Stamp duty, etc, have been collected and credited in the Panchayat accounts promptly. Whether there are any omissions in this respect. Indicate omissions with the names of the persons responsible.

**8. Remissions and Write off:**

- (a) Whether approval of the Panchayat has been obtained for remissions and to write off time ó barred items?
- (b) Whether the approval of concerned officer has been obtained for each write-off item exceeding the prescribed limit?
- (c) Whether the conditions laid down for remissions and write-off have been followed scrupulously? Whether any undue concession has been allowed in respect of remission or write-off?
- (d) Enclose a statement of such items 01 unscrupulous remission and/or write-off, if any, with names and designations of persons responsible.

**PART III – COMMENTS ON TRANSATIONS**

**1. Expenditure:**

- (a) Whether all items of expenditure have been approved by the Panchayat and sanctioned by appropriate authority.
- (b) Whether proper vouchers with the signature of authorised person for all items of expenditure are available.
- (c) Whether the expenditure was incurred:
  - (i) as per relevant rules in public interest;
  - (ii) as per the provision of budget estimate and
  - (iii) the amount was paid to the person entitled to receive it with his acknowledgement.
- (d) (i) Whether services rendered or supplies made by the payees have been properly placed on record and their quality have been ensured and there has been no overpayment.



- (ii) Whether any wasteful/unprofitable or any avoidable expenditure was incurred.
- (iii) Whether there is any item of expenditure incurred excessively. Was payment made to an improper person or illegally? Furnish details of all items of irregular expenditure.

**2. Establishment:**

- (a) Whether number of persons employed is in accordance with the rules and sanction given by the appropriate authority.
- (b) Whether their pay and allowances are paid from time to time as prescribed.
- (c) Whether travel expenses of employees, members and the President have been duly approved by concerned authority and paid at the prescribed rates.
- (d) Whether there is provident Fund Scheme or bonus schemes for the employees? If so, whether accounts have been maintained properly indicate defects, if any.
- (e) Whether Service records of employees are maintained correctly as prescribed.

**3. Miscellaneous/extra-ordinary expenditure etc.:**

- (a) Whether expenditure on contingencies is incurred as per rules and with proper authority.
- (b) Whether sanction of higher authorities have been obtained, wherever necessary, with respect of each item.
- (c) Whether court cases either filed by the Panchayat (or) filed by others against the Panchayat were avoidable.
- (d) Whether sanction of complement authority has been obtained for each item of expenses on law suits.

**4. Works:**

- (a) Whether proper estimate for each work has been prepared? Has it been approved by competent authority.
- (b) Whether prescribed tender procedure has been follows, where necessary.
- (c) If the work was entrusted on contract, whether proper agreement as per rules was obtained from the contractor. Has the payment been made to the contractor and penalty levied where necessary, as per the agreement?
- (d) Whether proper officer took measurement before payment was made.
- (e) Whether actual labour charges did not exceed the value of the work done.

- (f) (i) Whether the Panchayat itself has taken up any Panchayat work. If so, whether their accounts have been maintained properly.
- (ii) Whether the Panchayat had taken up works with government grants. If so, whether proper accounts have been rendered for them.

*N.B.:* Furnish a statement of works executed in the audit year with details of estimated value, actual expenditure incurred and irregularity, if any, noticed.

**5. Advances:**

- (b) Whether all advances have been sanctioned as per rules by competent authority.
- (c) Are they being recovered as prescribed? Indicate the items of advances still pending adjustment and comment on them, if necessary, after examining the reasons for non-adjustment.

**6. Loans:**

- (b) Whether the Panchayat has obtained any loan. If so, whether the sanction of the Government has been obtained as per relevant Act & Rules.
- (c) Whether annual instalments are paid regularly for the loans obtained.
- (d) Whether any loan has been disbursed to any private party from Panchayat funds with proper authority. If so, furnish details.
- (e) If loans were disbursed either to the President or Panchayat members, specify them and examine whether competent authority approved them.
- (f) Whether proper loan documents have been executed as per rules in each case.
- (g) Whether loans disbursed by the Panchayat are being recovered regularly. Indicate details of over-due loans.

**7. Schemes:**

- (a) Whether schemes are being implemented effectively and proper records maintained and reports/returns submitted in accordance with the scheme guidelines and prescribed procedures. Whether completion certificates and utilisation certificates have been sent for each project or scheme.
- (b) Whether beneficiaries under each scheme have been identified and their names kept on record.
- (c) Whether record of assets is maintained and their utility to the beneficiaries as per norms is ensured by the Gaon Panchayat.

- (d) Enclose a list of Schemes in Operation in the Panchayat showing Physical and Financial targets and achievements. Comment on shortfalls, if any, after analysing the reasons therefor.

#### **PART IV – OTHER POINTS**

##### **A. Miscellaneous:**

- (b) Whether Panchayat meetings are convened at least once in month. Whether annual budget, details of expenditure already incurred and to be incurred and monthly/annual accounts are placed in the Panchayat meetings and their approvals are duly obtained. Is an effective system of Budgetary control being followed?
- (c) Whether irregularities and defects pointed out in previous audit reports and reviews have since been rectified. If not, point out those yet to be rectified.
- (d) Whether all amounts objected in audit have been recovered and remitted to the Panchayat Accounts or satisfactory explanations given to drop the objection.
- (e) Whether surcharged amounts have been collected and credited to Panchayat Accounts. If not, give a short note on the action taken to collect these amounts.
- (f) Whether internal audit of Panchayat, if prescribed, is being conducted regularly.

##### **B. Financial Position of the Panchayat:**

- (a) What is the financial position of the Panchayat? Enclose Receipts and Payments Accounts with audit certificate and item wise Demand, Collection and Balance statements for the year/years under-audit.
- (b) Findings of Audit.
- (c) If the financial position is not sound, can ways and means to improve it be suggested?
- (d) Comments on budgetary control to be included.

*Note:* In respect of items, if any, not covered above, audit instructions contained in the relevant Chapters of the Manual may be followed.

# CHAPTER – 12

## IMPORTANT GOVERNMENT ORDERS, CIRCULARS, NOTIFICATIONS ETC APPLICABLE FOR PANCHAYATI RAJ INSTITUTIONS AND URBAN LOCAL BODIES.

### Staffing Pattern for Gaon Panchayat, Anchalik Panchayat and Zilla Parisad.

#### (a) For Zilla Parisad

##### Grade-III-Staff.

- (i) Head Assistant ó 1 (one)
- (ii) Upper Division Assistant ó 2 (two)
- (iii) Lower Division Assistant 2 (two)
- (iv) Accountant 1(one)
- (v) Junior Engineer 1(one)
- (vi) Tax Collector 2 (two)
- (vii) Driver 1(one)

##### Grade – IV Staff.

- (viii) Peon ó 4 (four)
- (ix) Chowkidar ó 2 (two)

#### (b) For Anchalik Panchayat

##### Grade-III- Staff.

- (i) Upper Division Assistant ó 1 (one).
- (ii) Lower Division Assistant ó 2 (two)
- (iii) Tax Collector ó 2 (two)

##### Grade – IV staff

- (iv) Peon ó (two)
- (v) Chowkidar ó 1(one)

#### (c) For Gaon Panchayat

##### Grade-III Staff

- (i) Secretary ó 1(one)
- (ii) Tax Collector cum Road Moherer ó 1(one)

##### Grade – IV Staff.

- (iii) Peon cum Chowkidar ó 1(one)

Ref: (Rule 62(i) of Assam Panchayat (Administrative) Rules 2002 vide Notification No-PDA.113/95/58 dt.26<sup>th</sup> July 2002 published in the Assam Gazette dt. 26<sup>th</sup> July, 2002).

### **12.2. Salary, TA/DA and other allowances of Panchayat employees.**

- (i) The Salary of Provincialised Panchayat employees placed under Zilla Parishad, Anchalik Panchayat and Gaon Panchayat shall be paid by the State Government.
- (ii) The salary, TA/DA and other allowances of Panchayat employees appointed/engaged in the manner as under sub-Section (i) of Section 140 of the Panchayat Act 1994 shall be borne by the respective Zilla Parishad, Anchalik Panchayat and Gaon Panchayat concerned out of their own resources.

### **12.3 Head of Office:**

The Chief Executive Officer in respect of Zilla Parishad or Executive Officer/Ex Officio Secretary in respect of Anchalik Panchayat or the President in respect of Gaon Panchayat, as the case may be shall be the Head of the respective Offices.

[Ref: Rule 11 of the Assam Panchayat (Administrative) Rules 2002 as notified vide the aforesaid Notification]

### **12.4 Remuneration of non-officials and sitting allowance to members.**

- (i) The President, Vice President and each member of Zilla Parishad shall be entitled to a monthly remuneration of ₹2000/-, ₹1500/- and ₹700/- respectively out of its own resources. Each member of Zilla Parishad shall also be entitled to a daily sitting allowance at the rate equivalent to the amount admissible to him/her on tour out of its own resources.

[Ref: Rule 13 (i) of the Assam Panchayat (Administrative) Rules, 2002 notified vide the aforesaid Notification].

- (ii) The President, Vice President, each member of Anchalik Panchayat shall be entitled to a monthly remuneration of ₹1500/-, ₹1000/- and ₹500/- respectively, out of its own resources.

Each member will also be entitled a daily sitting allowance out of its own resources equivalent to the amount admissible to him/her as daily allowances on tour.

[Ref:- Rule 14 (i) of the Assam Panchayat (Administrative) Rules 2002 notified vide the aforesaid Notification].

(iii) The President, Vice President and each member of the Gaon Panchayat shall be entitled to a monthly remuneration of ₹1000/- ₹600/- and ₹300/- respectively out of its own resources. Each member will also be entitled to a daily sitting allowance out of its own resources.

#### **12.5. Settlement of Hats, Ferries, and Fisheries within the territorial jurisdiction of Anchalik Panchayat.**

The full bench of the Honable High Court, Guwahati examined the provision of sub-Sec (6) of Section 109 of the Assam Panchayat Act. 1994 in W.A. No.314/2008 and 316/2008 and vide judgment and order dated 16-3-2009 has expressed the view that the Zilla Parishads are not empowered under the Act to invite tenders for settlement of Hats, Ghats, Ferries etc. Honable High Court has interpreted that the only authority to invite tenders for settlement of Hats, Ghats, Ferries etc. under the provision of Section 105, 106 and 109 of the Act is the Anchalik Panchayat by its President and no other authority including Zilla Parishad is authorised to invite tender. However, after opening of tenders if the bid value offered by the highest bidder during any settlement is found to be more than ₹1.00 lakh then the Standing Committee of Anchalik Panchayat constituted under Section 52 of the Act, shall immediately forward all such papers submitted by the bidders together with comparative statement prepared to the Zilla Parishad concerned for settlement. Similarly, the Standing Committee of the Anchalik Panchayat for settlement below ₹1.00 lakh shall accept tender value offered by eligible highest bidder and forward such recommendations to Zilla Parishad for confirmation as per existing rules.

(Ref: Circular Letter No. PDA. 286/2008/46 dt. 30.6.2009 of the Govt. of Assam, P&RR Department, Dispur, Issued To All Deputy Commissioners, CEO, Zilla Parishads).

#### **12.6 Amendment of National Rural Employment Guarantee Act, 2005:**

##### **12.6.1 Amendment of schedule – I:**

Schedule - I of the National Rural Employment Guarantee Act 2005 was amended as follows:

1. (1) It may be called the National Rural Employment Guarantee Act, Schedule 6 I, Amendment order, 2007.

(2) It shall come into force on the date of publication in the official Gazette.

2. In Schedule ó I to the National Rural Employment Guarantee Act, 2005 (hereinafter referred to as Schedule ó I), before paragraph I the following paragraph shall be inserted, namely:-

õA. The scheme notified under section 4 by all the states shall be called õNational Rural Employment Guarantee Schemeö followed by the name of the relevant state. All documents pertaining to National Rural Employment Guarantee Act must have mention of National Rural Employment Guarantee Scheme (NREGS)ö.

3. In schedule ó I, in paragraph ó I, for the sub-paragraph (iv), the following sub-paragraph shall be substituted, namely:-

õ(iv) Provision of irrigation facility, horticulture plantation and land development facilities on land owned by households belonging to the Scheduled Castes and Scheduled Tribes or to Below Poverty Line Families or to beneficiaries of land reforms or to the beneficiaries under Indira Awaas Yojana of the Government of India.ö

(Ref: Government of India, Ministry of Rural Developmentø Notification No. S.O. 323 (E) dt. 6<sup>th</sup> March, 2007 published in the Gazette of India, Part-II, Section 3 sub-section (ii) on 6<sup>th</sup> March, 2007)

#### **12.6.2 Amendment of Schedule-II:**

In exercise of the powers conferred by sub-section (1) of Section 29 of the National Rural Employment Guarantee Act, 2005 (42 of 2005) and being satisfied that it is necessary and expedient to amend schedule-II of the Act, the central Government hereby makes the following amendments to Schedule-II of the Act, namely:-

1 (1) It may be called the National Rural Employment Guarantee Act, Schedule-II Amendment Order, 2007.

(2) It shall come into force on the date of publication in the official Gazette.

2. In Schedule II to the National Rural Employment Guarantee Act, 2005, for paragraph 13 the following paragraph shall be substituted namely:-

õIB, A New work under the scheme can be commenced if at least ten labourers become available for work.ö

(Ref: Government of India, Ministry of Rural Developmentø Notification No. 324 (E) dt. 6<sup>th</sup> March, 2007 published in the Gazette of India, Part-II, Section 3 Sub-section (ii) on 6<sup>th</sup> March, 2007)

## **12.7 Audit of the accounts of Local Bodies:**

**12.7.1** As per Rule 29 (1), 61 (1) and 98 (10) of the Assam, Panchayat Act, 1994 (Assam Act No. XVIII of 1994), the audit of Accounts of PRIs was entrusted to the Director of Audit (Local Fund) Assam, under the Technical Supervision and Guidance of the C&AG of India to comply with the recommendation of the Eleventh Finance Commission.

(Government Order No. PDA-306/2009/4 dt. 7<sup>th</sup> January 2010, issued by the P&RD Department, Assam, Dispur.)

**12.7.2** Under the provisions of the State Acts/Rules the audit of accounts of the Urban Local Bodies in the State of Assam was entrusted to the Director of Audit (Local Fund) Assam under the Technical Guidance and Supervision of the C&AG of India.

(Government Order No. UDD (M) 261/09/5 dated 17<sup>th</sup> December, 2009 issued by the Urban Development Department, Assam, Dispur).

**12.7.3** Under section 138 of the Guwahati Municipal Corporation Act 1971 (as Amended upto 2005) the Municipal accounts shall be audited by the Examiner of Local Accounts, Assam.

As per recommendation of the 11<sup>th</sup> Finance Commission, the State Government entrusted the audit of the Guwahati Municipal Corporation to the Director of Audit (Local Fund), Assam as per provisions of the Acts/Rules and under the Technical Guidance and supervision of the C&AG of India.

(Government Order No. GDD 38/2008/151 dated 13/10/2009 issued by the Guwahati Development Department, Assam, Dispur).

## **12.8 Guidelines for drawal and disbursement of fund under Urban Local Bodies and PRIs.**

Drawal and disbursement of fund under the head of Account 03604 Compensation and Assignment to Urban Local Bodies and PRIs should be guided as per procedure detailed below:

Salary component of provincialised employees of PRIs to be met from fund recommended by the Third Assam State Finance Commission (TASFC). The salary shall be drawn by the respective DDOs of PRIs from the Consolidated Fund by means of bills in Form No. 9 (Establishment Bill Form) in the same manner as applicable to



the Government servants. This will also facilitate proper recording of sanctioned staff in the CTMIS as well as correct reflecting in accounts of employees' subscriptions to various schemes and Government dues thereof.

Salary component met from fund under the Award of TASFC for ULBs shall be drawn by the concerned DDOs from the Consolidated Fund by means of bills in form No. 61 as grants-in-aid supported by allotment letter, sanction letter, statement of expenditure etc. The concerned DDOs shall deposit the money in his Bank current Account and shall immediately transfer the money through A/C Payee cheque to the Chairpersons of the MBs/TCs who will disburse the salary to the employees through their individual Bank Accounts after deduction of recoveries/CPF. The concerned DDOs shall deposit all the recoveries/CPF contribution etc as per unusual procedure against such drawals.

Funds under non-salary component under award of State Finance Commission shall be drawn by the concerned DDOs for both PRI and ULB from the Consolidated Fund of State by means of bills No. 61 supported by allotment letter, sanction letter, Statement of expenditures etc following the provision of the Assam Financial Rule.

Grant-in-aid component of Central Finance Commission and State Finance Commission shall be drawn by the concerned DDOs from the Consolidated Fund of the State by means of bills in form No. -61 both PRI and ULB supported by allotment letter, sanction letter, Statement of expenditure etc. following the provisions of the Assam Financial Rule.

Funds under Central Finance Commission and State Finance Commission shall be transferred to each tier of the PRIs and ULBs against their individual nationalized bank account through the respective Treasuries preferably electronically as per detailed statement showing allotment of funds to different PRIs and ULBs and after following the provisions of the Assam Financial Rule.

In respect of funds of Central Finance Commission and State Finance Commission, whenever original bills/vouchers are available, these shall be attached to bills and wherever these are not available detailed statement showing the nature of expenditure, full details of beneficiaries, amount etc. certified by the DDOs shall be attached.

If for any reason, the drawn amount cannot be utilized and disbursed immediately, that amount shall be refunded to that fund from which it was drawn through Treasury Challan.

In respect of Central Finance Commission and State Finance Commission, the concerned DDOs shall furnish the information regarding sanction No. and date of the State Government order releasing the funds to PRIs/ULBs, Voucher No. & date of Treasury encashment/transfer credit and instalment wise amounts to Head of the Department, AG and Director of Audit (Local Fund), Assam for audit and accounts.

The concerned DDOs shall furnish the utilisation certificates to Head of the Department against the payment under award of Central Finance Commission and State Finance Commission. Concerned Head of the Department shall submit the utilization certificate to Administrative Department with copy of SFC Cell of Finance (Economic Affairs) Department.

The Concerned DDOs are to follow the guidelines of the Government of India, MOF for implementation of schemes under award of Central Finance Commission. The fund of TASFC shall be implemented as per recommendation of TASFC and as per instruction of the Government time to time.

The Principal Secretaries of Sixth Schedule Districts including BTC are not entitled to the award of the Third Assam State Finance Commission.

All original bills and vouchers should be properly maintained and kept in safe custody by each ULB and PRI. All records are also to be maintained as per Assam Panchayat (Financial) Rule, 2004 by each PRI and as per Rules on Municipal Accounts and Budget Estimate by each ULB for audit purpose and others.

(Ref: Govt. of Assam Finance (Budget) Department's circular letter No. U/OBB-1391/2010/12 dt. 18.5.2010)

## **12.9 Implementation of IAY, Selection of beneficiaries and disbursement - guidelines thereof.**

**12.9.1** The following guidelines for implementation of IAY schemes are issued by the Panchayat and Rural Development Department, Government of Assam, for selection of beneficiaries and disbursement of funds to selected beneficiaries only from permanent wait list, number of households vis-à-vis the annual allocation list:

- (ii) That GPs/VCDs/VCDCs shall distribute the target revenue village wise depending on wait list pendency of the areas.
- (iii) A Gram Sabha (GS) shall be called for selection of beneficiaries from the permanent wait list.
- (iv) The G.S. are authorised to delete those who have attained APL status.
- (v) In cases where IAY wait list exists containing a large number of households of siblings, only one/two of such households be considered.
- (vi) Though the score based permanent wait list shall be generally followed, in case the economic condition of a family has changed, citing that as a ground the G.S. may identify a more deserving household, from the wait list.
- (vii) Under no circumstances household outside the permanent wait list shall be chosen.
- (viii) All selected households shall need to open joint accounts for disbursement with the JE/Extension Officers as the second account holder. The official will be held responsible if the IAY houses do not come up. However, they shall not buy any materials, hire labourers etc. which is the responsibility of beneficiary and shall jointly disburse cash/cheque as per progress, normally in two instalments.
- (ix) The Project Director, DRDA of the district shall allocate GPs balance joint accounts to particular JEs/EOs of the Panchayat and Rural Development Department. Joint accounts already opened shall not be disbursed in normal course.
- (x) In case the selection of beneficiaries has already been made from existing wait list and forwarded by G.S. the selection shall not be changed in pursuance of these directions.
- (xi) All efforts shall be made to achieve the targets already communicated district wise and SC/ST/minority/physically handicapped.
- (xii) In case where there is a specific direction of the Honorable High Court or other court for a particular GP/Block/District the directions of the Honorable court are to be followed and the matter referred to Government and Commissioner, P&RD for taking up before the Honorable Court.

(Government Order RDD353/2009/116 dt. 5<sup>th</sup> December 2009 issued by the  
Commissioner P&RD Assam)

## **12.10 Implementation of NREGS under State Act:**

**12.10.1** In exercise of the powers conferred under sub-Section 4 of Section 3 (Chapter III) of the National Rural Employment Guarantee Act, 2005 (Central Act No. 42 of 2005) the State Government of Assam implemented the Assam Rural Employment Guarantee Scheme, 2006 with effect from 16<sup>th</sup> November, 2006 i.e. from the date of publication of the Notification in the Assam Gazette and as per the Guidelines framed thereunder.

(Ref: Notification No. RDD. 123/2006/1 dt. 10<sup>th</sup> November, 2006, issued by P&RD Department, Assam, Dispur which was published in the Assam Gazette on 16<sup>th</sup> November, 2006).

## **12.11 Departmental Internal Auditor:**

The Director of Panchayat and Rural Development shall utilise the services of the Departmental Internal auditors in guiding and helping the Zilla Parishad, the Anchalik Panchayat and the Gaon Panchayat in proper and correct maintenance of accounts. They shall be responsible to report to the Director of Panchayat and Rural Development and the Chief Executive Officer of the concerned Zilla Parishad on any irregularity in such accounts within fifteen days from the date of completion of audit.

(Ref : Para 18 (1) of the Government Notification No. PDA.113/95/58 dt. 26<sup>th</sup> July, 2002 issued by P&RD Department, Assam, Dispur)

## **12.12 Substitution of Forms:**

The Form No. 3, 8, 9, 10 and 11 as prescribed and published vide Government Notification No. PDA. 149/95/157 dt. 9<sup>th</sup> October, 2002 by the P&RD Department, Assam was substituted, in exercise of the powers conferred by sub-Section (1) of Section 141 of the Assam Panchayat Act 1994, by an Amendment of the said Act called "The Assam Panchayat (Financial) (Amendment) Rules, 2004" and they would come into force with effect from the date of their publication in the official Gazette.

(Ref: Govt. Notification No. PDA. 222/2003/41 dt. 26<sup>th</sup> August 2004 issued by the P&RD Department, Assam, Dispur)

## **12.13 Entrustment of Audit of Panchayati Raj Institutions and Urban Local Bodies to the C&AG of India.**

The State government of Assam decided to entrust the audit of Panchayati Raj Institutions and Urban Local Bodies to the Comptroller and Auditor general of India

(C&AG) under Section 20 (1) of C&AG's (DPC) Act, 1971 in view of recommendation of the 11<sup>th</sup> Finance Commission communicated vide D.O. letter No. 10 (17) ó B (s)/2000 dt. 24<sup>th</sup> April, 2001.

(Ref: Govt. of Assam, Finance Department's letter No. - FM. 23/2000/68 dt. 18<sup>th</sup> May, 2002)

#### **12.14 Party days norms and number of Local Bodies in Assam:**

The office of the Comptroller and Auditor General of India formulated the Norms and Assumptions for Manpower Requirement for LB audit in respect of Assam as follows:

##### **I. Party days norms:**

###### PRIs

- a) Zilla Parishad (ZP)  
upto 20 cr- 10 days, 20-40 cr ó 20 days, more than 40 cr. ó 30 days.
- b) Anchalik Panchayat (AP) ó 7 days.
- c) Gaon Panchayat (GP) ó 2 days.

###### ULBs

Municipal Corporation (MC) ó Annual, Municipal Board (MB) ó Biennial,  
Town Committee (TC) ó Triennial

Supervision by Audit officer:

PRIs ó ZP ó 100% or 50%

AP ó 50% or 25%

GP ó Nil

###### ULBs

MC ó 100% or 50%

MB ó 25%

TC ó Nil

Composition of Parties:

###### PRIs

ZP ó 4 member ó 1 AO + 2 AAOs + 1 Auditor

AP ó 2 member ó 1 AAO + 1 Auditor

GP ó 2 member ó 2 Auditors.

ULBs

MC ó 4 members ó 1 AO + 2 AAOs + 1 Auditor

MB ó 2 members ó 1 AAO + 1 Auditor

TC ó 2 members ó 1 AAO + 1 Auditor

**II. Assam**

1. Total No. of Local Bodies:

PRIs: ZP ó 20

AP ó 185

GP ó 2202

**Total - 2407**

**2496**

ULBs: MC ó 1

MB ó 31

TC ó 57

**Total - 89**