

CHAPTER-2

Provisions and scope of Sections 20 of the CAG's (DPC) Act, 1971

2.01 Purpose of audit

The purpose of audit of local bodies is to keep watch over the revenue collected from own resources, utilisation of assistance rendered by Government and to make comments on the certified annual accounts. The utilisation of Government assistance and the job of certification of annual accounts is undertaken only under the provisions of Sections 20 of the Act. The scope and extent of this section is considered in the succeeding paragraphs of this Chapter.

Audit of accounts of certain authorities or bodies Under-Section 20.

- (1) Save as otherwise provided in section 19, where the audit of accounts of any body or authority has not been entrusted to the Comptroller and Auditor General by or under any law made by Parliament, he shall, if requested so to do by the President or the Governor of State or the Administrator of a Union Territory having a legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority, provided that no such request shall be made except after consultation with the Comptroller and Auditor General.
- (2) The Comptroller and Auditor General may propose to the President or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, that he may be authorised to undertake the Audit of the accounts of any body or authority, the audit of the accounts of which has not been entrusted to him by law, if he is of opinion that such audit is necessary because substantial amount has been invested in, or advanced to, such body or authority by the Central or State Government or by the Government of a Union Territory having a Legislative Assembly, and on such request being made, the President or the Governor or the Administrator, as the case may be, may empower the Comptroller and Auditor General to undertake the Audit of the accounts of such body or authority.
- (3) The audit referred to in sub-section (1) or sub-section (2) shall not be entrusted to the Comptroller and Auditor General except where the President or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, is satisfied that it is expedient so to do in the public interest and except after giving a reasonable opportunity to the concerned body or authority to make representations with regard to the proposal for such Audit.

2.02 Formal Request for Audit

After fulfillment of the requirements, it is necessary that a formal request is sent by the Government in the name of president/ Governor/ Administrator for entrusting the Audit to

the Comptroller and Auditor General of India. A letter of request vide letter no. 427/V.A. Nid. (13th FC)/2013 Dated 19 March, 2013 for entrustment of audit of Panchayati Raj Institutions and Urban Local Bodies was issued by Government of Uttarakhand. Thereafter directions were issued by department of Finance to the heads of all Local Bodies to get their accounts audited by the audit parties of Accountant General.

2.03 Audit under sections 20(1)

2.03.01 Audit under sections 20(1) is taken essentially for purposes of certification of annual accounts but there is no objection to take up such audit in respect of transactions as well. Under section 20(1) audit can be entrusted only after prior consultation with the Comptroller and Auditor General.

2.03.02 The proposal for taking up audit under the section is received, in the office of State Accountant General. In every case proposals may be examined on the following lines:-

- (i) Whether the Government have satisfied themselves that it is necessary for the audit to be entrusted in public interest to the Comptroller and Auditor General.
- (ii) Whether the audit office is adequately equipped to take up the work, with regard to its staff position, availability of trained personnel, etc.
- (iii) Whether the duties assigned to the audit according to Acts, rules and regulations are capable of being discharged.
- (iv) Whether audit will be conducted by the Indian Audit and Accounts Department alone or whether there will be a second auditor; in the latter case, what are the relative duties of the two auditors and whether such a situation is acceptable.
- (v) Whether the results of audit are to be separately reported to the State Legislature/Parliament or whether they can be reported as part of C&AG's reports under Article 151 of the constitution.
- (vi) Whether the standard terms and conditions for conducting audit are capable of being enforced.

2.03.03 Having examined the proposal on the above lines, the case must be referred to the office of the Comptroller & Auditor General with full details and views of the Accountant General on the request whether it be for acceptance or rejection of the proposal. At the time of forwarding acceptance of proposals, it is necessary to convey to the Government the terms and conditions under which audit can be under taken. The decision can be conveyed to the Government only on receipt of the views of the office of the Comptroller & Auditor General.

2.03.04 The audit arrangement is complete only on receipt of a formal request in the name of the President/Governor/Administrator addressed to the Comptroller and Auditor General.