

PRI Section

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OFFICE OF THE
ACCOUNTANT GENERAL (AUDIT), SIKKIM, GANGTOK



MANUAL
OF
THE LOCAL BODIES AUDIT

Issued by

THE ACCOUNTANT GENERAL (AUDIT), SIKKIM, GANGTOK

Table of Contents

Paragraph No.	Contents	Page No.
	Preface	4
Chapter – I General		
1.1	Introduction	5
1.2	Duties and functions of LBA Section	5
1.3	Duties of Group Officer in charge of LBA Section	6
1.4	Duties of AO/Sr.AO of Head Quarters	6
1.5	Duties of Inspecting Officer	7
1.6	Duties of Local Audit Party Member	8
Chapter – II Details of work to be done by LBA		
2.1	Annual Audit Programme	10
2.2	Frequency and duration of Local Audit	10
2.3	Review of time allotment	10
2.4	Control Register of Audits	10
2.5	Preparation of Quarterly Inspection Programme	11
2.6	Intimation of Dates of Audit	11
2.7	Records to be sent to the Field Party	11
2.8	Composition of Field Audit Parties	11
2.9	Extension of time for Local Audit	11
2.10	Postponement and suspension of Local Audit	12
2.11	Weekly Diaries and review of work done by Sr.Ar/Ar.	12
2.12	Review of work done by Sr. Ar. / Ar.	12
2.13	Period covered by local audit	12
2.14	Travelling allowance for staff attached to LBA field parties	12
2.15	Submission of Travelling Allowance bills	13
2.16	Posting and transfer of staff	13
2.17	Working hour, holidays and attendance register	13
2.18	Maintenance of files by field parties	13
2.19	Movement of the field parties	14
2.20	Applicability of the office proceeding	14

2.21	Timely submission of application for leave	14
2.22	Corrections to the Manual of LBA	15
2.23	Circulars / office orders	15
2.24	Weeding out of old records	15
2.25	Preservation and destruction of old records	15
2.26	Destruction of Records	15
2.27	Calendar of Returns	15
2.28	Submission of draft Inspection Report to LBA (HQ)	16
Chapter – III		
Processing of Inspection Reports at LBA Section		
3.1	Receipt of Inspection Reports	17
3.2	Control Register for watching the receipt and issue of Inspection Reports	17
3.3	Issue of Inspection Reports to auditee	17
3.4	Watching receipt of replies to Inspection Reports	17
3.5	Record of Outstanding Inspection Report / Paras	17
3.6	Records of objection in the Objection Book	18
3.7	Settlement of objection by LBA	18
3.8	Audit Committee Meeting	18
Chapter – IV		
Instruction for preparation of material for Annual Technical Inspection Report		
4.1	Importance of Annual Technical Inspection Report	19
4.2	Draft Paragraph	19
4.3	Selection of topics of Performance Audit	19

PREFACE

So far this office has been following the manual of the Outside Audit Department of the Accountant General (Audit), Sikkim, Gangtok. It was however, considered to have a manual of this Section incorporating the rule/orders dealing with the audit of Local Bodies.

1. This manual deals with the constitution, functions and organisation of the Local Bodies Section and general rules and procedure for the guidance of all concerned as well as the general principles of audit and inspection of the Local Bodies offices to be audited under various Sections of Comptroller and Audit General's (Duties, Powers and Conditions of Services) Act 1971.
2. The instructions contained in this Manual are supplementary to those laid down in various Codes and Manuals of Comptroller and Auditor General of India and should not be regarded as superseding or replacing them. These instructions should not be quoted or referred to as authority in any correspondence outside this office.
3. This manual, prepared in accordance with the provisions of Paragraph 54 of the Comptroller and Auditor General's Manual of Standing Orders (Administrative) Volume I, is mainly intended for the guidance of the staff members and officers of the Local Bodies Section of this office in their day to day work.
4. This manual will be kept up to date by the Local Bodies (Headquarters) Section by issuing correction ships at regular intervals. Any errors or omissions noticed in the Manual as well as suggestions for its improvement may be brought to the notice of the Local Bodies Section.

CHAPTER – I

GENERAL

Constitution, Functions and Organisation of the Local Bodies Audit (LBA) Section

1.1 Introduction

The LBA Section has been carved out from OAD with effect from August 2006 for the purpose of conducting local audit of PRIs and ULBs and preparation of Annual Technical Inspection Report.

The LBA Section is headed by a Branch Officer. The controlling officer is the Deputy Accountant General (Audit) under the overall direction and supervision of the Accountant General (Audit).

1.2 Duties and functions of LBA Section

The Section is primarily responsible for preparation of Annual Technical Inspection Report (ATIR) of the Panchayati Raj Institutions and Urban Local Bodies of Sikkim (PRIs/ULBs). Besides, the Section carries out following works relating to Local Bodies Audit (LBA):

- i) Preparation of the Annual Audit Plan for the Local Bodies Audit so as to ensure the coverage of maximum units through judiciously deployment of human resources.
- ii) Preparation of quarterly audit programme comprising supervision of Branch Officer.
- iii) Preparation and issue of intimations of audit programme to the Panchayati Raj Institutions and Urban Local Bodies offices/Bodies in advance.
- iv) Drafting and preparation of the Inspection Report of PRIs/ULBs.
- v) To render all assistance to the Branch Officer and Deputy Accountant General in vetting the Inspection/ ATIR and its issuance of the same to the PRIs/ULBs.
- vi) To maintain Control Register for watching the receipt and issue of the Inspection Reports.
- vii) To pursue the Inspection Report until all Paras are settled.
- viii) To maintain a Potential Draft Paragraph (PDP) register indicating serious financial irregularities noticed during the course of Audit and process it for incorporation in ATIR.
- ix) To maintain 'Special Point Register' indicating important points to be seen during the course of audit.
- x) To maintain and submit all prescribed registers/ returns to the Sr. Audit Officer LBA Section / Group Officer as per the periodicity fixed.

- xi) To maintain objection books exhibiting the money value of objection raised in local audit and submit the same to the Branch Officer & DAG on 10th of following month.
- xii) To dispose of all general queries relating to LBAs.
- xiii) To ensure that list of all offices to be audited by this office is updated regularly and the Audit Plan of the particular financial year is to be completed within the year.

1.3 Duties of Group Officer in charge of LBA Section

- i) Approval of tour programme for PRI audit parties
- ii) Brief the members of the Inspection parties about the functions, nature and extent of activities and the magnitude of the financial transactions of the Gram Panchayats/Zilla Panchayats/Urban Local Bodies before all important audits.
- iii) Cases of serious financial irregularities detected during the Inspection are brought to the notice of the Accountant General.
- iv) To scrutinise and approval of all the Inspection Reports.
- v) Extension of time allotments for local audit and deviations from approved programme.
- vi) Supervise some of the important local audits, especially those of bodies or authorities which are incurring relatively high expenditure.
- vii) Approval of proposals for postings of Assistant Audit Officers and Audit Officers/ Sr. Audit Officers in the field party and Headquarters submitted by Branch Officer.

1.4 Duties of Audit Officer / Sr. Audit Officer of Head Quarters

The Audit Officer/Sr. Audit Officer (Headquarters) shall be responsible for supervision and efficient working of LBA Section (Headquarters). He will be overall in charge of Administration of the LBA Section.

Besides the duties and powers of Audit Officer/ Sr. Audit Officer for general administration as envisaged in Manual of office procedure, he/she shall have following powers:

- (i) To ensure maintenance of "Register of Important Points" by the LBA Section and its scrutiny by the Local Audit Parties.
- (ii) To ensure maintenance of all sanctions and orders dealing with delegation of financial powers of GPs/ZPs/ULBs.
- (iii) To propose postings of Auditors/Sr. Auditors/ Assistant Audit Officers/ etc. in the field party and Headquarters to the Deputy Accountant General.

- (iv) To ensure completion of audit of all the units planned during the year.
- (v) To ensure preparation of Annual Technical Inspection Report (ATIR) well in time so as to submit to HQs' office in the scheduled time.

Distribution of works among the personnel in Audit Parties should clearly delineate this defined areas of work, identifying their contributions in terms of quality and quantity of audit results, their accountability would be ensured.

1.5 Duties of Inspecting Officer

The Inspecting Officers are responsible for supervision and efficient working of the field party/parties entrusted to their charge. Besides the duties and powers of an Audit Officer / Sr. AOs for general administration as envisaged in Manual of office procedure, the Inspecting Officers will have the following duties.

- (i) On commencement of the audit, the Inspecting Officer shall meet the Head of the office to discuss the programmed audit in general and specific problem, if any. The Inspecting Officer shall also promptly bring any difficulty to the notice of the Group Officer.
- (ii) The quantum of supervision of the field audit party by the Inspecting Officer should be at least 50 per cent. Duties amongst the members of the audit party should be formally approved by the Inspecting Officer in case of a supervised audit.
- (iii) To ensure obtaining necessary briefing from the Deputy Accountant General well in time with regard to any special points to be examined during local Audit.
- (iv) To ensure that all the required records for conducting the audit has been obtained by his Party from the Headquarters.
- (v) The Inspecting Officer shall acquaint himself with the financial system and the accounts of the auditee units.
- (vi) He should ensure that no point of importance has escaped the attention of the inspection staff. He will remain responsible for the efficiency of the inspection as a whole.
- (vii) He shall take particular care to examine the cases which merits inclusion in ATIR, all the issues involved, collect all the relevant information and also take photo copies of those documents which are likely to be useful and to be forwarded to CAGs Offices along with draft Paragraphs as key documents for the ATIR.

- (viii) The Inspecting Officer should immediately report to the Deputy Accountant General, serious or important matter which comes to light in the course of his inspection without waiting to include it in the Inspection Report.
- (ix) The Inspecting Officer shall draft the Inspection Report and not leave it to his subordinates to do drafting and submit the draft in typed form along with a soft copy.
- (x) The Inspecting Officer shall approve distribution of duties/work among the member of the audit party.

The field audit parties are responsible for carrying out the actual audit inspection, drafting the inspection report and its submission to LBA Section. Any further work of editing, issuing etc. of the inspection report is carried out by LBA Section.

1.6 Duties of Local Audit Party Member

- i) Generally the Inspection staff is responsible for conducting the actual audits and drawing up the draft Inspection Reports.
- ii) Members of the Inspection Party shall attend the office to be inspected during its regular office hours. No member of the party shall leave his place of duty without prior permission of the Branch/ Group Officer in charge LBA Section except in exceptional circumstances.
- iii) Leave applied during the course of audit for sudden and unforeseen circumstances should be transmitted to LBA Section immediately. Cases of unauthorised absence from duty will be viewed seriously.
- iv) Special Point if any, should be examined as expeditiously as possible and incorporated in I.R.
- v) All necessary documents relating to important paras likely to develop into Draft Paragraph should be obtained and kept in the file.
- vi) In case of any deviation from the approved tour programme, prior permission should be obtained from Group Officer.
- vii) The Inspection staff, during the course of their audit, neither should express their independent opinion connected with the interpretation of the various Acts and Rule nor give an opinion on doubtful points of procedure etc., to the auditee unit.
- viii) When an embezzlement or fraud is detected or suspected, the Inspecting staff shall immediately report the cases to LBA Section giving full details of all relevant information.

- ix) The number of working days allowed for audit of each unit shall not be exceeded without the previous sanction of the Group Officer, LBA.
- x) Auditors /Sr. Auditors, Assistant Audit Officers shall maintain daily diaries indicating details of the work done on each day and submit these diaries to LBA Section at the weekend duly countersigned by the Inspecting Officer.

CHAPTER – II
DETAILS OF WORK TO BE DONE BY LBA

2.1 Annual Audit Programme

In December every year the LBA Section, should bring upto date list of all units, both for PRIs and ULBs, to be audited by this office during the ensuing financial year.

2.2 Frequency (Periodicity) and duration of Local Audit

Till further decision, the ZPs and Gangtok Municipal Corporation may be audited annually, and the GPs and Nagar Panchayats on biennial basis.

The time allotted for each audit is fixed in terms of mandays after taking into consideration the quantum of expenditure, nature of activities and work in that office, past audit experience of the same office as well as additional work to be done, if any, during local audit.

The number of days allowed for audit of an office / unit should not be exceeded except for specific reasons and with the prior approval of the G.O. While making a request for an extension of the duration of audit, the audit party should explain fully the reasons for the necessity of an extension.

2.3 Review of time allotment

A review of the time allotted for each audit should be carried out every third year in order to see that the time allowed for the local audit of various offices is adequate, inadequate or more than requirement.

2.4 Control Register of Audits

Control Register of Audits indicating name of units audited, date of audit, party personnel, etc. should be maintained by LBA Section for each financial year.

The register should be submitted to the Group Officer LBA on six monthly basis in September & March every year.

2.5 Preparation of Quarterly Inspection Programme

Detailed quarterly programme for local audits should be drawn and the approval of the Group Officer obtained well in time.

2.6 Intimation of Dates of Audit

- i) A copy of the approved programme should also be endorsed to the concerned Inspecting Officer.
- ii) Intimation of the dates of inspection should be sent in the form at *Annexure II* to this chapter, sufficiently in advance, to the auditee unit.

2.7 Records to be sent to the Field Party

The following records should be made available to the field audit parties by the respective Auditor/Sr. Auditors of LBA Section (Headquarters) before commencement of local audit of the concerned office/ institution:-

- i) Files containing Inspection Reports of previous years for which objections are still outstanding.
- ii) Extracts from the 'Registers of Important points'.
- iii) List of objections treated as settled subject to verification during next audit.
- iv) File containing potential draft Paras /review if marked by Branch Officer/Group Officer for further examination.

2.8 Composition of Field Audit Parties

The field audit parties should, subject to availability, be manned by one AAO, one Auditor/Sr. Auditor under the overall supervision of Sr. Audit Officer / Inspecting Officer. No Auditor shall ordinarily be allowed to work independently unless he has passed the SAS Examination.

2.9 Extension of time for Local Audit

Local audit of GPs/ZPs/ULBs should be completed within the allotted time. In case, extension of time is required, approval of extended time may be obtained expeditiously.

2.10 Postponement and suspension of Local Audit

Requests for postponement of audit are considered only in exceptional circumstances with the approval of the Group Officer.

2.11 Weekly Diaries and review of work done by Sr. Auditors / Auditors

Every member of a field party should submit his weekly diary to LBA Section. The weekly diary of Sr. Auditors / Auditors should be countersigned by the AAO, who should record a certificate to the effect that the work of the Sr. Auditors / Auditors was reviewed and found satisfactory or otherwise as the case may be. Weekly diaries should be submitted to LBA Section every Monday for the work done in previous week.

2.12 Review of work done by Sr. Auditors / Auditors

The AAO of the party should carry out the following quantum of test check on the work done by the Sr. Auditors / Auditors:

- (a) If there is one auditor, 10 per cent of each item checked by the auditor.
- (b) If there is more than one auditor, 5 per cent of each item checked by the auditors.

The details of the items checked by the AAO should be given in his weekly diary reports as well as in the duty list attached with the audit and inspection note. The AAO at the time of his transfer, should specifically bring these orders to the notice of his successor.

2.13 Period covered by local audit

In Local Bodies, the period covered by local audit should be the transaction from the date up to which the account was last audited to the month of March of that year. The cash book should, however, be checked up to date.

2.14 Travelling allowance for staff attached to LBA field parties

Travelling allowance for LBA staff shall be regulated in accordance with the Travelling Allowance Rules contained in the Supplementary Rules, as amended from time to time.

2.15 Submission of Travelling Allowance bills

Travelling allowance advance applications in respect of journeys to be performed should be submitted well in advance to the Administration Section.

2.16 Posting and transfer of staff

The posting and transfer of AAOs and Sr. Auditor / Auditor of LBA between field inspection and LBA Section will be done by Branch Officer with the approval of the Group Officer.

2.17 Working hour, holidays and attendance register

The local audit party will observe the working hours and the pattern of holidays of the office visited by them subject to the condition that the total number of holidays / closed days enjoyed by them during a calendar year does not exceed the admissible number of the holidays under the Government of India orders and there is no shortfall in the total number of working hours. No member of a field party can therefore, prefix or suffix Saturday or any central government holiday, as in the case of staff posted at LBA Section, except where Saturday is also a State Government holiday.

Attendance Register: The AAO of each party is supplied with an Attendance Register wherein he and his assistants should mark their daily attendance. This register is to be submitted to the Inspecting Officer whenever work of party is supervised by him.

2.18 Maintenance of files by field parties

The AAO in charge of a field party should strictly adhere to the following instructions regarding maintenance of files by field parties:

- (i) Copies of orders issued by government, heads of departments, etc. and other circulars and instructions issued by LBA from time to time should be filed department wise and in an omnibus file.
- (ii) Whenever the AAO is transferred from the party, he should hand over the files along with the codes manuals, etc. to the relieving AAO under intimation to LBA Section.
- (iii) The relieving AAO should clearly mention in his charge report to LBA Section that he has received all files, etc. from his predecessor.

- (iv) A case register should be maintained by all the parties wherein the particulars of files maintained by the party are to be entered. A register of codes and manuals should also be maintained and kept up to date. The certificates of handing over and taking over should be recorded after the last entry in each of these registers.

The Inspecting Officers while supervising the work of the field parties should ensure that the instructions mentioned above are scrupulously adhered to.

The AAO of field parties, whenever they are back to headquarters, should scrutinize the Guard file maintained by LBA Section to ensure whether they are in receipt of all the office orders / circulars, etc. Copies of circulars / office orders, if any, found wanting should be obtained from LBA section so as to make the party's file up to date. The AAO of field parties should, after the scrutiny of the Guard file of LBA Section, record their dated signature in a register maintained for the purpose in the Section in token of the scrutiny of the file.

2.19 Movement of the field parties

The movement of the field parties should be strictly according to the approved programme. Any deviation from the approved programme of Inspecting Officers and audit parties should receive the prior approval of the Group Officer.

2.20 Applicability of the Office Proceeding

The instruction in this Manual shall apply to the LBA staff, except to the extent this Manual specifically authorizes deviations from these orders.

2.21 Timely submission of applications for leave

Applications from the field party staff on tour for casual or regular leave should be submitted to LBA Section duly recommended by the Inspection Officer (if available at the camp) sufficiently in advance unless prevented from doing so by circumstances beyond one's control. No member of the field parties should leave the camp until sanction to the leave is communicated by LBA Section. The Inspecting Officers and field staff should inform BO of LBA Section in advance or at least in time, as far as possible, prior to leaving the camp if any urgency necessitating them to proceed on leave without obtaining the prior sanction / approval occurs. Any deviation in this regard would be viewed seriously.

2.22 Corrections to the Manual of LBA

Instructions and decisions of a permanent nature relating to the LBA should be incorporated in the Manual of LBA giving reference to the number and date of the letter/ case, etc.

The Asstt. Audit Officer in charge LBA (Headquarters) shall be responsible for maintaining the Manual up-to-date.

2.23 Circulars/Office Orders

LBA (Headquarters) section shall maintain guard files separately for circulars and office orders issued during each financial year.

An index should be prepared and kept up-to-date at the beginning of each such guard file showing the issue number, date and subject and page number.

2.24 Weeding out of Old Records

LBA section should follow the procedure for transfer of Records to Old Records as detailed in the Office memorandum.

2.25 Preservation and Destruction of Old Records

The general instructions for preservation and destruction of records are contained in chapter XII of the Comptroller and Auditor General's Manual of Standing Orders (Administrative), Volume I.

2.26 Destruction of Records

Concurrence of the Group Officer/LBA should be obtained before any records are destroyed by the Record Section in terms of the Manual of office procedures even though the period of preservation set forth in the relevant rules may have expired.

2.27 Calendar of Returns

The LBA Section should maintain a Calendar of Returns showing the due and actual dates of (i) the dispatch of returns due from the section; and (ii) submission of registers, etc. to Group Officer;

The Calendar of Returns should be submitted to the Group Officer on monthly basis.

2.28 Submission of Draft Inspection Report to LBA (HQ)

The draft Inspection Report with its title sheet connected files and documents etc. should be submitted to the LBA Section within 5 (five) days of the completion of audit.

CHAPTER III

PROCESSING OF INSPECTION REPORTS AT LBA SECTION - PURSUANCE AND SETTLEMENT OF AUDIT OBJECTION

3.1 Receipt of Inspection Reports

The field parties are required to submit the draft inspection reports to LBA Section within 5 (five) days from the date of completion of audit.

3.2 Control register for watching the receipt and Issue of Inspection Reports (IRs)

In order to ensure timely submission and issue of the Inspection Reports a Register for watching the receipt and issue of Inspection Reports should be maintained by LBA Section, in the form given at *Annexure I*.

All cases of delay in submission of Inspection Reports by field parties should be brought to the notice of Group Officer, LBA.

The Control Register shall be submitted to the Group Officer on the 15th of each month with a report indicating the number of Inspection Reports outstanding at the end of the previous month, the number of Inspection Report received during the month, the number of inspection reports issued and the number of Inspection Reports outstanding on the last day of the month.

Control Register shall be submitted to the Accountant General on the 17th of the month following each quarter.

3.3 Issue of Inspection Reports to auditee

The draft Inspection Report as finally approved by the Group officer shall be forwarded by Branch Officer, LBA to audited entity for needful action.

3.4 Watching receipt of replies to Inspection Reports

The timely replies of the IRs may be watched by LBA Section and reminder issued from time to time under the signature of Group Officer, in case deemed fit.

3.5 Record of Outstanding Inspection Reports/Paras

In order to watch the progress of settlement of outstanding objection, the LBA Section shall maintain a register called "Adjustment Register of Settlement of Inspection

Reports/Paras in proforma at *Annexure II*. Abstract shall be submitted to the Group officer on the 7th of each month.

3.6 Record of objection in the objection book

Besides watching the clearance of objections from the Adjustment Register of Settlement of Inspection Reports/ Paras, the objections which can be expressed in terms of money value should be registered in the objection Book.

3.7 Settlement of objections by LBA

On receipt of satisfactory replies from the auditee unit on the Inspection Report, the LBA Section will settle the concerned objections under the order of Group Officer.

3.8 Audit Committee Meeting

In case, pendency of paras are considered large enough to warrant settlement, the LBA Section will convene Audit Committee Meetings from time to time with PRIs with due approval from Group Officer.

CHAPTER IV
INSTRUCTION FOR PREPARATION OF MATERIAL FOR
ANNUAL TECHNICAL INSPECTION REPORT

4.1 Importance of Annual Technical Inspection Report

The Annual Technical Inspection Report (ATIR) is one of the important outputs of LBA Cell. It is, therefore, of utmost importance that cases which merit inclusion in the Annual Technical Inspection Report should be segregated right from the time they come to the notice (i.e. in the course of inspection, Performance Audit, etc.) and their processing started forthwith, so that the final drafting of the paras is completed within the prescribed time. The ATIR may be published in Local Language also.

4.2 Draft Paragraph

The following instructions should be followed in the preparation of a draft para for inclusion in the Annual Technical Inspection Report:

- i) The draft paragraph should be self-contained i.e. material necessary for an intelligent appreciation of the points should be available in the paragraph itself.
- ii) The facts should be narrated in a logical order and there should be no missing links.
- iii) The focus of the paragraph should be clear and points of weakness / failures brought out in proper perspective.
- iv) While the language should be precise, brevity should not be sought at the cost of clarity.

4.3 Selection of topics of Performance Audit (PA)

Endeavour shall be made to select at least one topic for undertaking Performance Audit for incorporation in ATIR. The selection and conduct of PA should be done as per instructions contained in the Performance Auditing Guidelines issued by Comptroller and Auditor General of India in May 2005 and supplementary guidelines issued in 2014.

ANNEXURE - I

Control Register for Watching the Receipt and Issue of Inspection Reports

(Reference: Para 3.2)

Sl. No.	Name of Office Inspected	Name of Inspecting Officer and Staff	Period of Audit	Date of Audit	Date of receipt of Draft Report
1.	2.	3.	4.	5.	

Date of submission to Sr. AO/ DAG	Date of approval	Date of Issue	Reply received vide letter No. and date	Remarks
7.	8.	9.	10.	11.

ANNEXURE II

Adjustment Register of outstanding Inspection Reports/Paras.

(Reference: Para 3.5)

PART - I

Sl. No.	Name of Audittee	IR No.	Part II-A Para No.	O.B. Amount	Part II-B Para No.	O. B. Amount

Monthly Report of Outstanding Para Register

	IR	Part II-A	Part II-B	Total
Opening Balance				
Addition				
Total				
Clearance				
Closing Balance				

Details of Closing Balance

Year	No. of IR	Part II-A	Part II-B	Total
Total				

Monthly Report of Objection Register

	IR	Part - II A Paras	Amount	Para - II B Paras	Amount
Opening Balance					
Addition					
Total					
Clearance					
Closing Balance					

Ar./Sr. Ar.

AAO

Sr. A.O.

DAG