

CHAPTER-4

FORMATION AND FUNCTIONS OF LOCAL BODIES WING

4.01 Introductory

The audit of the accounts of bodies or authorities substantially financed from Union or State revenues is conducted, in terms of Sections 14 and 15 of the CAG's (DPC) Act 1971. In addition, the Government of Uttarakhand vide letter No. 427/VA. Nid (13th FC)/2013 dated 19 March, 2013 proposed to entrust the audit under Technical Guidance and Support (TGS) of Panchayati Raj Institutions and Urban Local Bodies to the CAG of India and requested to take up the audit of these institutions.

With a view to provide TGS and conduct of Audit and Accounting work for Panchayati Raj Institutions and Urban Local Bodies in the State, a separate section, Local Body has been established under the control of Accountant General. Provisions of TGS have been mentioned in Annexure-1 at the end of this Chapter.

4.02 Formation of the Local Bodies Wing.

This wing is kept under the charge of an officer of the Indian Audit and Accounts Service, designated as Sr. Deputy Accountant General/ Deputy Accountant General (LB). He is assisted by a team of Sr. Audit Officers/Audit Officer, Assistant Audit Officers, and other supporting staff at the headquarters and in the field.

4.03 Functions of the wing

The LB wing conducts audit of the accounts of various local bodies, falling under the jurisdiction of the State, under the provisions of Sections 20(I) of the Audit Act. The functions are briefly described as under: -

- (i) Audit of receipts and expenditure of local bodies receiving grants from Union or State Revenues.
- (ii) Audit of the accounts of any body or authority entrusted to Comptroller and Auditor General of India by or under any law made by Parliament, on the request of President (in case of central units) and Governor (in case of State Units) (Section 20 (1)).

4.04 Organisation of the Wing

4.04.01 Staffing pattern

The allocation of staff of L.B. Wing as approved by AG, office order 117 dated 07.10.2016 detailed below-

Designation	SIP	MIP	
		Hqr.	Field
Sr. AO/AO	4	1	2
AAO/Supervisor	12	1	11
Sr. Ar/Ar	16	3	6
DEO	2	2	-

4.04.02 Duties of Sr. Deputy Accountant General (LB)

Sr. Deputy Accountant General/Deputy Accountant General, (LB) is in-charge of the wing in respect of all matters viz., postings and transfers of officers and staff; preparation of Cycle Register, Skeleton of programme; Staff case; and other administrative matters, compliance and settlement of paras of Audit Inspection Reports and processing of draft paras for Annual Technical Inspection Report. He is responsible for supervision of field audit parties for ten days in a month out of which at-least five days must be outside the headquarters' station. Supervision of performance audit teams must be included every month if such audits are in progress. (Annexure-2 at the end of this chapter may be referred to as authority). (Authority: - C&AG's office, Director General (Audit) Letter No.103-Audit (AP) dated June 25, 2007).

4.04.03 Functions of headquarters sections

Local Bodies section is headed by a Sr. Audit Officer/ Audit Officer who assists the Sr.DAG (LB)/DAG (LB) in disposal of work at headquarters and establishes coordination between headquarters and field parties. The functions of this section may broadly be grouped as under:-

- I.** Technical
- II.** Administrative
- III.** Other Headquarters Sections

(I) Technical function

- (i) Preparation of annual skeleton programme of local audit to be conducted during next year.
- (ii) Preparation of quarterly programme for field parties.
- (iii) Preparation of tour programme of all parties and inspecting officers.
- (iv) Issue of intimations to units concerned.
- (v) Disposal of all references including complaints, received from Headquarters office, other Accountants General and others.
- (vi) Formulation of budget proposals, staff requirements etc.
- (vii) Disposal of all general questions relating to local audit of the units coming under the jurisdiction of Sr.Dy. Accountant General (Local Bodies).
- (viii) Procurement of sets of Annual Accounts and statement of grants and loans.
- (ix) Compilation of Register of Grants/loans sanctioned to various local bodies.
- (x) Preparation of Cycle Register to have a watch on timely audit of the units under different sections of the CAG's(DPC) Act and to have effective control over programming,
- (xi) Sample selection for audit is to be done through "risk analysis and statistical sampling Matrices have been prepared by Report (state) wing of headquarters' office with various parameters (risk indicators) with an aim to categorise and classify the auditee units particularly for transaction audit in civil and works department for transaction audit of LB units the parameters are described in Annexure

ANNEXURE

Risk analysis and statistical sampling of auditee units for financial transaction audit
Objective: - Classification of the audit units as High risk (H), Medium risk (M) and Less risk (L)

- (I) Expenditure: - Principal Indicators (Annual expenditure of second preceding year).
- (II) Previous Audit observation (Total amount involved during last three years,)
- (III) Internal Control and Internal Audit system (whether functioning satisfactorily)
- (IV) Performance Report (Evaluation of performance by internal and external agencies).

I- Expenditure

	Weightage	H(6)	M(4)	L(2)
(a)	Expenditure on works projects/ programme and other development expenditure	Above Rs. 2 crore.	Rs. 50 lakhs to Rs. 2 crore	Less than Rs.50 lakhs
(b)	Salaries and other establishment expenditure	Above Rs. 50 lakh	Rs. 20 lakh to Rs. 50 lakh	Less than 20 lakh
(c)	Deposit in F.D. Account and P.L.Account	Above Rs. 20 lakh	Rs 10 lakh to 20 lakh	Less than Rs. 10 lakh
(d)	Percentage increase of total expenditure over previous year	Above 50 Percent	30 to 50 percent	Less than 30 percent

II- Previous Audit observations

	Weightage	H(6)	M(4)	L(2)
(a)	Money value of Part II A paragraphs in IRs compared to total moneyvalue of IRs in last three years.	More than 60 percent	30 to 60 percent	Less than 30 percent
(b)	Outstanding IR paras	Significant number of IR paras pending for more than five years	Significant number of IR paras pending for three to five years.	Significant number of IR paras pending for less than three years.

III-Internal Control and Internal Audit system

	Weightage	H(6)	M(4)	L(2)
(a)	Budgetary procedure and expenditure control	Poor	Improvement necessary	Satisfactory control
(b)	Maintenance of records and accounts	Poor	Improvement necessary	Satisfactory Maintenance
(c)	Internal Audit	No internal audit conducted	Large arrears in conducting Internal Audit and issue of reports and/ or no follow up of Internal Audit Report.	Satisfactory

IVPerformance evaluation

Weightage	H(6)	M(4)	L(2)
Performance of units as per Administrative Report of the Department/ Compliance to PAC's recommendations/ Evaluation report on projects/ works/ Department etc if any/ press reports/ complaints.	Poor	Improvement necessary	Satisfactory

Total score [1(a+b+c+d) +ii (a+b)+iii (a+b+c) + iv]= 10-*

Categorization of units

- (i) Low risk- when * is >2<4,
- (ii) Medium risk- when * is >4<5,

(iii) High risk- when * is >5<6

For classification of the units as H, M and L amount of expenditure may be modified depending on total expenditure of the State and total number of auditee units, However, justification for the modification may be recorded and intimated as required in CAG's letter no. 565 rep(5)/259 -2004 dated 16.05.05.

- (i) Maintenance of programme books in respect of units audited under sections 19(2) and 19(3) containing complete address, telephone number etc., as per Headquarters instructions for facility of field parties.
- (ii) Keeping watch over completion of audit of all the units dealt with in the wing as per audit plan.

II. Administrative functions

- (i) Supply of necessary documents/stationery to field parties.
- (ii) Supply of important instructions/orders/guidelines issued/received by/from Accountant General/ Headquarters office, which would be useful in conduct of audit.
- (iii) Verification of T.A. Bills of field parties' staff, with reference to the approved tour programme and transmission of the same to Personal Claims Section.
- (iv) Managing disbursement of tour advances to the members of field parties.
- (v) Disposal of leave cases of the staff attached to audit, maintenance of Absentee Register, Leave Sanction Register etc.
- (vi) Compilation and submission of all periodical returns i.e., monthly arrears report, quarterly and annual arrears report etc.
- (vii) Selection of staff for Inspection duty and the posting to field parties.

III. Other Headquarters sections

Functions of headquarter section is under: -

- (i) Scrutiny, editing and issue of the Inspection Reports received from the field parties. It is to be ensured that all enclosures, annexure and connected records are enclosed with the Reports. It is also to be ensured that percentage checks at different levels have been completed. The cases of shortfall in quantum of audit should be brought to the notice of Deputy Accountant General (LB)/Accountant General (Audit). Audit Inspection Reports should be finalised and issued within a month from the date of completion of audit. Responsibility for ensuring this will rest with the sections concerned.
- (ii) Scrutiny of replies and settlement of paras. In case of outstanding paras reminders are to be issued at appropriate levels at regular intervals.
- (iii) Maintenance of the following registers in connection with Audit Inspection Reports:-
 - (a) Receipt and Issue Register.
 - (b) Progress Register of settlement of Inspection Reports
 - (c) Diary of Inspection Reports.
 - (d) Register of serious financial and other important irregularities for preparing draft paragraphs.
 - (e) Register of special points to be looked into at the time of next audit.
- (iv) To ensure that verification of the old Audit Inspection Reports is done by field parties and no Audit Inspection Report is lost in transit.
- (v) Collection of information/ material for paras of Part 4B-I marked by the Deputy Accountant General for processing draft paragraphs.
- (vi) Maintenance and updating of Rules and Regulations, Bye-laws, Memorandum of Association, Articles of Association, format of accounts of all the autonomous bodies in our

jurisdiction.

4.04.04 Annual Technical Inspection Report (ATIR) cell

The ATIR Cell in the L.B. wing will be responsible for compilation of statement of facts (SoFs) issued by the parties for inclusion in the Annual Technical Inspection Report prepared in respect of the units audited during the year. ATIR cell will be constituted with one AAO and one Sr. Auditor/ Auditor in the supervision of Sr. AO (Hqrs)/LB. ATIR cell will do the following works:

- (i) Compilation of Statement of Facts(SoF) issued by the Audit parties duly referenced with Key documents.
- (ii) Compilation of data bank regarding chapter 1 and 3 of ATIR
- (iii) Preparation of Contribution register/ manual upgradation/ guard file of GOs/SOF Register.
- (iv) Details of paras of ATIR settled and unsettled
- (v) Correspondence regarding TGS
- (vi) All documents regarding ATIRs.

All part 4 B-I paras appearing in various Audit Inspection Reports received from the audit parties marked by the Deputy Accountant General, while approving the reports, should be entered in a Register known as "Potential Draft Paragraph Register" with full particulars of para in the following format-

Sl No.	Period of AIR	Dates of Inspection /Name of the unit	No & date of issue of Inspection Report	Para no part II A/B
1	2	3	4	5

Brief subject of Para	Amount	Contributed by	How disposed off.	Remarks in any
			Statement of facts issued vide no & date	Dropped under orders of Group officer
6	7	8	9	10

After issue of S.O.F. as per column No 9 of PDP register it will be taken to the SOF Register Containing all the relevant information as:-

S No.	Para No.	Period of AIR	Name of the unit	Brief particulars of SOF	Amount
1	2	3	4	5	6

As and when the D.P. is issued, it will be noted in D.P. Register maintained by ATIR Cell. The columns for DP register may be opened to accommodate required information.

The PDP register is required to be submitted to the Dy. Accountant General (L.B.) on 1st of each month while SOF and DP to the Group Officer with submission memo on the 1st page of the Registers and closed as:-

How disposed off		Contributed by	Remarks if any
No date of D.P issued	Orders of Sr.D.AG wide which dropped		
7		8	9

Opening balance....
 Addition during month.....
 Total
 Clearance during month.....
 Balance at the end of month.....
 Abstract of clearance
 SOF/ DP issued.....
 Dropped.....
 Total

The submission of the Register will be watched through the sectional calendar of return Proforma showing the status of D.P. and I.Rs included in Annexure-3 at the end of this Chapter).

4.04.05 Inspecting staff

General

The units to be audited by the Inspecting staff of the wing are of complex nature. Besides general scrutiny of transactions and the accounts of a body or authority, the scrutiny of schemes/projects, contracts/ agreements, development programmes, etc. is also to be done intelligently. Keeping in view the importance of the audit of schemes and projects etc., the Headquarters office issued instructions vide D.O letter No. 649/Audit-II/143-85 dated 30.4.1985 on improvement of quality and content of Audit Inspection Reports, wherein stress was laid on the duty of Inspecting officer of the party, who should undertake scrutiny of the original files of works, projects, and schemes. The stress was also laid on the visits of Deputy Accountant General/Principal Accountant General to supervise and guide the field parties conducting the audit.

Composition of field parties

Each audit party will consist of two Assistant Audit officers/Superwisers, one Senior Auditor/Auditor. In case where two Assistant Audit Officers/Superwisers are posted, the

senior of the two will be incharge of the party. Generally the audit parties are supervised by Sr. Audit Officer/ Audit Officer, who will ensure distribution of work amongst members of the party, besides finalisation of draft Audit Inspection Report and discussion with head of the organisation. In case of unsupervised parties, the distribution of work will be done by the party in charge.

Selection of staff for Inspection Duty

The work of technical inspection of local bodies is of varied nature. As such, the staff engaged on the audit of such bodies should be skilled and experienced, so that an effective and efficient audit may be carried out. At the time of selecting staff for audit of local bodies, it is essential to keep in mind that the personnel should be retained in the co-ordination for at least two quarters and a proper training is imparted to them in order to make them specialized in the audit of local bodies of various nature. The staff should be made conversant with the rules and regulations of audit department as well as of such bodies or authorities for whose audit they are marked.

(Authority: Sri S.K. Sastry, Director of audit's D.O. No. 649-Audit-II/143-85 dated 29.4.85)

Periodicity of Audit

As per norms and assumptions issued by Headquarters office, the periodicity of audit of the units under Local Bodies is as given below:-

(A) Panchayati Raj Institutions

ZilaPanchayats - Annual

District Panchayati

Raj Officers(DPRO) - Annual

KshetraPanchayats - Biennial

Gram Panchayats - Pentennial (once in 5 years)

(B) Urban Local Bodies

Nagar Nigams - Annual

District Panchayati

Raj Officers(DPRO) - Annual

Nagar PalikaParshad - Biennial

Nagar Panchayats - Triennial

(c) GramyaVikasVibhag

District Rural

Development Agency - Annual

District Development Officer- Annual

(Authority: Shri S. Sathyamoorthy, Dy. CAG D.O. No. 251/LB/PRI/29-2003- KW Dated 21.11.2003).

No. of units and Periodicity have been mentioned in Annexure-4 at the end of this Chapter.

Duration of local audit

(A) Panchayati Raj Institutions.

ZilaPanchayats 10 days

District Panchayati
Raj Officers(DPRO) 10 days
KshetraPanchayats 7 days
Gram Panchayats 1 day

(B) Urban Local Bodies.

Nagar Nigam 25 days
Nagar PalikaParishads 15 days
Nagar Panchayats 7 days

(c) GramyaVikasVibhag

District Rural
Development Agency - 10 days
District Development Officer- 10 days
Supervision by Sr. Audit Officer/Audit Officer

(A) Panchayati Raj Institutions.

ZilaPanchayats 100%
District Panchayati
Raj Officers(DPRO) 100%
KshetraPanchayats 50%
Gram Panchayats Nil

(B) Urban Local Bodies.

Nagar Nigams 100%
Nagar PalikaParishads 50%
Nagar Panchayats 25%

(c) GramyaVikasVibhag

District Rural
Development Agency - 100 %
District Development Officer - 100 %

Composition of parties:

(A) Panchayati Raj Institutions.

ZilaPanchayats -4 members- 1 Sr.AO/AO+2AAO+ 1 Sr.Auditor/Auditor
District Panchayati
Raj Officers(DPRO) -4 members- 1 Sr.AO/AO+2AAO+ 1 Sr.Auditor/Auditor
KshetraPanchayats - 2 members- 1AAO+1Sr.Auditor/Auditor
Gram Panchayats - 1 Sr.Auditor/Auditor

(B) Urban Local Bodies

Nagar Nigams - 4 members -1 Sr.AO/AO+2AAO+1 Sr.Auditor/Auditor
NagarPalikaParishads -2members-1AAO+1 Sr.Auditor/Auditor
Nagar Panchayats -2 members-1AAO+1Sr.Auditor/Auditor

(c) GramyaVikasVibhag

District Rural

Development Agency - 4 members- 1 Sr.AO/AO+2AAO+ 1 Sr.Auditor/Auditor

District Development Officer -4 members- 1 Sr.AO/AO+2 AAO+ 1 Sr.Auditor/Auditor

(Authority- Shri S.Sathyamoorthy, Dy.CAG D.O. No.251/LB/PRI/29- 2003-KWdated 21.11.2003., Shri Rajesh Singh, Director (PRI) D.O. No. 69/LB/PRI/10-2004 dated 04.03.2004.)

4.04.06 Duties of party-personnel

A. Sr. Audit Officer/Audit Officer- The Audit officer in-charge of the Inspection party may make certain changes in writing in distribution of work among the party personnel according to the suitability and capacity of the individual official keeping in mind the type of work in hand. He has to be watchful towards achieving efficient performance of the audit party. Besides, he has to perform the following duties:-

- (i) He is responsible for ascertaining accuracy in accounting system, procedure for upkeep of proper accounts records, reasons of unrealised revenues and undischarged liabilities, the system of disposal of assets, procedure for making purchases, etc.
- (ii) He has to guide the party for achieving good results of audit.
- (iii) He will make scrutiny of major schemes/projects involving sizeable investments in such a way that the way of working of the institutions may be depicted. The comments on such matters will be based on the principles of efficiency cum-performance audit.
- (iv) He is responsible for the contents of the Draft Inspection Report.
- (v) He should discuss important points with the Head of office at the time of finalisation of the Report.
- (vi) He should see that the outstanding paras of the old Audit Inspection Reports are settled to the maximum.
- (vii) He should ensure that the members of the party follow the instructions of the codes and Manuals of the institution.
- (viii) He should assign himself the scrutiny of the schemes and mounting balances under Sundry Debtors /Creditors.
- (ix) He should select one month for detail audit in respect of annual units and two months in respect of biennial and triennials units.
- (x) In respect of the units incurring expenditure on civil works, the Inspecting Officer will:-
 - (a) review all regular contracts and agreements finalised during the period of audit ;
 - (b) review the system and extent of check exercised by the engineer- in - charge ;
 - (c) review the balance of stock, system of acquisition of stores ;
 - (d) make general scrutiny of muster rolls, schedule of rates etc. ; and
 - (e) check records pertaining to acquisition of land.

B. Assistant Audit Officer

The distribution of work to Assistant Audit Officer will be done by the Inspecting Officer or in his absence by the party in charge. The allotment of work will be as under:-

- (i) Audit of the accounts of receipts.

- (ii) Audit of the accounts of stores.
- (iii) General scrutiny of the cash book including checking of arithmetical accuracy to the extent prescribed.
- (iv) Examination of the Test Month with supporting documents/records.
- (v) Examination of special points marked for special investigation by the Headquarters office.
- (vi) Details of stores received/purchased under foreign Aid Programme.
- (vii) Scrutiny of unit's Internal Audit Report and verification of old Audit Inspection Reports.
- (viii) Dispatch of the Draft Audit Inspection Report within three days from the date of completion of audit.
- (ix) Scrutiny of the Annual Accounts (Income and Expenditure Account, Receipts and payments Account and Balance Sheet) along with concerned Ledgers and files etc.
- (x) Exercising all checks necessary for certification of accounts.
- (xi) Scrutiny of Bank Reconciliation statement.
- (xii) Scrutiny of Workshop Account, if any.
- (xiii) Scrutiny of press Account, if any.
- (xiv) Scrutiny of subsidy on articles.
- (xv) Analysis of selected works with reference to estimates, agreements etc., and other connected records.
- (xvi) Material at site account.
- (xvii) Checking of contractor's ledgers for selected work.
- (xviii) Scrutiny of old AIRs for settlement of outstanding paras.
- (xix) Checking of Tools and Plant Account.
- (xx) Any other work allotted by the Inspecting Officer.

C. Allocation of work to Senior Auditor/Auditor.

- (i) Checking of 25% service Books/Rolls and Leave Account.
- (ii) Checking of Provident Fund Account of employees.
- (iii) Checking of Pay bills; T.A. Bills, Register of undisbursed pay and allowances.
- (iv) Register of Advances, Suspense Account and Deposits.
- (v) Checking of proper Accounts i.e. of land and building etc.
- (vi) Checking of Dead Stock Register, Stamp Account.
- (vii) Checking of vehicles Accounts with reference to Log Books and relevant files, if necessary.
- (viii) Checking of the Records of Books and periodicals.
- (ix) Checking of stationery Account.
- (x) Preparation of Test Audit Note.
- (xi) Dispatching report of work done in shape of weekly diary of work done.

4.04.07 Supply of old Audit Inspection Reports

The field parties should contact the headquarters section for supply of old AIRs. The headquarters section should make arrangements to make available the old Reports well in time, so that timely verification of replies of outstanding paras may be done by audit parties.

4.04.08 Supply of Important orders/instructions

The LB section at the headquarters should ensure that important orders and latest instructions are made available to the field parties in order to conduct an effective and efficient audit.

4.04.09 Supply of forms, stationary etc.

The field parties will be supplied with the following forms and stationery before taking movement.

- (i) A copy of Tour Programme.
- (ii) Blank forms of forwarding memos of the draft Audit Inspection Report.
- (iii) Audit pencils for every member.
- (iv) Service postage stamps.
- (v) Attendance Register.
- (vi) Register of work done.
- (vii) T. A. Bill forms according to the number of members of the party/ parties conducting audit of the unit.
- (viii) Dispatch Register.
- (ix) Forms of the application for T.A. Advance according to the number of the member of the party/ parties.

4.04.10 Stamp Account

Assistant Audit Officer in-charge of the party should maintain a proper account of service postage stamps issued to the party prior to taking movement from the office. After completion of the quarter, he will render a detailed account of stamps issued, utilised and the balances in hand. The unutilised stamps would be returned to the Control Section, which will ensure that no in-charge of the party is relieved from the Section/Co-ordination or given further movement without rendering the account of service postage stamps issued to him.

4.04.11 Quarterly Programme.

The Control section will draw a Quarterly Tour Programme of the field parties with the help of Skeleton Programme Register as approved by the Sr.Dy.Accountant General(LB).The following points are kept in view while preparing the programme:-

- (i) The audit of a body/authority will be booked only when it becomes due according to the fulfillment of the conditions of section 20 of the AuditAct.
- (ii) The programme is prepared in such a way that maximum number of man days are utilised and the loss of time in transit is avoided.
- (iii) Assembly of a number of parties at one station is avoided. One party is given the maximum number of units at one station.
- (iv) Sundays and other holidays may be utilised as transit period. In case the distance between two places is less than 100 kms, morning and evening transit may be allowed.
- (v) As far as possible the units of similar nature are to be covered during quarter.

4.04.12 Deviation from tour programme

The field staff should strictly adhere to the approved programme. Normally the party should not alter the programme without prior and specific approval of the Deputy Accountant General (LB) In case, where extension of time is must, the reasons and justification there for may be sent to the Deputy Accountant General concerned in advance.

Delay in reporting the amendment of programme will be treated as a serious irregularity. Where the amendment is urgently needed, its intimation should be sent to the Deputy Accountant General telegraphically followed by detailed amendment.

4.04.13 Permission to leave place of halt

No member of the field party should leave the place of halt without previous permission of the Dy. Accountant General(LB). When, however, a member of the party is forced to leave his place of halt for very strong and urgent reasons, he should report the facts to the Sr. Audit Officer/ Audit Officer in charge of LB control section immediately explaining the circumstances which forced him to leave the place of halt or duty in anticipation of formal permission by Deputy Accountant General (LB).

4.04.14 Grant of casual leave and restricted holidays

- (i) While on inspection, the members of the audit party are not expected to go on regular leave except on grounds of ill health or any other emergent and compelling circumstances. They may avail casual leave under proper sanction of Assistant Audit Officer and Inspecting Officer. Restricted holidays may also be availed of under proper intimation to the sanctioning authority. The casual leave/ restricted holidays application should be sent to LB section.
- (ii) Any tendency to take casual leave at the end of each quarter of audit, during the period the parties remain at headquarters' should be discouraged and should only be with the prior permission of DAG.
- (iii) No daily Allowance is admissible to the staff for the period he enjoyed as casual leave/ restricted holiday including authorised holidays prefixed and/or suffixed there to.
- (iv) The Assistant Audit Officer is responsible to see that casual leave applications and reports of proceeding on and returning from leave are promptly submitted to the headquarters.
- (v) The casual leave register of the audit parties will be maintained by the LB section.
- (vi) In cases of urgency, the AAO in charge of the party may leave the camp for a day or so, but he must intimate the co-ordinating section by wire at his own expense. He should also intimate his address during leave.
- (vii) Where a member of the party applies for leave, the officer in charge of the party should send a fax intimation to that effect to the Group officer and keep

- on the file the record of fax given.
- (viii) In case a member of the party absents himself without intimation, the fact should be reported by the in-charge of the party on the same day by fax to the Group officer and a record kept in the file.
 - (ix) No inspecting officer should proceed on earned leave without prior sanction of the Group officer. Unless it is necessitated on medical grounds, in which case the application must be accompanied by a medical certificate. Applications for extension of leave should also reach the Group officer well in time for sanction.

4.04.15 Arrangement during leave

Whenever a member of the field party proceeds on regular leave for a period exceeding a fortnight, the LB section will arrange to post a substitute without delay.

4.04.16 Observance of holidays by field staff

The Comptroller and Auditor General has ordered that subject to minor adjustments to suit administrative convenience every endeavor should be made to ensure that the total number of holidays/closing days enjoyed by the field staff during the calendar year does not exceed that admissible under the orders of Government of India and that there is no shortfall in the total number of working hours. As there is variation in the pattern of holidays observed by the State and Central Government offices, the Inspecting and/or Assistant Audit Officer should arrange with the officer concerned of the office inspected to have the office opened on those local holidays, which are not observed at the headquarters. The gazetted holidays specified in the programme should be strictly followed. (Authority: CAG'S letter No. 2492-NGEI/285-65-11 dated 24.8.66 and 208-NGEI- /295II dated 2.2.1967).

4.04.17 Conduct of officials on Inspection

All officials and members of staff while on inspection duty, should on no account seek any obligation from the members of the office, which they inspect and should not ask for or obtain free of charge any supply or service, which has financial implications. Help may be sought in getting accommodation, but it should strictly be against payment. The use of office transport for private purposes is prohibited. Any violation of the orders will attract severe disciplinary action.

4.04.18 Attitude of Inspecting staff

The members of the party should be careful to see that no grounds are afforded for complaint from local officers against the manner in which audit is conducted. Audit should be conducted tactfully and with discretion. The auditors should avoid friction with any of the officials with whom they come in contact. They should convince the officers of the body/authority that they are not to complicate the procedure but to simplify it; not merely to criticise but to assist them. They should point out how a proper check is exercised to avoid

possibility of mistakes or omission. They should also bear in mind that unnecessary, meticulous or badly expressed objections bring discredit to audit and cause increase of work at both ends. Objections should be so worded as to bring out the point precisely and briefly. The inspecting staff should, therefore, maintain a strictly detached, dispassionate and technical attitude in day-to-day conduct of their work. Nothing would be done to hamper the evolution of the complementary role of audit and administration either by the use of extravagant language or by the attitude that audit alone is the keeper of the nation's financial conscience.(C& AG's D.O. letter No. PS-588 dated 23.10.56)

4.04.19 Subject outside the scope of Audit

The inspecting staff should deal with matters, which have financial bearing. Matters, not falling strictly within the scope of audit, should not be touched. Points, which come under the principles of audit, but which cannot be provided for in advance by formal audit rules, as also cases of infringement of the standards of financial propriety, should be investigated. But the inspecting staff should be careful neither to encroach upon executive matters nor to take up questions of administration, which have nothing to do with audit and accounts or which are outside the purview of audit.(Sub-judice matters need not be investigated by audit parties.)

4.04.20 Accounts not ready for audit

There is no objection for taking up audit before the accounts are duly approved, but in such cases, the comments of audit on the accounts may be released only after the accounts are duly approved by the competent authority.(**Authority:** No.814-Rep (c)/ 100-B2 dated 25.5.82)

The finalised Audit Report may be issued only after the accounts are approved by the authority competent to approve the same before audit. In cases where the organisation has not accepted the stand taken by audit for approval of accounts before audit, such cases may be specifically referred to Headquarters with full details.(**Authority:** No/ 1058-Rep(c)/ 100-82 dated 1.6.1983.)

4.04.21 Disposal of Anonymous and pseudonymous complaints or notes.

No action should be taken on anonymous or pseudonymous complaints. Other complaints relating to matters falling within the preview of audit received should be entered in the Register of special points and made over to the audit party, when it is going to conduct audit of such body/authority, against which the complaint was received. The audit party should verify the points of complaint discreetly with reference to records available locally without giving cause for suspicion.

4.04.21.01 Quantum of work to be checked during Local Audit

S.No. No	Name of record	Nature of checks to be exercised	Quantum of records
1.	Main cash Book	(i) Arithmetical accuracy	One month
		(ii) Carry forward of balance	Two months (other than that selected for arithmetical accuracy)
		(iii) Tracing of receipts.	Two months.
		(iv) Tracing of payments:- (a) Establishment (b) Works expenditure (c) Other expenses	One month Two months and all payments in excess of Rs. 10,000/=
			One month and all payments of Rs.5000/- & above
2.	Subsidiary cash Books	For all types of work detailed above	Same month as for main cash book.
3.	Establishment	(i) Correction of pay fixation from time to time. (ii) Correctness of monthly drawals. (iii) Correctness of T.A. paid. (iv) Verification of acquaintances. (V) Leave account and service records.	-- For one month for all cases One month for all cases plus special scrutiny of all claims of top officials. One month 25% of the cases in rotation.
4.	Payments of wages		Two months
5.	Office contingencies:- (i) Scale Regulated (ii) Others	(a) Correctness of scales. (b) Correctness of payments. -----	General Scrutiny Two months Two months and all claims in excess of Rs 1000/-

6	Purchase of stores single Purchase costing	(i) For general sanction, procedure of purchase, arithmetical accuracy, acceptance etc 'A'. (a) OverRs.25,000/- (b) Rs.10,000/- to Rs. 25,000/- (c) Less than Rs. 10,000/- (ii) Posting in stock account for purchase issues etc. including correctness of acknowledgements (iii) Physical verification, review stock position, losses etc.	All cases 25% 10% 2 Month --
7.	Contract payments for works etc.	Checks to be exercised will includeexamination of plans and, estimates, tenders, Contract, agreements, execution, measurements etc. (i) Contract value exceeding Rs. 2 lakhs (ii) Contract value more thanRs. 50,000/- and Rs. 2,00,000/- (iii) Contract value of Rs. 10,000/- to Rs. 50,000/ (iv) Less than Rs. 10,000/-	All cases 50% 20% 10% The extent of scoutingof measurements look and other related records can be decided locally with due signs to facts of each cases.
8.	Records Connected with loans	(i) Terms and condition. (ii) Executionof bonds and safe custody . (iii) Actual payment vouchers and their safe custody. (iv) Posting in loan ledgers. (v) Correctness of balances and interest calculation (vi) Acknowledgement of balances. (vii) Maintenance of loan ledgers review of loan files	General scrutiny of all cases. 20% 20% Two months 10% 10% 10% General
9.	Revenue Collection	(i) Correctness of assessment and recovery. (ii) Tracing of receipts in subsidiary (iii) Issue of notices for recovery and pursuance	10% plus all individual cases in excess of Rs. 1000 Two months One month plus General review.

10.	Ledger Postings	Transfer from cash book and other records	Two months plus General scrutiny
11.	General Entries	Arithmetical accuracy	One month plus General scrutiny.
12.	Bank Reconciliation	(i) Correctness (ii) Review of items and action taken.	As on last day of the financial year. General critical scrutiny.
13.	Suspense transactions.		General scrutiny of all suspense heads and investment.
14.	Investments.		
15.	Sundry Debtors	(i) Acceptance of balances. (ii) Posting of recoveries. (iii) Pursuance of old cases.	10% One month General scrutiny.
16.	Trial balance, Receipts & Payments Account, Income and Expenditure Account and Balance Sheet.	Correctness of entries with reference to subsidiary ledgers and other records.	All items.
17.	Charging of Depreciation	(i) Principle (ii) Correctness of charging.	General scrutiny. All, if items are not many other wise suitable percentage to be locally decided.
18.	Account of utilisation of Government Assistance		General scrutiny.
19.	Regional Provident Fund Organisation	(i) Individual P.F.A/c final payment cases (ii) Checking and tracing of challans in cash book.	25% of all Cases One month's account and general review for the rest of the accounts as whole.

(Authority circular No. 20-Audit-II/1985 letter No 782 Audit-II/23-TAI-/84 dated 28.5.1985).

Annexure-1
(Referred to in Paragraph 4.01)

The Director of Audit, Uttarakhand will continue to be the Principal Auditor of the Local Bodies and he works under the administrative control of State Government while receiving Technical Guidance and Support/ Supervision (TGS) in audit matters from Accountant General (AG). The AG also has the authority to carry out supplementary audit through the Local Fund Audit Department mainly to ensure proper certification of accounts. CAG took special steps to impart training to the staff of Director Local Fund Audit as also Urban Local Bodies since it was recognized that capacity gaps were a major constraint in proper accounts keeping as well as effective auditing. In the first phase there was training for trainers in this training programme a core group of PRI functionaries were trained. These trainers were assigned the task of training the remaining personnel at the district and block level. At best, the CAG is an external advisor without any authority to enforce his systems and procedures, more as a matter of conscious choice, which was influenced by the reluctance of the State Government to accept the expression supervision. TGS, therefore, now really means Technical Guidance and Support. As far as 'Supervisory' role of TGS is concerned, it is not really operational. The corroborative approach, however, has established a new system of what can be called 'participatory approach to accountability'. In such a case, all the three parties i.e. CAG, Director, Local Fund Audit and the Civil Societies have joined together to explore the results of their respective oversight functions and improve local bodies functioning. This should be considered as a development of great importance. In the context of devolution of power and authority to PRIs for implementation of TGS, CAG is of the firm view that 'Without putting in place a system of commensurate accountability for desired performance it might turn out to be a futile attempt'. He, therefore, strongly recommended to Ministry of Finance 'for developing a strong and effective system of internal audit and control for PRIs that clearly defines their duties and clear responsibility and accountability chain and centres'. He also advocated building a strong social audit system for measuring the impact of various programmes implemented by PRIs or ULBs.

Technical Control/Guidance and Supervision (TGS)- Salient Features

Under Regulation 152 of the Regulations on Audit and Accounts, 2007 read with the State Government letter No. 427/VA. Nid (13th FC)/2013 dated 19.03.2013, the CAG may provide suitable Technical Guidance and Support to the primary auditor of PRIs viz. the Director of Audit¹, Government of Uttarakhand (GoU) for the purpose of strengthening Public Finance Management and Accountability in the PRIs. Important functions of the primary auditor in observance of the above requirements are detailed below:

- The Director of Audit shall prepare an annual audit plan for the next financial year by the end of March every year;
- The audit methodology and procedure for the audit of PRIs by the Director of Audit shall be as per statutes enacted by the State Government and guidelines prescribed by the CAG of India;
- Copies of Inspection Reports (IRs) shall also be forwarded by Director of Audit to the AG (Audit) for advice on system improvement;
- Director of Audit shall furnish returns in such format as may be prescribed by the CAG for advice and monitoring;
- AG (Audit) would conduct test check of some units in order to provide technical guidance. The report of the test check would be sent to the Director of Audit;
- Irrespective of the money value, any serious irregularities shall be intimated to the AG (Audit);
- Director of Audit shall develop a system of internal control in his organization in consultation with the AG (Audit); and
- AG (Audit) shall also undertake training and capacity building of the staff of the Director of Audit.

In the year 2014-15, the focus of operationalising TGS was upon capacity building of the primary auditor. The Office of the Accountant General (Audit), Uttarakhand organised a three days² training programme at the Doon University, Dehradun covering areas such as Works Audit, Revenue Audit and Performance Audit. Necessary guidance regarding preparation of Audit Plan is also provided to the Directorate of Audit.

¹ Director of Audit, Uttarakhand has replaced the Director Local Fund Audit as per Audit Act, 2012.

² 27th to 29th August 2014.

Annexure-2

(Referred to in Paragraph 4.04.02)

Office of the
Comptroller & Auditor General of India
10, Bahadur Shah Zafar Marg,
New Delhi-110002

Date June 25, 2007

To,
All Heads of Departments
Of field audit offices

Subject- Supervision of field audit parties by the Group officers.

Several instructions have been issued by the Headquarters from time to time emphasizing the need and importance of supervision of field audit parties by the Group Officers. The main idea behind these instructions is that Group Officers should supervise as many inspection parties as possible so that their supervision provides the necessary direction, inputs and impetus for work by the field audit parties. Apart from the fact that field supervision is an important tool to boost the morale of field parties and to improve their performance, it also helps the Group Officers to interact with the field parties, to have on-site experience and understanding of the auditee and to make their own contribution to inspection reports and audit reports.

In view of the importance of supervision of field audit parties by the Group Officers, the matter has been reviewed in the Headquarters and the following instructions are issued in supersession of earlier instructions on the matter.

1. It has been decided to increase the supervision by Group Officers from seven days to ten days in a month. Of these, at least five days must be outside their Headquarters station (this includes the travel time). Supervision of performance audit teams must be included every month if such audits are in progress. When supervising the audits including those at their Headquarters Station, the Group Officers must spend the whole day with the audit party and not merely a part of the day. Group Officers must issue clear instructions and guidance note to the audit parties during their supervision with a copy to their Principal Accountant General/Accountant General/Director General/Principal Director of Audit.
2. A Quarterly return containing information regarding the number of days on which field parties were supervised by each Group Officer should be sent to the concerned ADAI/DAI in the prescribed proforma (Annexure). It may be ensured that the returns reach the Headquarters by 15th of the following month of the quarter to which the return pertains. Where the inspection/supervision falls short of the minimum prescribed days, convincing reasons should be furnished so that a view on condonation of the deficiency could be taken by the concerned DAI/ADAI.
3. All Heads of field audit offices are requested to give personal attention to this issue and ensure that the above instructions are strictly adhered to.

4. Hindi version will follow.

Encls: Annexure

No. 104-Audit (AP)/236-95

Copy forwarded for information to:

1. All DAIs
2. All ADAIs
3. All DsG/PDs
4. Secretary to the C&AG

Yours faithfully
Sd/- Ajanta Dayalan
Director General
(Audit)
June 25, 2007

Sd/- Director General (Audit)

Annexure-3
(Referred to in Paragraph 4.04.04)

Various Type of Proformae Showing the Status of D.P. and I.Rs.

1. Status of Major Objections considered for Draft Paras.

Years

Total number of major objection issued				
Number of major objections approved as PDP cases.				
Number of cases selected for issue of Factual statements.				
Number of Factual statements converted into D.P.				
Number of cases returned to sections to process them through IRs				

2. Status of IRs and Paras added and cleared.

Period quarter ending	Opening Balance		Additions		Clearance		Closing Balance	
	I Rs.	Paras	Paras	I R	Paras	I R	R Paras	

3. Status of Inspection Reports Issued.

Delays in No. of Days								
Year	Total IRs issued	IRs Issued in Time	1-15	16-30	31-60	61-90	91-150	Beyond 150

4. Status of Nil Reports

S.No.		Years			
1	Total No. of IRs issued				
2	Total No. of Major objection containing IRs issued				
3	Total No. of Nil major objections containing IRs issued				
4	Nil IRs issued				

5. Status of auditee units due for audit and actually audited during last 4 years.

Year	No. of auditee units due for audit during the year as per laid down periodicity	No. of auditee units planned to be audited during the year	No. of units actually audited

6. Status of Inspection Reports issued during last 4 years.

Year	No. of units audited during the year	No. of IRs pending to be issued at the beginning of the year	No. of IRs issued during the year	No. of IRs pending at the close of the year

7. Status of IRs and Paras outstanding above six months.

Year	IRs	Paras	Money value Rs.

Annexure-4
(Referred to in Paragraph 4.04.05(IV))

No. of Units and periodicity

Panchayati Raj Institutions

Name of Units	Total Nos.	Periodicity
ZilaPanchayats	13	Annual
District Panchayati Raj Officer	13	Annual
KshtraPanchayats	95	Biennial
Gram Panchayats	7969	Pentannual (once in 5 years)
Total No of Units	8090	

Urban Local Bodies

Name of Units	Total Nos	Periodicity
Nagar Nigams	06	Annual
Nagar PalikaParishads	38	Biennial
Nagar Panchayats	47	Triannual
Total No. of Units	91	

GramyaVikasVibhag

Name of Units	Total Nos.	Periodicity
District Rural Development Agency	13	Annual
District Development Officer	13	Annual
Total No of Units	26	

Grand Total of Units:-8090+91+26= 8207