

**20.10 Technical guidance and supervision over the Audit of accounts of local bodies by the Accountant General**

Finance (FC.IV) Department

G.O. (Ms) No. 93

Date : 28.03.2003

Read :

1. From Joint Secretary (Budget), Ministry of Finance, Department of Economic Affairs, New Delhi D.O.No.10(17)-B(S)/2000, Dated 24.4.2001.
2. From Comptroller and Auditor General of India, New Delhi D.O.No.46-CAG/2002/LB/PRI/51-2001/Dated 24.4.2002.
3. From Secretary to Government, Finance Department, Government of Tamil Nadu D.O.Letter No.33199/FC.IV/2001-03, Dated 5.7.2002 addressed to Comptroller and Auditor General of India.
4. From the Principal Accountant General (Audit)I, Chennai.35 D.O.Letter No.AG (AU)-1/DAG(A)/2002-03/119/7.8.2002.
5. From Special Secretary to Government, Finance Department D.O.Letter No.33199/FC.IV/2001-07, Dated 6.11.2002.
6. Government Lr.No.33199/FC.IV/2001-08, Dated 3.12.2002 addressed to Principal Accountant General (Audit)I, Chennai-18.
7. From Principal Accountant General (Audit)I, D.O.No.AG(AU)/DAG.ISC.II/2002-03/141/Dated 24.2.2003.

**ORDER**

The Eleventh Central Finance Commission has recommended that the Comptroller and Auditor General should be entrusted with the responsibility of exercising control and supervision over the proper maintenance of accounts and their Audit for all the tiers/levels of Panchayats and Urban Local Bodies. (Para:8.19(b). In Para:8.19(c) of its report, the Eleventh Finance Commission has further recommended that the Director of Local Fund Audit or any other agency made responsible for the Audit of accounts of local bodies should work under the technical and administrative supervision of the Comptroller and Auditor General in the same manner as the Chief Electoral Officers of the States operate under the control and supervision of the Central Election Commission.

2. The Second State Finance Commission has also made recommendations on this issue as given below:

- i) The State Government may take up the issue with Comptroller and Auditor General for not giving effect to the recommendations of Eleventh Finance Commission on the issue. The Accountant General may conduct Audit as per Section 14 of Comptroller and Auditor General's Act without any contribution by the State or local bodies.

(Chapter: XI - Para:8.20)

- ii) The Accountant General may go through the Audit reports of Director of Local Fund Audit and indicate how they could be professionally improved by way of technical inputs and standards. There can be technical guidance by the Accountant General to Director of Local Fund Audit on a continuing basis.

(Chapter-VIII/Para:3.7( c ) )

The recommendations of Second State Finance Commission mentioned above were already accepted by the Government and included in the Action Taken Report placed on the floor of the State Legislative Assembly on 8.5.2002.

3. In the reference second read above, the Comptroller and Auditor General has proposed to provide technical guidance and supervision regarding Audit standards, Audit planning and professional training to the State Local Fund Audit Department and sought orders of the State

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Government for entrustment of technical guidance and supervision of Audit arrangements of local bodies to the Comptroller and Auditor General of India.

4. The issues were discussed in detail with Principal Accountant General and Director of Local Fund Audit. In pursuance to the decisions taken by the Government earlier on the recommendations of Second State Finance Commission mentioned in Para 2(i) and (ii) above and based on the deliberations with the Principal Accountant General, the following orders of the Government are issued to enlist the technical guidance and support from the Principal Accountant General on the Audit and maintenance of accounts of local bodies:

- i) The Director of Local Fund Audit would undertake the Audit of all local bodies (except Village Panchayats) and approach the Principal Accountant General to provide necessary technical support and guidance for this purpose.
- ii) The Director of Local Fund Audit should ensure that transactions at least for the particular year for which annual accounts are compiled are reflected correctly and this should be checked cent percent with reference to the initial records maintained by the Corporation/Municipality/ Town Panchayats. The Director of Local Fund Audit should certify the accounts in the enclosed format in respect of Urban Local Bodies.

In respect of Rural Local Bodies, the Director of Local Fund Audit should certify the accounts Audited by him in the standard form of Audit Certificate given in Chapter IV of "Guidelines for Certification and Audit of accounts of Panchayat Raj Institutions" issued by Comptroller and Auditor General of India.

- iii) Copies of issued Audit report in respect of 10% of Town Panchayats should be forwarded by the Director of Local Fund Audit to the Principal Accountant General. Principal Accountant General would call for the same and depute his staff to those Town Panchayats to verify the books of accounts and other records with a view to offer technical guidance to the Director of Local Fund Audit on the content and quality of such reports.
- iv) The Director of Local Fund Audit shall send the details on the existing internal control system in Local Fund Audit Department to the Principal Accountant General for advice on system improvements and the Principal Accountant General would make suggestions for improvement of the existing manuals, circulars and procedures followed by Local Fund Audit Department/ Deputy Block Development Officers.
- v) The Principal Accountant General would arrange training to the staff of Local Fund Audit Department/Deputy Block Development Officers for improving Audit standards and efficiency in the Audit of local bodies through Institute of Public Auditors of India (IPAI). The modalities of training will be worked out by the Principal Accountant General and informed to the Government.
- vi) Local Fund Audit Department shall send copies of Audit reports wherein serious irregularities have been noticed to the Principal Accountant General.

5. The Director of Local Fund Audit shall implement the orders in paragraph 4 above scrupulously and issue necessary instructions to the district officers under his control for strict adherence. The Rural Development/Municipal Administration and Water Supply Departments shall also instruct the Heads of the Departments concerned and the executive heads of local bodies for strict adherence of these orders.

(By order of the Governor)

**N.NARAYANAN**  
DEVELOPMENT COMMISSIONER AND  
SECRETARY TO GOVERNMENT

**AUDIT CERTIFICATE**

I have examined the Receipts and Payments Account/Income & Expenditure Account for the year ended 31<sup>st</sup> March and the Balance Sheet as on of I have obtained all the information and explanations that I have required, and subject to the observations in the appended Audit Report, I certify, as a result of my Audit, that in my opinion these accounts and Balance Sheet are properly drawn up so as to exhibit a true and fair view of the state of affairs of the according to the best of information and explanations given to me and as shown by the books of the Organisation.

**Director of Local Fund Audit**

Place:

Date: