DIRECTORATE OF LOCAL FUND AUDIT, ODISHA
TREASURY & ACCOUNTS BHAWAN, 2nd FLOOR,
UNIT-III, KHARAVELA NAGAR, BHUBANESWAR
Phone: 0674-2391704, e-mail: dirlfaodisha@gmail.com.

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No. 15599 **/DLFA** **Date.** 8/x/13

DLFA(Prog)-XIV-AUD-13/2012

To

All District Audit Officers,
Local Fund Audit.

Sub: Fixing of responsibility against Chairperson/Vice Chairperson of Urban Local Bodies.

Madam/Sir,

Instances have come to notice that while auditing the accounts of Urban Local Bodies, in some audit reports responsibility has been fixed against Chairperson/Vice Chairperson for their involvement in the process of payment causing positive loss to the auditee institution, while in some other audit reports they are being left out without assigning any valid reasons even though they are involved in the process of payment causing positive loss to the Urban Local Bodies concerned.

The Law Department was moved in the matter of initiation of surcharge action against the Chairman, Tarava NAC for the year 2010-11 for their considered views. The opinion of the Law Department in the said case is as follows:

"According to section 382 *(of Odisha Municipal Act, 1950)* a person shall be liable for any expenditure made from Municipal fund contrary to the law where such illegal payment has been authorised by him while acting as Chairperson, Vice-chairperson, Councillor or Executive Officer. In any such case, a suit for compensation can be instituted against the concerned person pursuance to the decision taken by the Municipality at a meeting provided that the State Govt. has not condoned any such illegal payment for given reasons.

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As such, there is no bar for taking legal action against the Chairman on the plea that the decision was taken in the Council meeting. Therefore, action aforesaid as provided in law can be taken against the Chairperson in the aforesaid circumstances."

You are therefore impressed upon to instruct all the audit personnel to follow the aforesaid considered views of the Law Department scrupulously during course of audit of Urban Local Bodies, while fixing responsibility for positive loss to the auditee institution.

Yours faithfully

Deputy Director 08/10/13