

**DEVELOPMENT DEPARTMENT  
NOTIFICATION  
The 5th February 1952**

No. 991-L.S.-G.-In exercise of the powers conferred by section 14 of the Orissa Local Fund Audit Act, 1948 (Orissa Act V of 1948), the Governor of Orissa is pleased to make the same having been previously published as required under sub-section (1) of the said section after the said Act:

**THE ORISSA LOCAL FUND AUDIT RULES, 1951**

- 1. *Short title***—These rules may be called "The Orissa Local Fund Audit Rules, 1951."
- 2. *Interpretation***—In these rules, unless there is anything repugnant in the subject or context all words and phrases shall have the same meanings as assigned to them by the Orissa Local Fund Audit Act, 1948 (Orissa Act V of 1948) hereinafter referred to as "the Act."
- 3. *Information of audit***—The auditor shall send notice to the local authority concerned of his intention to audit the accounts of such authority at least two weeks before the date on which he intends to commence such audit and shall, as far as possible, send with such notice a list of all documents or records which he may require for the purpose of such audit. The notice shall be sent by registered post with a pre-paid acknowledgement or when the auditor is at the same station by a messenger who shall obtain an acknowledgement of receipt. He shall, if necessary, call for any other documents required during the course of audit on a separate requisition which should be acknowledged by the Executive Officer or by the head of the ministerial establishment.
- 4. *Attendance***—For the purpose of conducting an audit the auditor shall attend during the regular office hours, at the office of the local authority concerned except in cases where the Examiner of Local Accounts shall decide otherwise.
- 5. *Removal of office records***—The auditor shall not, except with the written permission of the head of the office of the local authority whose accounts are being audited, remove from such office any books, vouchers or documents of any kind whatsoever.
- 6. *Communication with heads of offices***—The auditor shall not, except to the extent specially authorized by the Examiner of Local Accounts, correspond direct with the Chairman, Vice-Chairman or other managing authority of a local authority whose accounts are being audited other than for the purposes of reporting an embezzlement or any case which may result in surcharge or making any inquiry in connection with the audit or any delays in the return of objection statements or as provided under the Act and rules framed thereunder.
- 7. *Duties of auditors in checking accounts***—In auditing the accounts the auditor shall see that they have been kept and are presented in proper forms; that the particular items of receipts and expenditure are stated in sufficient detail, that the payments are supported by adequate vouchers and authority. He shall examine whether all sums received or which ought to have been received, have been brought into account, whether the expenditure is in

all cases such as might lawfully be made and whether any loss has been incurred by the negligence or misconduct of any person.

He shall verify the authority under which trading, e. g., printing presses, have been sanctioned and ascertain that a separate account is maintained properly for every such undertaking.

**8. *Audit marks***—In auditing the accounts the auditor shall tick or cross tick all entries checked by him and initial all vouchers with the special audit pencil.

**9. *Change of auditor during an audit***—Where an auditor is relieved by another auditor during the currency of an audit, he shall deliver to him an exact statement of the audit completed up-to-date. The statement shall be filed in the office of the Examiner of Local Accounts. The officer relieved shall also draft the paragraphs for the audit report regarding the audit done by him before he makes over charge, and deliver them to the relieving officer, taking his acknowledgment, there for. Both auditors will sign the report, a note being made to show the responsibility of each.

**10. *Audit requisitions***—When any document is not produced after a summons issued by the auditor under clause (a) of sections 6 of the Act the auditor shall send a written report of the failure to produce such document to the Chairman, Vice-Chairman or other managing authority of the local body concerned. If the required document is not produced in spite of this written report the whole case shall be submitted to the Examiner of Local Accounts. No document shall be left un-audited without the expressed orders of the Examiner of Local Accounts in each case.

**11. *Period of audit***—The auditor shall audit all accounts up to the end of the financial year for which complete accounts have been prepared notwithstanding that such account may not have been audited by the Finance Committee, if such a committee has been appointed. The revenue side or the account shall be checked by the auditor up-to-date.

**12. *Period of audit of municipal accounts***—In auditing municipal taxation accounts, the auditor shall include the current quarter's or half year's account as the case may be if collections for that quarter or half year as the case may be have started, and shall include in his verification of the outstanding taxes those of the current quarter or half year as the case may be. If owing to delay in starting collection or the incompleteness of the register of that quarter or half year as the case may be the auditor is unable to audit the taxation accounts beyond the close of the last completed quarter or half year as the case may be, he shall audit the accounts of other receipts up to the latest month for which they have been completed without regard to the state of the taxation accounts.

**13. *Embezzlements***—When any embezzlement is detected or may reasonably be inferred from any suspicious circumstances or irregularity in the accounts, the auditor shall report the circumstances immediately in writing to the Chairman or the managing authority of the local body concerned and also to the Examiner of Local Accounts. When the fraud or embezzlement has been fully investigated by the auditor he shall submit a complete report

of the case to the Examiner of Local Accounts who may, if he considers it necessary order, for a detailed up-to-date audit and inform the State Government of the circumstances rendering such audit necessary.

**14. Form of the report**—The results of each audit shall be recorded in two parts viz., (i) the schedules and (ii) the report prescribed by section 8 of the Act. The schedules shall deal with technical irregularities, defects and omissions in accounts and registers. They shall be in **Forms A and B. Form A** shall contain technical irregularities in payment and adjustment vouchers and **Form B** shall contain technical irregularities, defects and commissions in accounts, and registers. The schedules shall be left in the local office till the next audit, when the next auditor shall examine them to see that every item has been disposed of. The adequacy of action taken on them by the local authority shall be seen at the next audit.

**15. Check of recovery of sums surcharged**—Immediately before taking up an audit, the auditor shall call for all papers from the office of the Examiner of Local Accounts in connection with the surcharge cases pertaining to the local authority whose accounts are about to be audited and shall check with the Local records all items of money noted in the statement appended to the previous audit reports under sub-section (1) of section 9 of the Act and satisfy himself that they have been duly credited to the local fund and that all cases in which no action has been taken or no refunds made are covered by the orders of competent authority.

**16. Objection settlement**—Any enquiry which it is necessary for the auditor to make either on the subject of accounts, registers or, other matters, shall be made through an objection statement in **Form-C**. The auditor shall issue statements day by day as the audit proceeds and shall obtain the dated initials of the Executive Officer, or of the head of the ministerial establishment both on the statements and in a memo of objection statements in **Form-D**. These statements shall be returned with the least possible delay over the dated initials of the head of the office and shall show the action which has been taken or which it is proposed to take to settle the objections raised or the replies to the enquiries made. On receipt of replies to the points raised, the auditor shall re-issue for further action or reply any items on which final or sufficient action has not in his opinion been taken on which the enquiries made have not been satisfied. Such re-issues shall be prominently indicated in the memo in **Form-D**. He shall bring any items of previous reports which have not been disposed of when he leaves the office, the accounts of which he is auditing to the personal notice of the head of the office. A list of such items shall be attached to the report **Form E**.

**17. Time allowed for replies to objection**—All objection statements shall be returned to the auditor from one to three clear working days before the close of the audit, according as he shall direct whether the objections have all been replied to or not. The auditor shall have his report and schedules completely written up by the close of the audit.

**18.** The objection statements shall include not only objections raised on payment vouchers but every sort of objection and remarks which the auditor raises or makes.

**19. *Matter to be included in the note***— Objections admitted or questions settled during the course of an audit shall be noted in the report only if the irregularity is a serious one, or if a defect of system or error in principle has been brought to light and has not been permanently removed. Apart from any matter required to be included under sub-section (1) or section 9 of the Act, the audit report shall be confined to matters of a general nature which cannot be disposed of by the auditor. All un-rectified objections relating to a previous audit shall be specially brought to notice.

**20. *Powers and duties of auditors***— The auditor shall—(a) (Before commencing the audit, verify the cash balances, the securities held by a local authority, the postage stamps and also the stock of saleable forms, unspent balance of permanent advance, undisbursed pay, statement of Revenue Court Fee Stamps and printed Forms kept for issue of receipts for payments received. The result of verification shall be recorded in the relevant book so that the auditor reaches that stage of check he can see if the actual balance agrees with the book balance;)

(b) append to his reports a statement of assets and liabilities, indicating the financial position of the local authority concerned. Such fixed assets as land, buildings, plant machinery, tools etc. shall therefore, be excluded from the statement and only liquid assets such as cash (in hand or in the treasury, bank or post office), investments, loans, advances and outstanding rents and rates and such liabilities as unspent balances of earmarked grants, contributions payable, deposits, unpaid bills, etc. shall be included in it;

(c) report whether money borrowed on the security of allocated revenues, or received as a grant from Government or other source for a specific purpose has been expended on such purpose;

(d) whether a sinking fund has been prescribed, report whether it is being properly kept up;

(e) report whether all advances, loans and investments by the local authority are fully secured;

(f) detail in his report all loans contracted by the local authority and state if the prescribed provision has been made for the repayment of the principal and interest out of the revenues of the local authority concerned;

(g) where separate accounts for any trading or undertaking are maintained certify whether in his opinion the accounts present a true and correct view of the results of the trading or undertaking for the period under investigation;

(h) certify in his report the correctness of the annual account (unless none has been prescribed for which the accounts have been completely audited);

**21. *Further instructions regarding report***— The auditor shall—(a) state in the first paragraph of the report when the audit was taken up, when it was completed and how many working days were actually occupied in the audit;

(b) state the date up to which the accounts have been passed by the Finance Committee, if any, and examine and report on the system of check exercised by it ;

- (c) state in his report if in his opinion any reserve fund should be opened e. g. a depreciation reserve fund;
- (d) attach to his audit report a statement showing—
  - (i) cash recoveries on audit objections;
  - (ii) money saved by the detection of embezzlements in audit; and
  - (iii) saving due to miscellaneous causes;
- (e) at the end of his report give a very brief resume of the matters dealt with in the report and conclude with an opinion on the state of the accounts as a whole.

**22. Embezzlement, etc, detected by the Local Bodies**—Whenever any loss of money or stores by embezzlement, theft, fire or otherwise is discovered the fact shall be promptly reported by the Chairman to the Examiner of Local Accounts who will consider whether he shall direct that an audit be made with a view to taking action under section 9 of the Act.

**23. Powers and duties of Examiner of local Accounts**—The Examiner of Local Accounts shall exercise general supervision and control over the discharge by the auditors of their duties under the Act.

**24. (1)** The Examiner of Local Accounts may condone a payment made from a Local Fund or a short realization of revenue which appears to him to be contrary to law and rules, provided that-

- (i) in his opinion there was no negligence or misconduct on the part of the persons making or authorising such payment or short realization of revenue;
- (ii) such payment or failure to realize the revenue was *bona fide* and a similar payment from the same local fund or short realization or revenue had not been conducted before ; and
- (iii) such payment or short realisation does not exceed Rs 50/-

(2) The Examiner of Local Accounts shall submit to the State Government a report of all such condonations with the reasons for each such condonation annually by the 25th of May.

**FORM ‘A’**

Irregularities in payment and adjustment voucher to be disposed of finally before the next audit.

Serial No	Voucher			Particular of charges	Nature of objection and instruction
	No	Date	Amount		
1	2	3	4	5	6

**FORM 'B'**

Irregularities and omissions in accounts and registers (other than those detailed in Form-A) with instructions and suggestions for future guidance.

Serial No	Particulars	Instructions or suggestion

**FORM 'C'**

Audit objection on the accounts of ..... for.....

Date of transaction and number of voucher	Particulars of transaction	Objection or suggestion	Reply of Local Authority	Notes of admission or further remarks by auditor	Further explanation by local authority	Final remarks of auditor
1	2	3	4	5	6	7

Received on Initials  
Designation

Returned on Initials  
Designation

Re-issued on Initials  
Designation

Returned on Initials  
Designation

**FORM 'D'**

**Daily objection statement issued and received**

**back..... Office Report No.....of 20....**

Page of objection statement	Dated initials of Secretary or Head of Ministerial establishment	Date	Page of objection statement	Dated initials of Auditor	Remarks	Page of objection statement	Dated initials of Secretary or Head of Ministerial establishment	Date	Page of objection statement	Dated initials of Auditor	Remarks
1	2	3	4	5	6	1	2	3	4	5	6

**FORM 'E'**

**Unrectified objections of previous audit reports**

1. Date of transaction and number of Vouchers.....
2. Reference to previous audit reports.....
3. Particulars of transaction.....
4. Objection or suggestions .....
5. Reply of Local Authority.....
6. Notes of admission or remarks by Auditor .....

**By order of the Governor**

**V. S. TILAK**  
**Secretary to Government**