

DIRECTORATE OF LOCAL FUND AUDIT, ODISHA
TREASURY AND ACCOUNTS BHAWAN, 2nd Floor,
UNIT-III, KHARAVEL NAGAR, BHUBANESWAR

No. 7049 /DLFA, Date 18/06/2013
DLFA (Prog)-XIV-Aud-13/2012

From

Sri P.K.Biswal,
Director.

To

All District Audit Officers,
Local Fund Audit, Odisha.

Sub: Modified procedure on audit of Local Bodies.

Sir/Madam,

As you are all aware that Audit Report is the end-product of audit after review, it is of paramount importance that the Audit Report should be free from any superfluous and untenable paragraphs. But the existing procedure of audit is felt outdated, lingering and sometimes far away from reality. In a paradigm shift from the traditional pattern of auditing, some modalities have been formulated afresh, so as to make it more effective, substantive and consistent than ever before. With the introduction of Automation System and speedy processing of data at easy retrieval, these new guidelines will help in finalising the audit report and surcharge proceedings thereafter. Salient features of such modalities include conduct of Entry and Exit Conferences and submission of Draft Audit Report to the Auditee Institutions. The details of the arrangements are furnished in a separate annexure for necessary follow up at your level, while chalking out audit plan and programme in the days ahead.

All District Audit Officers are hereby instructed to implement the provisions envisaged in these guidelines with effect from 01.07.2013 positively.

Yours faithfully,

Encl.:-

Guidelines for Entry
& Exit Conference.


18/06/13
Director

Memo No. 7050⁽³⁷⁾ /DLFA, Date 18/06/2013

Copy circulated among all Officers/ all Audit Superintendents/ all Auditors working under L.F.A. Organisation for information & necessary action.


18/06/13
Asst. Director

Memo No. 7051 /DLFA, Date 18/06/2013

Copy forwarded to P.S. to Additional Chief Secretary (Finance) for kind information of Additional Chief Secretary (Finance).


18/06/13
Asst. Director

Guide lines for holding Entry Conference & Exit Conference for audit of Institutions

It is decided that henceforth the following procedure shall be followed for conduct of audit and preparation of the audit report in respect of Urban Local Bodies, Zilla Parishads, Panchayat Samities and other bigger Institutions such as Universities, Boards etc..

1. Entry Conference

(a) Entry Conference shall always be held prior to commencement of the audit. It is a meeting between the audit team and auditee institution which is to be held on a date mutually agreed upon through prior consultation.. It would be a face to face interaction between the Head of the auditee institution and the audit party.

During the entry conference the auditor should make the Institution aware of the purpose of the audit & seek co-operation of the auditee organisation for production of records and supply of information. In the conference an impression should be given that audit will be fair, flexible & interested in serving the interest of the institution. It is not only a fault finding exercise, rather an endeavour to assist the auditee entity in preparation of error-free accounts and bringing out the systemic deficiencies.

(b) Participants in the EC

As the Entry Conference is the foundation of a good audit work & sets the tone of the audit following members from both side of organisation are to be present in the Conference.

- (i) DAO/any Audit Superintendent, as the case may be, to lead the audit team.
- (ii) All members of audit team.
- (iii) Head of the auditee organisation or authorised representative and Heads of various branches/sections.

2. Topics to be discussed

Following points shall be discussed in the E. C.

- (i) Purpose of the audit – to ensure compliance with rules and provisions and status of accounts.
- (ii) Audit period and audit plan.
- (iii) Scope and coverage of audit.
- (iv) Audit objective and criteria.

- (v) Audit procedure and Technique.
- (vi) Activity of the organisation.
- (vii) Accounting system and reporting activity of the organisation.
- (viii) Internal Control System in organisation.
- (ix) Co-operation of Local Authority by way of providing unhindered access to documents & information.

After conclusion of E. C., a proceeding of the conference would be prepared and duly signed by both parties and kept in record for future reference.

3. Preparation of Work Plan

Each audit team shall be supervised by the DAO/AS, who shall evaluate the workload and distribute the same among the auditors in a reasonable and rational manner for satisfactory conduct of audit. He shall also devise the method and procedure for verification of records and documents and a timeframe for checking of records of different branches by the individual auditors of the team.

All audit staff/officers shall be individually and collectively responsible for quality and quantity of record verification. Senior Auditor would be responsible for analysis of data of audit findings, finalisation of the drafted report with conclusions and recommendations. Audit Superintendent/DAO shall supervise and monitor the performance of audit team on day to day basis and ensure progress of audit work as per the audit plan. He should also identify important issues in course of audit and ensure that no significant issues remain unresolved. Above all, he should ensure that the objectives of audit are fully met.

4. Completion of audit and submission of Draft Audit Report

After completion of audit, a Draft Audit Report should be prepared by the audit team, under the supervision and guidance of the Team Leader. The same should be submitted within a week to the District Audit Officer. On receipt of the Draft Audit Report, the DAO should verify the same and transmit to the auditee organisation preferably on line through e-despatch wherever possible as well as a soft copy in form of a CD within three days from the date of receipt. While transmitting the Draft Audit Report the DAO shall communicate to the Local Authority to submit their comments on audit observations within one month, which shall be discussed in the Exit Conference for finalisation of report. Further, the DAO shall also communicate to the Local Authority a mutually agreed date for the Exit Conference, where detailed discussion of audit paras will take place.

5. Conduct of Exit Conference

As per communication of District Audit Officer, the Exit Conference shall be held on a stipulated date with the Head of the auditee organisation for finalisation of the Draft Audit Report in the same manner as in case of Entry Conference. The objectives of audit conference are as follow:-

- (i) To inform the auditee organisation about the audit findings.
- (ii) To obtain the acceptance or rejection of audit observations with reasons thereof.
- (iii) To educate the organisation as to the proper procedures to be followed.
- (iv) Explain about their rights and available remedies.
- (v) Correct the deficiencies and inform them about the follow up actions.

Points to be discussed in Exit Conference

- (i) Observations and findings of audit on each issue, matter, segment and comments of the Local Authority thereon.
- (ii) Reasons for acceptance or rejection of those comments.
- (iii) Shortcomings/Lapses on accounts and suggestion of audit thereon.
- (iv) Future follow up actions to be taken up by audit on the Draft Paras.
- (v) Remedial action/follow up action to be taken by the auditee organisation.
- (vi) Suggestion for improvement of the standard of accounting, financial management and general performance of the organisation.

The minutes of Exit Conference would be prepared, duly signed by both parties and kept in record.

6. Preparation & Submission of Final Audit Report

In the light of discussion held in the Exit Conference the audit team shall prepare the final report and submit the same to the District Audit Officer.