

PART III

CHAPTER I

Rules framed under section 15 (1) of the Assam Local Fund (Accounts and Audit) Act, 1930 (Act ii of 1930) (Vide Finance Department No. 8F(a), dated the 3rd January 1935).

1. In addition to carrying out the ordinary processes of audit the Examiner and the Auditors shall see that the broad principles of legitimate Public finance are observed.

They shall investigate the necessity for expenditure which has been incurred or is proposed to be incurred; whether individual items of expenditure were in furtherance of the scheme for which the budget provided; whether the same results should have been obtained otherwise with greater economy; and whether the rate and scale of expenditure were justified in the circumstances. Briefly they shall ask every question that might be expected from an intelligent tax-payer bent on getting the best value for his money, and are responsible that audit is conducted with reference to the following 1 (principles), namely :-

(1) Every officer or other member of a local authority should exercise the same vigilance in respect of expenditure incurred from the local authority's funds as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

(2) No person should exercise his powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.

Note. -If, however, an order is of perfectly general application it does not constitute a breach of this principle if the particular authority that passes that order is also benefited thereby.

(3) The local authority's revenues should not be utilized for the benefit of a particular person or section of the community unless -

- (i) the amount of expenditure involved is insignificant, or
- (ii) a claim for the amount could be enforced in a court of law, or
- (iii) the expenditure is in pursuance of recognized policy or custom.

(4) The amount of allowances, such as traveling allowances granted to meet expenditure of a particular type, should be so regulated that the allowances are not on the whole sources of profit to the recipients.

2. Except as provided in the explanation hereunder, the auditor shall send notice to the local authority concerned Intimation of of his intention to audit the accounts of such Audit. Authority at least three weeks before the date On which he intends to commence such audit unless the Examiner shall, for reasons to be communicated to Government, decide otherwise; in such a case, a copy of his order dispensing with previous notice shall be presented by the auditor to the head of the office. He shall, as far as possible, send with.

Such notice a list of all documents or records which he may required for the purposes of such audit. The notice shall be sent by registered post with a prepaid acknowledgement, or when the auditor is in the same station, by a messenger who shall obtain an acknowledgement of receipt. The auditor shall, if necessary, call for any other documents required during the course of audit on a separate requisition, which shall be acknowledged by the head of the ministerial establishment.

Explanation 1:- This rule shall not apply where the Examiner of Local Accounts himself conducts any audit.

3. 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

Attendance: Examiner of Local Accounts shall decide otherwise. The local authority shall provide suitable accommodation and furniture in the office, to enable the auditor to discharge his duties without undue interruption, and shall render him all possible assistant in carrying out the audit.

4. Subject to the provision of rule 11, 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.

Removal of Office records.

5. The auditor shall not correspond direct with the Chairman, Vice Chairman, or other authority of a local authority whose accounts are being audited, managing except for the purposes of reporting an embezzlement, or making any enquiry in connection with the audit, or as provided in the Act and the rules framed thereunder.

Communication with head of Office.

6. In auditing the accounts the auditor shall see that they have been kept and are presented in proper form; that the particular items of receipts and expenditure are stated in the sufficient detail; and that the payments are supported by adequate Vouchers and authority. He shall examine whether all sums received of which ought to have been received have been brought into account, whether the expenditure in all cases such as might lawfully be made and whether any loss has been indured by the negligence or misconduct of any person. He shall also scrutinize the financial position of the local authority. He shall also satisfy himself that the property of the local authority is duly accounted for the books and regularly checked.

Duties of Audit in checking Accounts.

7. In addition to this powers to conduct a regular audit under section 5, the Examiner himself may make a partial examination of the accounts of a local authority (section 5(1) or make a local enquiry into any matter relevant to audit at any time, or depute an auditor to do so.

8. In auditing accounts the Auditors shall tick or cross tick entries checked by him, and
 Audit marks. Initial pencil all vouchers with the special audit pencil.
9. If an auditor is relieved by another auditor during the currency of an audit, the former shall
Audit Requi- deliver to the latter and exact statement of the audit completed up to date. This
sition statement shall be file in the office of the Examiner of Local Accounts. The auditor 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 auditor, taking his acknowledgement therefore both auditor will sign the report, a note being made to show the responsibility of each.
10. When any document is not produced after a summons or letter issued by the auditor under
Audit requi- section 5(3) of the Act, the auditor shall send such written report of the failure to
sition. produce,document, to the Chairman, Vice Chairman or other managing authority of the local authority concerned. If the required document is not produced in spite of this written report, the matter shall be submitted to the Examiner of Local Accounts together with any communications received in this connection from the Chairman, Vice Chairman, or other managing authority. No document shall be left unaudited without the written orders of the Examiner of Local Accounts in each case.
11. When an embezzlement is detected, or may reasonably be interfered from any suspicious circumstance irregularity in the accounts, The auditor shall take personal charge of the relevant records, and shall at once forward a list of such records to the head
Embezzle- of the Office. Any such record may be inspected by the head of the office in the
ment present of the audit The auditor shall report circumstances immediately in writing to the chairman or other managing authority concerned, and also (by telegram, if necessary) to the Examiner of Local Accounts. When the fraud of embezzlement has been fully investigated by auditor he shall submit a complete report on the case to the Examiner of Local Accounts who may order a further examination of, and report on, all or any accounts, if he considers such an examination and report justified, and shall determine when any records seized by the auditor shall be returned to the local authority.
12. The result of each audit shall be recorded in two parts namely, (1) the Schedules, and (2) the reports and statement prescribed by sections 8 and 9 of the Act. The schedules shall deal with technical irregularities, defects and omission in accounts and registers. They
Forms of shall be in L.A.Forms Nos.24 and 25. Form No.24 shall contain technical
Report. irregularities in payment and adjustment vouchers, and Form No.25 technical and omission in accounts and registers. Form No.24 shall form a part of the irregularities defects report and shall be pronted along with it. Form 25 shall be left in the local authority's office till the next item has been disposed of.

- Recovery of Sums Sur-charge.**
13. Immediately before taking up an audit, the auditor shall be furnished by the office of the Examiner of Local Accounts with all papers in connection with any surcharge case pertaining to the local authority whose accounts are about to be audited. The auditor shall check with the local records all items of money noted in the statement appended to the previous audit reports under 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.
- The objection Statement.**
14. Any enquiries which 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 L.A.Form No.26. The auditor shall issue statement day by day as the audit proceeds and shall obtain the dated initials of the head of the ministerial establishment both on the statements and in a memorandum of objection statements in L.A.Form 27. Except as provided below, these statements shall be returned with at least possible delay and in any case within four days of their issue by the auditor. They shall bear 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 the return of the statements, the auditor shall re-issue then for further action or reply to any items on which final or sufficient action has not in his opinion been taken, or on which the enquiries made have not been satisfied. Such re-issue shall be prominently indicated in the memorandum in L.A.Form No.27. All the objection statements (whether original or re-issued) shall in any case be returned on the day on which audit is finally closed or the day following at the latest. The auditor shall bring any items of previous audit reports which have not been disposed of when he leaves the office to the notice of the head of the office, in writing.
- Matters to Be included In the objection statement.**
15. The objection statements shall include not only objection raised on payment vouchers but every sort of objection and remark which the auditor raises or makes and proposes to include in his report.
- Time allowed For reply to Objection.**
16. In order to avoid a rush of objections towards the end of the audit, the auditor shall as far as possible audit receipts first in the case of municipalities, town funds, and the like, and expenditure first in the case of local boards.
- Time for Writing Report.**
17. The auditor shall have his report and schedules completely written up immediately after the close of the audit, printed copies of the report being sent to the local authority as soon as possible.
18. Objection admitted or questions settled during the course of an audit shall be noticed

Matters to be Include in the Report.

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 section 9 of the Act, the report shall be confined to matters of a general nature which cannot disposed of by the auditor.

The following points should be permanently brought to notice in the report :-

- (i) Attempts to evade financial rules by manipulation accounts and vouchers.
- (ii) Avoidance of lapses by withdrawing funds from Treasury before the money is actually required expenditure.
- (iii) Avoidance of necessity of higher sanction by splitting up one scheme of expenditure into as number component details.
- (iv) Persistent neglect to comply with audit requirements.

All unrectified objections relating to a previous audit be specially brought to notice. A list of such items shall be appended to the report in L.A.Form No.28.

Instruction Regarding The report.

19. The auditor shall attach to his audit report a brief note explaining clearly the financial position of the local authority and a statement showing :-

- (1) Cash recoveries on audit objections,
- (2) money capable of being saved by the detection of embezzlement in audit, and
- (3) possible reduction in expenditure due to audit suggestion.

At the end of this report, he shall given a very brief resume of the matters dealt with therein, and an opinion on the state of the accounts as a whole.

20. When the Examiner himself undertakes an audit of the accounts of a local authority he may cause a preliminary scrutiny of the accounts to be made by an auditor appointed under the Act.

21. A certificate under section 9 of the Assam Local Funds (Accounts & Audit) Act, shall be deemed to served if sent by registered post (acknowledgement due) to the person concerned and notwithstanding the fact that the registered cover is not accepted by the addressee.

Procedure for Serving certificate.

22. When a surcharge certificate is issued on the members of a local body who have voted for a particular resolution authorizing an illegal payment, all such members shall be made jointly severally liable for the whole of the amount surcharged.

Publication of audit Reports.

23. The audit report shall be published for a fortnight by the local authority by posting a copy in a conspicuous place in its office, e.g. on the notice board, and by placing another copy thereof on the table at a meeting of the local authority to be considered at the next meeting to be held not less than fourteen days later. A note of the facts that this has been done shall be entered in the list of agenda for the meeting. The audit report shall then be taken into consideration by the local authority and the replies to the audit notes as passed recorded in the proceedings, a copy of the replies being sent in duplicate to the Examiner within three months of the date of the receipt of the printed reports.

Certificate (if any) issued under section 9 of the Act shall on receipt be similarly published and dealt with.

Embezzlement, etc, detected by local Authorities.

24. Whenever any loss of money or other property due to embezzlement, theft or to facts indicating misconduct, neglect or dishonesty on the part of any officer or servant of the board is discovered, the fact shall be promptly reported By the Chairman to the Examiner of Local Accounts, a copy being simultaneously sent to the Deputy Commissioner, who may at his discretion report any case of importance to Government in the Local Self-Government Department through the Commissioner. When the matter has been fully investigated, the Chairman shall submit a further and complete report showing the total sum of money or property lost, the manner which it was lost and the steps taken to recover the amount and punish the offenders, if any. The fact that such a report has been made to the Examiner shall not operate to prevent the institution or criminal proceedings by a local authority should such a course be considered advisable.

Period of Audit.

25. The accounts of Local authorities subject to the Assam Local funds (Accounts And Audit) Act shall be audited not less often than once in twelve months unless the Examiner of Local Accounts directs otherwise.

Powers and duties of Examiner of Local Accounts.

26. The Examiner of Local Accounts shall exercise general supervision and control over the discharge by the auditors of their duties under the Act.
27. (1) The Examiner of Local Accounts may condone a payment made from a Local Fund which appears to him to be contrary to law or rule provided that.
- (i) in his opinion, there was no negligent or misconduct on the part of the person making or authorizing such payment.
 - (ii) such payment was bona fide and a similar payment from the same local fund had not been condoned before; and
 - (iii) such payment does not exceed Rs.25/-
- (2) The examiner of Local Accounts shall submit to the provincial *Goveernment a report of all such condonations, with the reason for each such condonation.

28. Summonses issued by the Examiner under section 5(2) of the Act shall be sent for service to the Deputy Commissioner or Subdivisional Officer, who upon receipt thereof shall proceed as if such summonses have been issued by him and shall return them with the record (if any) of the proceedings taken with regard thereto.
29. The Examiner may record evidence taken under section 5(2) of the Act in English language.

CHAPTER 2
EXECUTIVE INSTRUCTIONS UNDER THE RULES FRAMED
UNDER THE ASSAM LOCAL FUNSS (ACCOUNTS AND AUDIT)
ACT (ACT II OF 1930):

Rule 2.

1. Before commencement of audit or an account, the audit should call upon the District Officer his office; and on the Subdivisional Officer in the case of audit of funds in a subdivision, in order that the District of Subdivisional Officer may bring to his notice any matters which may appear to him to require special attention in connection with the accounts to the audited. Upon the completion of the audit the auditor should also call upon him before his departure. He should enquire previously of him when it will be convenient to receive him, and should record briefly the substance of his interview for the Examiner's information. Such interviews should in all cases be official and of a precise character dealing with specific points. The Auditors should not waste the time of the District Officer or Subdivisional Officer if there is nothing of importance to discuss.

Rule 6.

1. General Audit instructions issued by Government and other competent authorities from time to time have been embodied in Para V "Audit Instructions" of this Manual .
2. The various receipts and charges having been traced into the Cash Book, the receipt from the chalans and the receipt side of the pass book (or, in the case of Wards "Estate, with the advise lists of receipts and payments received from the treasury), and each entry, or as many as are required, having been audited completely, the cash book will be proved. The opening balance will be checked with the closing balance of the previous month, the entries on both sides will be examined from the necessary tick marks of check, the totals of both sides of the account will be checked arithmetically, and the closing balance proved with the treasury pass book, any difference between the two due to amounts not credited into the treasury or unpaid cheques being traced.

The Verification of the cash balances of the offices of which the accounts are examined being an essential part of the audit, Local Auditors are directed always to verify them by actually counting the cash balance shown to be at the office or in the hands of any of the employees.

Interviewing the District of Subdivisional Officer.

Rule 7

The Examiner in inspecting should make a brief though thorough examination of the various accounts books, registers, etc., a brief audit of scattered items. If he finds cause to suspect that the accounts are not properly kept, or if the last audit report was unsatisfactory, he should, if he considers it necessary, carry out a test audit of a complete month, even though this may necessitate an alteration in the dates of his tour. He should also examine the pending objection statements and the last audit note and generally review the work done by an auditor at the annual audits.

Rule 8

Auditors should not make notes, corrections or remarks in any of the registers or on any of the documents of the office which they are auditing. These should as clean and tidy after audit before.

Rule 11

Auditors, while reporting irregularities or defalcations direct the head of the Office, must confine themselves to a plain statement of facts. On no account may these reports contain adverse criticism regarding superior officers. The auditors' report to the Examiner should state clearly how the fraud or embezzlement was committed and whether he has reason to suspect that a detailed examination of the accounts will bring to light further instances. The Examiner may order detailed examination of all or any particular accounts, if he considers such an examination justified by the suspicion of fraud or embezzlement.

Rule 12

1. The statement referred to in section 9(1) of the Act shall appear as an appendix to the report in L.A. Form No.24, cross references being clearly indicated both in the report and in the statement. The exact amount and the party from whom recoverable, subsequently from the subject of judicial proceedings, the guilt of the person or persons at fault must clearly established in the corresponding paragraphs in the body of the report.

2. The Examiner should issue in L.A. Form No.29 the notice referred to in Section 9(2) (b) of the Act.

3. Non-payment of a surcharged amount should be reported to a Deputy Commissioner in L.A. Form No.30.

Rule 14

1. Every endeavour should be made by the local officers to settle the objections finally before returning the objection statements to the Auditor, but a whole statement should not be held back simply because of inevitable delay in settling one or two objections in it.

2. All accounts objections which can be removed on the rules being complied with, should be so removed during the audit. Every effort should be made to reduce to a minimum the audit objection to be dealt with after the conclusion of the audit, and it is part of the auditors' duty to render every assistance to the local office in attaining this result.

3. Separate objection statements should be issued for each department separately, so that it can proceed to take immediate action on its own objection as soon as they are received.

4. In conducting audit, auditors should be careful never to interfere in executive matters. They should give attention to points that may arise but which cannot be provided for in advance by formal audit rules, and if an auditor realizes that he has touched on a matter which may repay investigation, he should examine it with an exhaustiveness which leaves no details undiscovered. He should, however, be careful not to infringe on questions of administration which have nothing to do with accounts, or which are otherwise outside the province of legitimate enquiry.

5. Auditors, while yielding in nothing they consider to be part of their official duty, should be careful to avoid friction with any of the officers with whom they come in contact. If they avoid frivolous objections, and convince the officers by the manner in which they go about their work that they are not to complicate procedure but to simplify it, not merely to criticize but to assist, they will meet with little difficulty in this direction. They should assist local bodies with advice and show by means of favouring to eliminate the possibility of mistakes in the procedure as well as to discover such mistakes after they have been committed. If, nevertheless, trouble arises, the facts of the case must be reported at once by the auditor to the Examiner.

6. Auditors are strictly forbidden to place themselves under any obligation, however trivial, to persons connected in any manner with the offices the accounts of which are subject to their audit.

NOTE – A request to arrange for accommodation does not constitute an obligation.

7. In order that the Examiner may see whether the objection statements are being promptly disposed of, movements of objection statements should be indicated in the auditors' diaries, clearly showing the objection statements issued and received back from day to day.

Rule 15

One of the main objects of these statements is to inform the head of the office of, and to give him an opportunity of replying to every point which will appear in the audit report. Auditors should not make any suggestions or finally embody any criticisms in their audit reports without giving the officers of the local authority full opportunity for explanation and considering as fully as possible their views and arguments. When after consideration the auditor still adheres to his original views, those of the other side should be stated, where necessary, in a separate memorandum, for the Examiner's information.

Rule 17

1. The audit reports and the schedules should be prepared as far as possible, while the audit is in progress so that on the last day of the final audit note should be ready for submission to the Examiner for his approval. On the day next following the close of the audit, the report must be forwarded to the Examiner. Any those days by which the report is overdue, unless the delay can be explained satisfactorily.

The Examiner shall check them with the objection statements referred to in rules 13 to 15 and may make corrections and additions that may be necessary. The Examiner may also verify any item of inspection of local records. After approval the reports shall be sent to press for printing. The reports shall then be distributed to the officers concerned as soon as they are received from the press, generally within two months of the close of audit.

2. Auditors should state in the first paragraph of the report to the audit was taken up, when it was completed, and how many working days are actually occupied in the audit.

3. The audit reports should be as concise as possible, though every point worthy of notice must be included by the auditor, who should give special attention to all those matters which cannot be covered by a set or ordinary audit rules.

At the same time the reports must be clearly expressed, so that there can be no doubt as to the meaning of the point at issue. The number of lengthy statements and tables in the audit note should be reduced to a minimum. Auditors should take particular to use courteous language in the reports.

4. Abbreviations should on no account be used, and particular should be paid to the correct quotation of rules and orders, the date should be given in full. Care should be taken to use actual letters for the names of all registers, e.g. Cash Book, Land Registers etc.

5. The audit reports should contain the names of persons mainly responsible for administering the fund concerned during the period of audit.

6. An advance copy of the report shall be sent to local authority concerned as soon as available.

7. Printed copies of reports should be sent to District Officers, Commissioner of Division and the Provincial (1) Government for information.

Rule 18.

1. In noticing in their reports unremedied defects to which attention was called in the last audit report, auditors should always justified items in mentioned whether those same defects were noticed reports in still earlier reports. It frequently happens that irregularities which been noticed in a succession of reports are allowed to continue in particular stress should be laid on such cases of neglect on the part of the local authorities.

(1) In place of the word "Local"

2. A general paragraph in sufficient detail should be added in the audit note indicating the general state of accounts and to notice and bringing notice serious cases of failures in duty, of financial irregularities and of actual cases of embezzlements, It should be in a concise form giving references to the paragraphs in the report.

Attention should be drawn to the matter in the audit note, if the balance of a local fund is too low or is without reasons being allowed to accumulate unduly. If there is any reason why a local body should keep a large balance, the fact should be stated in note. Large variations in the receipts and expenditure of the year as compared with the figures of the previous year should also be briefly explained in the report.

3. Auditors may omit both from their audit reports and objections statements all individual items where the sum involved is less than four annas. When there are many petty items of a similar nature and the total involved is more than one rupee, they may be grouped together and one remark made against the general irregularity.

Rule 19

The statement prescribed in this rule should be based on facts and exaggeration of figures should be avoid. The figures contained in it should be reviewed on receipt of the final replies to the audit report.

Rule 23

The replies to reports should be sent to the Examiner in half margin showing against each paragraph the action which has been taken or which it is proposed to take.

Rule 25.

1. Accounts shall be audited for each administrative or financial year and period of audit shall cover the same period for which administration reports, etc., are published. Though the audit will be for the complete financial year, the auditor should review and examine cursorily the accounts upto date and if he suspects frauds or serious irregularities, should ask for the Examiner's permission to take up the accounts upto date. It often happens that accounts of a local fund are complete for the period over which the audit extents, but the current register etc., are not written up to date. Such a state of affairs indicate slackness in the local office and should be mentioned in the report.

When the accounts have not been completed on the due dates, and hence are not ready for audit, the auditor should immediately report to the Examiner the period for which complete accounts are available for audit.

2. The Examiner shall make atleast on original audit of certain class of Original audit by the local funds under his control once a year. The Examiner The reports based on such audit made by himself shall serve a concrete examples to auditors of what is expected of them.

2. A report on the working of the Local Audit Department during the previous financial year shall be submitted to the Finance Department of the Government of Assam so as to reach them on or before the middle of June every year. Grants given to local bodies for specific purposes shall be detailed in an Appendix to the report on L.A. Form No. 31 and the Examiner shall furnish a general certificate at the end in the following terms :-

“Certified that the grants detailed above, with the exceptions noted below, have been spent within the prescribed period for the period for which they were sanctioned”.

Where the purpose is not fulfilled or the grant is not fully utilized, the fact should be brought to notice in the Appendix to the report.

Appendix D shows the number of working days allowed to an auditor
period allowed for the working singly for the audit of 12 months
audit of each account. accounts.

A list of local accounts under the Assam Local Funds (Accounts and Audit) Act is given in Appendix A.

Rule 28

The Examiner may pay diet and road money to witnesses out of his contingent grant on the scale laid down in item 5 item 28 in Appendix B to the Assam Contingency Manual.

PART IV

AUDIT PROCEDURE

CHAPTER I – PROCESS OF AUDIT

AUDIT PROCEDURE

In this part instructions as to the audit procedure to be followed are given for the guidance of the Local Auditors. It must be clearly understood that these instructions only represent the minimum that is necessary for an effective audit. The true value of an audit will be found, over and above this, in the personal zeal and interest of the Auditor in his work and in the application of his own personality and experience to the constantly changing facts presented before him. It should be borne in men who deal with them, he is in a far better position to get at realities. It is by his skill and success in doing so, and by exposing fraud and mismanagement if any, rather than by his mere compliance with rules and orders that he will be judged.