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**FINANCE DEPARTMENT**

**NOTIFICATION**

The 26th March 2015

No. 7617—FIN-LFA-RULE-1/2013-F.—Whereas the draft of certain rules, further to amend the Odisha Local Fund Audit Rules, 1951, was published as required under sub-section (1) of Section 14 of the Odisha Local Fund Audit Act, 1947 (Odisha Act 5 of 1948), in the extraordinary issue No. 386 of the *Odisha Gazette*, dated the 21st February, 2014, under the notification of the Government of Odisha in the Finance Department No. 4916—FIN-LFA-RULE-1/2013-F., dated the 20th February, 2014, inviting objection and suggestion from all persons likely to be affected thereby till the expiry of a period of one month from the date of publication of the said notification in the *Odisha Gazette*;

And whereas, objection and suggestion received in respect of the said draft during the stipulated period of one month have duly been considered by the State Government;

Now, therefore, in exercise of the powers conferred by Section 14 of the Odisha Local Fund Audit Act, 1947 (Odisha Act 5 of 1948), the State Government do hereby make the following rules further to amend the Odisha Local Fund Audit Rules, 1951, namely :—

- (1) These rules may be called the Odisha Local Fund Audit (Amendment) Rules, 2015.
- (2) They shall come into force on the date of their publication in the *Odisha Gazette*.

2. In the Odisha Local Fund Audit Rules, 1951 (hereinafter referred to as the said Rules) after Rule 23, the following rule shall be inserted, namely:—

“23-A. (1) While conducting audit of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs), the Examiner of Local Accounts and its Auditors would conduct such audit under the Technical Guidance and Supervision (TGS) of the Comptroller and Auditor General of India (C&AG).

(2) The terms and conditions for conducting the audit of accounts of the PRIs and ULBs under TGS arrangement shall be as follows:—

- (a) The C&AG shall undertake the audit of accounts of all the three-tiers of the Panchayati Raj Institutes (PRIs) and all categories of Urban Local Bodies (ULBs) when requested by the Governor under sub-section (1) of Section 20 of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Services) Act, 1971.

- (b) In addition to audit to be conducted by the Statutory Auditor of PRIs and ULBs, the C&AG of India shall have the right to conduct such test check of the accounts and to comment on and supplement the report of the Statutory Auditor, as he may deem fit.
- (c) The C&AG of India or any person appointed by him in connection with the audit of PRIs and ULBs, shall have the same rights, privileges and authority as the C&AG has in connection with the audit of the Government Accounts.
- (d) The result of audit shall be communicated by the C&AG or any person appointed by him to the PRIs and ULBs with a copy of the report to the Government.
- (e) The terms and conditions specified above shall not affect, in any way, the C&AG's right to access the accounts and records of the PRIs and ULBs under other provisions of the Comptroller and Auditor General (Duties, Powers and Conditions of the Services) Act, 1971 and under other statutory procedures.

(3) The TGS arrangements under sub-rule (2) shall comprise the following, namely:—

- (i) The methodology and procedure for audit of ULBs/PRIs by the Examiner of Local Accounts (ELA) shall be as per the guidelines prescribed by the C&AG;
- (ii) The staff of ELA shall continue to work under the administrative control of the State Government;
- (iii) Training to the staff of PRIs, ULBs and ELA for capacity building would be provided by the State Accountant General (Audit) and the cost of such training shall be borne by the Directorate of Local Fund Audit;
- (iv) The ELA shall prepare the audit plan in consultation with the State Accountant General (Audit), who shall conduct test check of the accounts of PRIs and ULBs after deciding the percentage of test check;
- (v) The nature, extent and scope of audit including form and contents of the report (Inspection Reports as well as Annual Report) shall be as per the guidelines laid down by the C&AG;
- (vi) For implementing these procedures, the Directorate of Local Fund Audit shall develop in consultation with the State Accountant General, a system of internal control in the State Audit Organisation;
- (vii) The Directorate of Local Fund Audit shall submit such returns or reports in such form as may be prescribed by the C&AG to evolve an effective system of monitoring the audit function; and
- (viii) The Accountant General of the State at his discretion may supervise some of the Audit Parties of the Directorate of Local Fund Audit during the audit of PRIs and ULBs and supplement the audit to ensure quality and timely completion of audit and certification of accounts of PRIs and ULBs by the agency.

(4) On receipt of the Audit Reports from the Auditors in respect of PRIs and ULBs, the Examiner of Local Accounts shall prepare and submit to the State Government not later than 30th September of each year a consolidated report, for the previous year, to be laid before the State Legislature.

(5) The report under sub-rule (4) of the Examiner of Local Accounts may contain the following particulars, namely:—

- (i) An introduction mentioning the date of audit, the date of last audit, the period covered by audit, the name of the Auditor and the name of the Principal Officer concerning the respective Local Authorities;
- (ii) A review of the previous audit report with special reference to the important objections in form of an Appendix enclosed with the report;
- (iii) Serious breaches of accounts rules by the Local Authorities, if any;
- (iv) Payments contrary to law including double payments and over payments of individual items not below an amount of Rs. 1,000;
- (v) Loss of money or property due to negligence or misconduct or failure to bring into account any amount due to the Local Authority under any rules framed for the purpose;
- (vi) Cases of material impropriety or irregularity including abnormal delay in making payments or realization of taxes;
- (vii) Procedural defects leading to fraud detected, if any;
- (viii) Comparative position of collection of taxes for the last year under audit with preceding two years as applicable;
- (ix) A statement on the financial position of the Local Authority showing both assets and liabilities;
- (x) Position of utilization of Grants-in-Aid received and loans incurred by the Local Authority and utilization thereof during the period covered by the audit;
- (xi) A certificate with regard to correctness of the Annual Accounts as well as utilization of loans maintained by the Local Authority;
- (xii) Concluding remarks giving a summary of the important issues dealt in the Report and the Examiner's opinion regarding the status of accounts as a whole; and
- (xiii) Irrespective of money value of the objections, any serious irregularities such as system deficiencies, serious violation of rules and fraud noticed by Local Fund Auditor and intimated to the State Accountant General (Audit).

(6) On receipt of the consolidated report from the Examiner of Local Accounts and the report under sub-section (2) of Section 3 of the Act, the State Government shall as soon as possible, lay such reports before the Odisha Legislative Assembly”.

3. In the said rules, in rule 24, in Clause (iii) of sub-rule (1), for the words and figures ‘Rs. 50’ the words and figures ‘Rs. 1,000’ shall be substituted.

By order of the Governor

G. NANDI

Joint Secretary to Government