

Office Order No. 38

Subject: Actionable Points from the 'Workshop on Focus Areas of Local Government Audit' held at the Office of the Comptroller and Auditor General of India, New Delhi on 30.04.2025

A one-day Workshop on Focus Areas of Local Government Audit (LGA) was conducted at the Office of the Comptroller and Auditor General of India (CAG), New Delhi on 30.04.2025.

Key highlights of the Workshop are as under :

- Emphasis on **Function-Based, Service Delivery-Oriented Audit** focusing on critical public services delivered by Gram Panchayats and Urban Local Bodies.
- Integration of **District Centric Audit (DCA)** methodology for comparative assessment across and within districts.
- Necessity to incorporate **practical examples, data visualisation, and actionable recommendations** in audit reports to make them reader-friendly and impactful.
- Focus on systemic issues and **service delivery quality rather than monetary thresholds**.
- Guidance to **avoid standalone audits of individual PRI units** outside the DCA framework.
- Enhanced attention towards **Risk-Based Audits, Performance Audits, and Subject-Specific Compliance Audits** of Municipal Corporations (MCs) related to devolved functions.
- Encouragement for **identification, documentation, and sharing of best practices** from high-performing districts.
- Improved coordination and training under **Technical Guidance and Supervision (TGS)** for strengthening audit quality and local government accounts.

Actionable Points for Compliance:

1. Adoption of Function-Based, Service Delivery-Oriented Audit Approach:

- 1.1 AMG-1 shall take necessary action on primarily focus on assessing service delivery to citizens during audit of PA/CA/SSCA/TGS/DCA in all PRIs and ULBs.

2. Implementation of District Centric Audit (DCA):

- 2.1 Selection of at least two districts.
- 2.2 For PRIs: Minimum of two Block Panchayats under each District Panchayat, and six Village Panchayats under each Block Panchayat.
- 2.3 For ULBs: Coverage of all three tiers where available; in the absence of Municipal Corporations, additional Municipal Councils to be selected.
- 2.4 Concerned AMG-1, may select more units of Local Government on the same pattern, if, want to increase their audit coverage with the approval of PAG.

3. Audit Coverage:

- 3.1 Local Government Audit will cover only the three tiers of PRIs and ULBs. Data from line departments and parastatals may be collected for reference but will not form part of standalone audit findings.

4. Audit Reporting:

- 4.1 District Centric Inspection Reports (DCIR) shall be prepared to enable inter-district and intra-district comparisons for consolidating the findings in the Audit Report.
- 4.2 Systemic and service delivery-related findings should be prioritized over financial irregularities of low materiality.
- 4.3 Reports should include data on all relevant funds received and data sources should be mentioned.

5 Issuance of DCIR:

- 5.1 DCIR to be submitted to ACS/PS of PRDD and UDHD.

6 Capacity Building:

- 6.1 Continuous efforts to enhance Technical Guidance and Supervision (TGS) to DLFAs/State Audit Departments for more strategic and focused approach and improving financial audit, certification quality and audit quality of accounts of Local Government.
- 6.2 A review of the DLFA's certification process under TGS may be done.

7 Use of Technology:

- 7.1 Encourage the use of data visualization tools and photographs in audit reports to enhance clarity and impact and to make report reader friendly.

8 Best Practices:

- 8.1 Field Audit Offices should document and share good practices observed during audits for wider adoption.

All officers and staff of concerned Sections are instructed to align their audit planning and execution as per the guidelines and methodologies discussed during the Workshop.

(Authority: HQ (LAG) email dated 19.05.2025)

(This issues with the approval of Pr. Accountant General)

Sd/-
Sr. Audit Officer/SMU

No. SMU/F- 30 /LGA Workshop/O.O.38/STR- 857

Date : 08.07.25

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