

**Manual**  
**of**  
**Local Bodies Audit**

APRIL 2010

OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (C&CA)  
KERALA, THIRUVANANTHAPURAM

# **Comptroller and Auditor General of India**

*Supreme Audit Institution of India*

## **VISION**

As one of the pillars of democracy, we strive "to promote excellence in public sector Audit and Accounting Services towards improving the quality of governance."

## **MISSION**

To enhance the accountability of the executive to the Parliament and State Legislatures by carrying out audits in public sector and providing accounting services in the States in accordance with the Constitution of India and laws as well as best international practices. Where entrusted, to provide Technical Guidance and Support to local bodies including Panchayat Raj Institutions to enhance their accountability.

## FOREWORD

I am happy to note that the Office of the Senior Deputy Accountant General (Local Bodies Audit and Accounts), Kerala is bringing out the first edition of the Manual of Local Bodies Inspection. The 73<sup>rd</sup> and 74<sup>th</sup> amendments to the Constitution of India along with the Kerala Panchayat Raj Act and Kerala Municipality Act have brought about a paradigm shift in the delivery of services by the Government to the citizens. The Indian Audit & Accounts Department recognizes the need to strengthen the audit of local bodies in achieving its mission of promoting and improving the quality of governance through excellence in public sector Audit and Accounts Service. This manual consolidating the practices, procedures and standards to be followed in audit of local bodies is a vital step in that direction. I hope that everyone entrusted with this audit will make full use of the manual in improving the quality of the audits conducted by them.



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Thiruvananthapuram

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18 June 2010

Kerala

## PREFACE

This is the First Edition of the Manual of Local Bodies Inspection compiled after the formation of a new Office in September 2004 viz. Office of the Senior Deputy Accountant General (Local Bodies Audit and Accounts) Kerala.

This Manual deals with the procedure to be followed by the LBA Section and LBA Inspection Parties in conducting inspection of Local Bodies Offices in the State of Kerala. The instructions in this Manual are supplementary to those contained in the Codes and Manuals issued by the Comptroller and Auditor General of India, Civil Audit Manual and Public Works Inspection Manual.

The changing face of Audit has been brought out in this edition by the introduction of new subjects such as CAG's Auditing Standards for Panchayat Raj Institutions and Urban Local Bodies, which were adapted from Auditing Standards formulated by International Organisation of Supreme Audit Institutions (INTOSAI), National Municipal Accounts Manual (NMAM), Kerala Panchayat Raj Act, Kerala Municipality Act, Audit of the Internal Control System, Concept of materiality, Risk Analysis in Audit, Audit Evidences and Techniques, Measures to deal with fraud and corruption, Style Guide for drafting of Reports, etc. Thus, the Manual goes a long way in further strengthening the audit quality management framework.

The Manual seeks to guide and direct, and in no way substitutes for the initiative, judgment and professionalism of the officials entrusted with the responsibility of Local Bodies Audit.

LBA Section will be responsible for keeping this Manual up-to-date, incorporating all relevant orders. Any errors or omissions noticed in this Manual and suggestions for its improvement may be brought to the notice of the Principal Accountant General (Audit) through Senior Deputy Accountant General (LBA&A).

Thiruvananthapuram  
June 17, 2010



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# **1** Background of audit of LSGIs

## Mandate

**1.1** Mandate for the audit of Local Self Government Institutions (LSGIs) is derived from various provisions of the Constitution of India, Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Regulations on Audit and Accounts, 2007, Manual of Standing Orders (Audit), Recommendations of Eleventh Finance Commission and Orders on entrustment of audit issued by Government of Kerala.

## Constitution of India

**1.1.1** The authority for audit by the Comptroller and Auditor General of India (CAG) and reporting to the Parliament/State Legislatures is derived from Articles 149 and 151 respectively (see Annexure 1) of the Constitution of India. Article 149 prescribes that the CAG shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States and of any other authority or body, as prescribed by law made by Parliament.

## CAG's (Duties, Powers and Conditions of Service) Act, 1971

**1.1.2** In pursuance of the Constitution, the Parliament enacted Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act) defining duties, powers and conditions of service of CAG in respect of the audit of the expenditure of the Union, State governments, bodies and authorities, revenue receipts, stores and stock. CAG's audit of local bodies is based on various provisions of the DPC Act, 1971. Under Section 14, the CAG has been conducting the audit of all receipts and expenditure of LSGIs which are substantially financed from Union or State revenues apart from audit of specific grants under Section 15. Under Section 20 (1), CAG shall undertake the audit of the accounts of any body or authority, if requested by the President or the Governor, on such terms and conditions as may be agreed upon between him and the concerned Government. Extract of sections 14, 15 and 20 is given in Annexure 2.

## Regulations on Audit and Accounts, 2007

**1.1.3** Section 23 of DPC Act authorises CAG to make regulations for carrying into effect the provisions of the Act in so far as they relate to the scope and extent of audit. In pursuance of this provision, Regulations on audit and accounts, 2007 have been framed, which came into effect from 20 November 2007. Chapter 10 of Regulations (see Annexure 3) describes the role of CAG in the audit of Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs). Chapter 5 (Financial Audit), Chapter 6 (Compliance Audit) and Chapter 7 (Performance Audit) also contain



procedures on various types of audits which are applicable to LSGIs also. Under Regulation 79, CAG has clarified that the expression 'body' include LSGIs. As per Regulation 80, the provisions of section 18 of DPC Act (power to inspect offices and calling for records) shall apply to bodies and authorities that are under the audit jurisdiction of the CAG.

## Manual of Standing Orders (Audit)

**1.1.4** Manual of Standing Orders (Audit) contains the audit directions, instructions and procedures to be followed by Accountants General (Audit) Offices. As per paragraph 2.6.12 of MSO(Audit) Second Edition-2002, where any body or authority is having separate audit arrangements under the legislation constituting it, audit by CAG will co-exist therewith. ie in respect of LSGIs in Kerala, audit of Director of Local Fund Audit and CAG will co-exist.

## Eleventh Finance Commission recommendations

**1.1.5** As per recommendations of the Eleventh Finance Commission, CAG provides Technical Guidance and Support (TGS) to Director of Local Fund Audit (DLFA). Moreover, CAG is entrusted with the responsibility of exercising control and supervision over the proper maintenance of accounts and their audit for all the tiers/levels of Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs).

### Entrustment orders of State Government

**1.1.6** On receipt of concurrence from the Comptroller and Auditor General of India for taking up the audit of LSGIs under section 20(1) of DPC Act, Government of Kerala, in October 2002, issued orders entrusting audit of Local Self Government Institutions to CAG, including providing Technical Guidance and Support to DLFA [GO(P) No.631/02/Fin dated 17-10-2002].

## Administrative mechanism for LB Audit

**1.2** To translate the TGS mandate given to Comptroller and Auditor General of India into action, various measures were taken in Indian Audit and Accounts Department.

## HQ level

**1.2.1** A formal Local Bodies Wing under a Deputy Comptroller and Auditor General was set up in CAG's office in December 2001.

The main activities of the LB wing include:

- Setting Policy, Strategy and Direction
- Processing of Audit Reports & Consolidated Inspection Reports
- Human resource planning
- Research & Training
- Budget & Accounts Formats implementation
- Collaborative networking with stakeholders
- Knowledge management & dissemination

## State level

**1.2.2** In order to replicate these activities at the State level and in recognition of the Constitutional position of the LSGIs as the third level of government, 17 new Senior DAG (LBA&A) offices were created in IA&AD beginning August 2004.

New office in Kerala

**1.2.3** In Kerala, a separate office named 'Office of the Senior DAG (LBA&A)' formed exclusively for the audit of LSGIs started functioning from 13 September 2004. The office functions with a sanctioned strength of 46 and has 1223 LSGIs (999 Grama Panchayats, 152 Block Panchayats, 14 District Panchayats, 53 Municipalities and 5 Municipal Corporations) under its jurisdiction as on 1 April 2010. The office consists of LBA (HQ) section, Report (LBA) section and 11 field parties.

## Commencement of Local Body Audit

**1.3** At the request of Government of Kerala, audit of five District Panchayats and one Municipal Corporation was taken up during the year 1998-99. As per orders of Honourable High Court of Kerala, special audit of Thiruvananthapuram Corporation was conducted during March 2000. Transaction audit of LSGIs was taken up on a regular basis from the year 1999-2000. Supplementary audit under Technical Guidance and Support commenced from the year 2003-04.

## Presentation of Audit Report

**1.4** Observations on the audit of LSGIs were included in the Report (Civil) of the CAG upto the year 2002-03. From 2003-04 onwards, Report of the CAG exclusively for LSGIs was presented each year in the Kerala Legislature.

## Committee on Local Fund Accounts

**1.5** As per Kerala Gazette Notification No 2641 dated 4-12-2008, Committee on Local Fund Accounts (CLFA) of Kerala Legislative Assembly has been authorised to examine the Reports of the CAG of India on LSGIs. CLFA has started examining the Reports from June 2009.

## Audit Monitoring Committees

**1.6** For timely settlement of outstanding paragraphs in the Inspection Reports issued to LSGIs, Government of Kerala have constituted Audit Monitoring Committees (AMCs) in August 2007. [GO(Rt) No.2121/2007/LSGD dated 4-8-2007].  
District Level

**1.6.1** At the District level, separate Committees were set up for Grama Panchayats, Block Panchayats and Municipalities. President of the District Panchayat shall be the Chairman of the District level Audit Monitoring Committees. Deputy Director of Panchayats, Additional Development Commissioner (General) and Regional Joint Director of Urban Affairs Dept. respectively shall be the Convenor of the AMC for Grama Panchayats, Block Panchayats and Municipalities. Audit Officer of LBA is a member of the District level Audit Monitoring Committees. The committees shall be convened once in three months.

### State Level

**1.6.2** An Audit Monitoring Committee at State level with Principal Secretary, Local Self Government Department as Chairman and State Performance Audit Officer as Convenor was constituted for Corporations and District Panchayats. Senior DAG (LBA&A) is a member of the Committee. The committee shall be convened once in four months. Sub Committees of the State level committee was constituted to hold regional meetings.



# 2

## Auditing standards for PRIs & ULBs

### Introduction

**2.1** Auditing Standards is a compendium of internationally accepted best practices in audit formulated by the International Organisation of Supreme Audit Institutions (INTOSAI). The Auditing Standards have been adapted to suit the Indian requirements by the CAG, who has prescribed 'CAG's Auditing Standards'. CAG has also prescribed the 'Auditing Standards for Panchayat Raj Institutions and Urban Local Bodies' for audit of LSGIs.

### Audit Objectives

**2.2** The broad aim of audit is to safeguard the financial interests of the LSGIs by sound and economic financial management practices and to promote public accountability.

### Scope of audit

**2.3** The term 'audit' includes financial audit, compliance audit and performance audit.

### Auditing Standards

**2.4** Auditing Standards prescribe the norms, which the auditors are expected to fulfill in the conduct of audit. Auditing Standards are designed to-

- provide minimum guidance to the auditor that helps determine the extent of auditing steps and procedures that should be applied in audit; and
- constitute the criteria or yardstick against which the audit results are evaluated.

### Parts of Auditing Standards

**2.4.1** Auditing Standards consists of four parts.

- Basic postulates
- General standards
- Field standards
- Reporting standards

## Basic postulates

**2.5** Basic postulates for auditing standards are the basic premises and requirements which help in developing auditing standards and guide the auditors in forming their opinions and reports, particularly in cases where no standards apply.

## General standards

**2.6** General standards describe the qualifications of the auditor and the audit institution (Principal Accountant General, DLFA etc), the compliance of which enables them to carry out the tasks related to conduct of audit and reporting of audit findings in a competent and effective manner. These standards establish a foundation for credibility of work of the auditor and the audit institution

### Components

**2.6.1** The general standards shall, *inter alia*, include:

- Independence
  - Professional competence
  - Due care
- } Common to the auditor and the audit institution
- 
- Recruitment
  - Training
  - Manuals
  - Support skills
  - Quality assurance review
- } Applicable to the audit institution

### Independence

**2.6.2** The auditor and the audit institution should be independent in all matters relating to audit work so that their opinions and reports are impartial.

### Professional competence

**2.6.3** The auditor and the audit institution should possess adequate professional competence for performance of work.

### Due care

**2.6.4** The auditor and the audit institution must exercise due care and caution in complying with auditing standards.

### Recruitment

**2.6.5** The audit institution should adopt policies and procedures to recruit personnel with suitable qualifications.

## Training

**2.6.6** The audit institution should adopt policies and procedures to develop and train its employees to enable them to perform their tasks effectively.

## Manuals

**2.6.7** The audit institution should adopt policies and procedures to prepare manuals and other written guidance and instructions concerning the conduct of audit.

## Support skills

**2.6.8** The audit institution should adopt policies and procedures to support the skills and experience available and identify those skills which are absent.

## Quality assurance review

**2.6.9** The audit institution should have an appropriate quality assurance system in place.

## Field standards

**2.7** Field standards provide an overall framework of conducting and managing an audit. Field standards are related to the general standards which set out the basic requirements for undertaking the tasks covered by the field standards. They are also related to the reporting standards which cover the communication aspect of auditing, as the results from carrying out the field standards constitute the main source for the contents of the audit findings, opinions or reports.

## Components

**2.7.1** The field standards shall inter alia include:

- Planning
- Supervision and review
- Study and evaluation of internal control
- Testing of compliance
- Audit evidence
- Analysis of financial statements

## Planning

**2.7.2** The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

## Supervision and review

**2.7.3** The work of the audit staff at each level and audit phase should be properly supervised during the audit, and a senior member of the audit staff should review documented work.

## Study and evaluation of internal control

**2.7.4** The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control.

## Testing of compliance

**2.7.5** In conducting financial audits, a test should be made of compliance with applicable laws and regulations.

## Audit evidence

**2.7.6** Sufficient, competent, relevant and reliable evidence should be obtained to support the auditor's judgment and conclusions.

## Analysis of financial statements

**2.7.7** Auditors should analyse the financial statements to establish whether prescribed accounting procedures for financial reporting and disclosure are complied with.

# Reporting Standards

**2.8** The reporting standards provide an overall framework for the auditor and the audit institution for reporting the results of audit. The reporting standards shall apply equally to all kinds of reports submitted by the auditors to the executive and the legislature, including inspection reports, audit reports and audit certificates on financial statements or statements of expenditure.

## Specifications

**2.8.1** The reporting standards specify that the reports should be:

- Complete
- Accurate
- Objective
- Convincing
- Clear
- Concise
- Constructive
- Timely



## Complete

**2.8.2** The report should contain all pertinent information needed to satisfy the audit objectives and to promote an adequate and correct understanding of the matter reported. It should also include appropriate background information.

## Accurate

**2.8.3** The evidence presented is true and the conclusions are correctly portrayed. The conclusions should flow from the evidence.

## Objective

**2.8.4** The presentation throughout the report should be balanced in content and tone. The audit results should be presented impartially and guarded against the tendency to over emphasis deficient performance. In describing shortcomings in performance, the auditors should present the explanation of the audited entity and stray instances of deviation should not be used to reach broad conclusions.

## Convincing

**2.8.5** The audit results should be presented persuasively and the conclusions and recommendations flowed logically from the facts presented. The information presented should be sufficient to convince the readers to recognise the validity of the findings and reasonableness of audit conclusions.

## Clear

**2.8.6** The report should be easy to read and understand. Use of straightforward, non-technical language is essential. If technical terms and unfamiliar abbreviations are used, they should be clearly defined.

## Concise

**2.8.7** The report should not be longer than necessary to convey the audit opinion and conclusions. Too many details detract from the report and conceal the audit opinion and conclusions and confuse the readers.

## Constructive

**2.8.8** The report should include well thought out suggestions, in broad terms, for improvements, rather than how to achieve them. The suggestions should be discussed with sufficiently high level functionaries of the entities and as far as possible, their acceptance obtained before these are incorporated in the report.

## Timely

**2.8.9** The report should be made available promptly to be of utmost use to all users, particularly to the audited entity.

# Audit Quality Management Framework

**2.9** CAG has approved an Audit Quality Management Framework (AQMF) for IA&AD. This framework includes all the elements and instruments related to them that provide an assurance of quality in the audit function. The framework has been prepared in the backdrop of the Audit Quality Assurance Guideline brought out by ASOSAI. AQMF attempts to concentrate largely on measures and procedures carried out within the audit process that would provide a reasonable assurance about the quality of audit work and the results of audit. The framework would apply to all streams/branches of audit in the Department including local bodies.

## Quality Management Processes

**2.9.1** The Framework identifies the policies, practices and guidance on the five broad parameters of the 'quality management processes' (QMPs) as given below.

- leadership and direction
- human resources management
- audit management
- clients and stakeholder relations
- continuous improvement

## Quality Management Elements

**2.9.2** Quality Management Processes have been further divided into various 'quality management elements' (QMEs) as given below.

<i>Leadership and direction</i>	<i>Human resources management</i>	<i>Audit management</i>	<i>Clients and stakeholder relations</i>	<i>Continuous improvement</i>
Tone at the top	Resourcing and Recruitment	Audit Planning	Communicating audit messages	Internal audit
Vision, Mission, Core values and Auditing Standards	Training and Capacity Building	Staffing for the Audit	Feedback from clients and stakeholders	Internal quality assurance review
Strategic Direction and Planning	Performance Management and Appraisal	IT Tools	Relationship between legislative committees and SAI	Peer review
Strategic Audit Planning	Personnel Welfare and Benefits	Other tools and guidance		Self-evaluation/ Lessons learnt
Portfolio & Risk Management		Conducting the Audit		
		Consultation and advice		
		Supervision and review		
		Evidence		
		Documentation		
		Reporting and follow-up		

## Key Instruments Employed

**2.9.3** Each QME has been linked to the 'key instruments employed'(KIE). ie reference has been made to Constitution, CAG's(DPC)Act, Auditing Standards, Manuals, Guidelines etc.

## Operationalisation of AQMF

**2.9.4** The operationalisation of AQMF will involve issue of appropriate internal instructions to various Functional Wings and, in turn, by each Functional Wing to field offices under their control to ensure appropriate customisation of the AQMF with the specificities of each stream of audit. Being an evolving document, the quality Framework has been developed in such a fashion that leaves ample scope for incorporation of the best practices in future and lends itself to continuous upgradation in line with the environment and technological changes and as new audit methodologies and practices develop. [HQ letter No. 172-Audit (AP)/37-2008 dated 4-6-2009 of Director General (Audit)].



# 3

## Evolution of LSGIs

### Constitutional Amendments

**3.1** On the basis of recommendations of several committees, two landmark amendments were made to the Constitution of India concerning LSGIs.

#### Seventy third Amendment

**3.1.1** The Constitution (Seventy-third Amendment) Act, 1992 which came into force with effect from 24 April 1993, established a three tier Panchayat Raj system in the country and provided Constitutional status to PRIs. A new part 'Part IX -The Panchayats' was inserted in the Constitution. Articles 243, 243 A to 243 O, additional sub clauses to Article 280 and the Eleventh Schedule containing 29 matters (see Annexure 4) introduced in the amendment, deal with matters relating to PRIs.

#### Seventy fourth Amendment

**3.1.2** The Constitution (Seventy-fourth Amendment) Act, 1992 which came into force with effect from 1 June 1993, provided Constitutional status to the ULBs. A new part 'Part IX A -The Municipalities' was inserted in the Constitution. Articles 243 P to 243 ZG, additional sub clauses to Article 280 and the Twelfth Schedule containing 18 matters (see Annexure 5) introduced in the amendment, deal with matters relating to ULBs.

### Three fold role for LSGIs

**3.2** The amendments envisage a three fold role for LSGIs as shown below

- as institutions of self government
- as institutions for planning their economic development and ensuring social justice
- as agents of Central and State governments in implementation of schemes for economic development and social justice as may be entrusted to them.

### Kerala Panchayat Raj Act 1994

**3.3** In conformity with the Constitution Amendment Act, Kerala Legislature enacted Kerala Panchayat Raj Act 1994, which brought into existence a three tier system of PRIs in the State, viz District Panchayat, Block Panchayat and Grama Panchayat. As on 1 April 2010, 14 District Panchayats, 152 Block Panchayats and 999 Grama Panchayats exist in the State.

## Kerala Municipality Act 1994

**3.4** In conformity with the Constitution Amendment Act, Kerala Legislature enacted Kerala Municipality Act 1994, applicable uniformly to Municipal Corporations and Municipalities in the State. As on 1 April 2010, 5 Municipal Corporations and 53 Municipalities exist in the State.

## Sen Committee

**3.5** The Committee on Decentralisation of Powers (popularly called Sen Committee after its first Chairman S.B.Sen) appointed in 1996 recommended the necessary institutional reforms and legislative framework for functional, financial and administrative autonomy. The Kerala Panchayat Raj Act and the Kerala Municipality Act, both of which were enacted in 1994 were thoroughly restructured in February 1999 incorporating recommendations of the Sen Committee, through a series of amendments. The necessary rules were also made.

## Legal space in allied Acts

**3.6** In order to provide proper space for LSGIs in the legal structure of the State, 42 Acts (see Annexure 6) dealing with subjects that are in the functional domain of LSGIs were amended.

## Important features of Acts

**3.7** Important features of Kerala Panchayati Raj Act 1994 and Kerala Municipality Act 1994 are described in the succeeding paragraphs.

### Functional domain

**3.7.1** Government of Kerala has transferred 26 matters to PRIs and 17 matters to ULBs. Three matters (minor forest produce, distribution of electricity and implementation of land reforms) relating to PRIs and one matter (fire services) relating to ULBs remain to be transferred. KPR Act and KM Act define functional domain of different tiers/levels of LSGIs with a great deal of precision. The functions have been divided into mandatory, general and sector wise functions.

### Exclusive power

**3.7.2** Under the Acts, it shall be the duty of the LSGIs to meet the requirements of the area of their jurisdiction in respect of the matters enumerated in the respective Schedules to the Acts and they shall have exclusive power to administer the matters enumerated in the Schedules and to prepare and implement schemes relating thereto for economic development and social justice.

Type of LSGI	Section	Schedule of Act	Number of functions		
			Mandatory	General	Sector wise
GP	166(1) of KPR Act	III	27	14	76
BP	172(1) of KPR Act	IV	-	3	28
DP	173(1) of KPR Act	V	-	3	65
Mun	30(1) of KM Act	I	30	14	107
Corp	30(1) of KM Act	I	30	14	107

The functions assigned to the PRIs and ULBs are given in Annexure 7 to 10.

## Annual development plan

**3.7.3** All LSGIs shall prepare every year a development plan for the succeeding year in respect of the functions vested in it, considering the plan proposals submitted by Grama Sabhas/Ward Sabhas/Ward Committees and it shall be submitted to the District Planning Committee before the date prescribed [section 175 of KPR Act 1994 and section 51 of KM Act 1994].

## Grama Sabhas and Ward Sabhas/Committees

**3.7.4** The Acts provide for the constitution of Grama Sabhas for Grama Panchayats and Ward Sabhas for Urban Local Bodies at the level of the Ward/Division, consisting of all the electors of the Ward/Division, which is the electoral constituency of a GP Member/ ULB Councillor. Where the population of an ULB exceeds one lakh, there shall be constituted a Ward Committee consisting of persons specified in the KM Act (instead of Ward Sabha), having the same powers and functions of Ward Sabha, for each ward of that ULB. Grama Sabhas and Ward Sabhas/ Committees have been given clear rights and responsibilities with absolute powers for identification of beneficiaries, wide powers for social audit and strong advisory powers for prioritising developmental needs. It has been made mandatory to hold Grama Sabhas and Ward Sabhas/Committees meetings four times in a year. Fair and open selection of beneficiaries is a legal necessity as has been clarified by the Honourable High Court of Kerala in its judgment in OP No 18175/1996-L dated 14-4-1997 where it has ruled that LSGIs are not selecting authorities but only approving authorities in the case of beneficiaries.

## Supremacy of the elected body

**3.7.5** In keeping with the spirit of democratic decentralisation, decisions are taken by elected Panchayat/Council. The elected heads of the LSGIs have been declared as the executive authority. Each PRI has a Secretary and supporting staff who are Government servants. The Secretaries of ULBs are Government servants while the staff belongs to the Municipal Common Service. The LSGIs have full administrative control including powers of disciplinary action over their own staff as well as staff transferred to it.

## Standing Committee system

**3.7.6** The Standing Committee system facilitates in-depth analysis of issues and proposals before they are considered by the Panchayat/Council. The Standing Committee system – 4 in Grama Panchayats and Block Panchayats, 5 in District Panchayats, 6 in Municipalities and 8 in Corporations (see table below) – with clear functional roles has been structured in such a way that every elected member belongs to one Committee or the other. For the purpose of co-ordination, a Steering Committee consisting of the elected head, and all the chairpersons of Standing Committees have been set up. There is also a provision for constituting Functional Committees for different subject areas inclusive of experts, activists, professionals, practitioners and other stakeholders. LSGIs set up such committees to advise them on plan formulation. As per amendments made in the Acts in 2009, elections to standing committees will be conducted under the control and supervision of the State Election Commission.

<i>Grama Panchayat</i>	<i>Block Panchayat</i>	<i>District Panchayat</i>	<i>Municipality</i>	<i>Corporation</i>
Finance	Finance	Finance	Finance	Finance
Development	Development	Development	Development	Development
Welfare	Welfare	Welfare	Welfare	Welfare
Health and Education*	Health and Education*	Health and Education	Health	Health
		Public works	Works	Works
			Education, Arts and Sports*	Education, Arts and Sports*
				Town Planning
				Appeal relating to tax

\* added as per amendments to KPR Act and KM Act in 2009



## Good Governance Features

**3.8** The Acts provide for certain innovative features promoting good governance.

- Absolute right to information.
- Mandatory publication of Citizen Charters indicating the entitlements of citizens vis-a-vis a LSGI with respect to the quality and standards of various services provided by that LSGI.
- A Performance Audit system has been put in place to provide auxiliary as well as concurrent audit focusing on procedures and processes.
- In order to ensure a healthy relationship between officials and elected members, the Act prescribes a code of conduct, which lays down certain directive principles of polite behavior, respect for elected authorities and protection of the freedom of the civil servant to render advice freely and fearlessly.

## Powerful Support Institutions

**3.9** In order to reduce governmental control and to nurture the growth of LSGIs as envisaged in the Constitution, the Acts provide for creation of institutions to deal with different aspects of LSGIs. They are listed below:

### State Finance Commission

**3.9.1** As per Constitutional amendments, State Governments were required to set up Finance Commissions for reviewing the financial position of LSGIs and make recommendations therein. Kerala has already constituted three State Finance Commissions in 1994, 1999 and 2004 and implemented practically every recommendation in letter and spirit. The Fourth SFC was constituted in 2009, functioning of which is in progress. Important recommendations of State Finance Commissions are given in Annexure 11.

### District Planning Committee

**3.9.2** As per section 53 of KM Act 1994, Government have constituted District Planning Committees in every district, to consolidate the plans prepared by the PRIs and the ULBs in a district and to prepare a draft development plan for the district as a whole. As per the Act, President of the District Panchayat shall be the Chairman of the District Planning Committee and District Collector will be the Secretary.

### State Election Commission

**3.9.3** State Election Commission has powers for absolute control over staff on election duty, preparation of voters list, verification of accounts and disqualification of candidates not submitting accounts in time, conduct of elections of the head and

vice head of LSGIs as well as to the District Planning Committees, conduct of no confidence motions and disqualification of defectors.

#### Delimitation Commission

**3.9.4** This is an independent body headed by the State Election Commission to carry out delimitation of wards.

#### Ombudsman for LSGIs

**3.9.5** This is a high power institution manned by a High Court Judge with vast powers to check malfeasance in LSGIs. Government of Kerala constituted the Ombudsman with effect from 29-5-2000.

#### Tribunal for LSGIs

**3.9.6** This is a judicial tribunal set up in the State headquarters with a District Judge as the Tribunal to consider appeals by citizens against decisions of LSGIs taken in exercise of their regulatory functions like issue of licences, grant of permits etc

#### State Development Council

**3.9.7** This institution set up on the analogy of the National Development Council is headed by the Chief Minister and consists of the entire Cabinet, Leader of Opposition, Vice Chairman of the State Planning Board, the Chief Secretary, Mayors, Presidents of District Panchayats who are also Chairpersons of District Planning Committees and representatives of other tiers/levels of LSGIs. This institution functions as the forum for discussion of policy and operational issues.

## Finances of LSGIs

**3.10** The following are the sources of income of LSGIs

- Tax revenue(only to GPs and ULBs)
- Non tax revenue
- Assistance from State Government for development schemes
- Assistance from State Government for maintenance of assets
- Assistance from State Government for traditional functions
- Assistance for implementing State plan/non plan schemes
- Assistance for implementing centrally sponsored schemes
- Assistance for drought/ flood relief,Literacy Mission,Sarva Siksha Abhiyan, MP/MLA Local Area Development schemes etc
- Central Finance Commission grants
- Loans

## Tax revenue

**3.10.1** Important taxes directly demanded and collected by Grama Panchayats and Urban Local Bodies are given below.

- Property tax
- Profession tax
- Entertainment tax
- Advertisement tax
- Service tax
- Show tax
- Timber Tax

## Non-tax revenue

**3.10.2** Important non-tax revenue items are given below.

- Various Licence fee
- Market/bus stand fee
- Rent on buildings, shopping complex, land, hall, stadium etc
- Permit fee
- Registration fee
- Service/User charges
- Income from ferries
- Income from sale of sand
- Fines and penalties

## Devolution from State Government

**3.10.3** As per the recommendations of Third State Finance Commission, non plan grants are devolved to the LSGIs in three categories.

- **Development Fund:** For the implementation of schemes prepared by the LSGIs under the decentralised planning. This is devolved in three sectors viz. General, Special Component Plan and Tribal Sub Plan.
- **Maintenance Fund:** For maintaining the assets of LSGIs including those transferred as part of decentralisation. Maintenance Fund is devolved in two categories- one for the maintenance of roads and the other for maintenance of non-road assets.
- **General Purpose Fund:** For meeting the expenditure on traditional functions and establishment expenses.

## Grant-in-aid for plan/non-plan schemes

**3.10.4** Certain plan and non-plan schemes of State Government have been transferred to LSGIs for implementation. The scheme guidelines are formulated by the State Government and the role of the LSGIs is limited to agency function ie. deciding the location or beneficiary and executing the scheme.

Eg: Plan schemes: Better education facilities for bright SC children,

Tutorial system in pre-matric hostels etc

Non-plan schemes: Social security pensions, Thatching grant etc

## Grant-in-aid for Centrally Sponsored Schemes

**3.10.5** Certain schemes formulated by Central Government are implemented through LSGIs.

Eg: Swarnajayanti Grama Swarozgar Yojana (SGSY), Integrated Housing and Slum Development Programme(IHSDP) etc

## Assistance for other schemes

**3.10.6** This include funds received from District Collector for drought/flood relief, funds received from Literacy Mission,Sarva Siksha Abhiyan, MP/MLA Local Area Development schemes etc

## Central Finance Commission grants

**3.10.7** Grants recommended by Central Finance Commission are also received by LSGIs from Central Government. Thirteenth Central Finance Commission has recommended Rs 2,676.10 crore as general basic grant and general performance grant to LSGIs in Kerala for the five year period 2010-15.

## Loans

**3.10.8** LSGIs can avail loans from financial institutions as per Kerala State Local Authorities Loan Act 1963. Earlier, Rural Development Board (RDB) for financing projects taken up by Grama Panchayats and Kerala Urban Development Finance Corporation (KUDFC) for ULBs were in existence. RDB has been wound up and KUDFC has been restructured into the Kerala Urban and Rural Development Finance Corporation (KURDFC) to provide loans to all LSGIs.

## Transfer of institutions

**3.11** As provided in KPR Act and KM Act, Government transferred, with effect from 2 October 1995, functions, institutions and schemes of State Government relating to matters specified in the schedules to the Acts, to the LSGIs concerned. Along with the institutions, it was also ordered to transfer, its assets and liabilities, properties and posts sanctioned in it including staff. [GO(P)No.189/95/LAD dated 18-9-1995]. Every institution so transferred shall be in the name of the said LSGI and shall be known accordingly. Under the Acts, LSGIs shall not have any power to sell, transfer, alienate or pledge the properties transferred to it [sections 166,172 and 173 of KPR Act 1994 and section 30 of KM Act 1994].

The important institutions transferred are the following:

- Primary, Secondary and Higher Secondary Schools.
- Dispensaries, Primary Health Centres, Community Health Centres, Taluk Hospitals under the three streams of medicine, namely; Allopathy, Ayurveda and Homoeopathy
- Anganwadis
- Krishi Bhavans and District Agricultural Farms
- All Veterinary Institutions at the district level and below and all Animal Husbandry Farms
- Pre matric hostels for Scheduled Castes

## Transfer of functionaries

**3.12** When new functions were devolved, the principle of work and worker going together was enunciated. This enabled the government to transfer institutions and offices along with staff to the LSGIs. Excluding engineering staff, 1302 posts were identified from 19 departments as surplus as their work stood transferred to LSGIs and they were redeployed on a working arrangement basis to LSGIs. The salaries of the transferred staff continue to be paid by Government. The LSGIs have full managerial and part disciplinary control over the transferred staff. They can assign any work to the staff transferred to them related to their area. They can review their performance and give the required directions. They are empowered to impose minor penalties on all staff transferred to them and, in the case of non gazetted officers, resort to suspension whenever warranted. The heads of the transferred institutions (see Annexure 12) are responsible for implementing the schemes formulated and entrusted to them by LSGIs and are designated as implementing officers. Engineering staff, numbering 1865, were also transferred to LSGIs. Now all Grama Panchayats have Overseers, two Grama Panchayats share an Assistant Engineer and two Block Panchayats share an Assistant Executive Engineer. At the District Panchayat level, there are two Executive Engineers with their complement of staff.

## Separate document in State budget

**3.13** A noteworthy event of devolution of funds was the inclusion of a separate document known as Appendix IV in the State Budget, which detailed out LSGI wise grants in aid and the allotment for the schemes transferred to the LSGIs. State share of central schemes were also shown in Appendix IV. This enabled each LSGI to know its entitlement before the beginning of the financial year, thereby helping them in proper financial planning.

## Budget of LSGIs

**3.14** Standing Committee for Finance shall, after considering the estimate and proposals of other Standing Committees, prepare budget estimates containing detailed estimate of income and expenditure expected for the next year including the expenditure on the development plan of the LSGI for the next year. Chairperson of the Standing Committee for Finance shall present the budget before the

Panchayat/Council for its approval before the end of first week of March at a special meeting of the Panchayat/Council after an introductory address of the President/Chairperson/Mayor regarding the developmental and welfare activities intended to be undertaken and implemented by the LSGI. The Panchayat/Council shall consider and pass the budget before the beginning of the year to which it relates. The working balance shown in the budget should not be less than five percent of the current year's estimated receipts excluding the receipts from endowments, Government grants, contributions and debt heads. No amount shall be expended by the LSGI from 1 April, unless the Panchayat/ Council has passed the budget before the close of the current financial year. PRIs prepare the budgets in the revised formats prescribed by CAG and adopted by State Government from 2004-05. Budget shall be prepared on accrual basis by ULBs to which Kerala Municipality (Accounts) Rules 2007 have been extended.

## Accounts

**3.15** Under the Acts, LSGIs shall maintain their accounts and other books connected with the accounts in the manner and form as prescribed and shall enter the receipt and expenditure accounts forthwith in such books.

### CAG formats in PRIs

**3.15.1** The Kerala Panchayats (Accounts) Rules 1965, govern matters relating to accounting in Grama Panchayats. As per Eleventh Finance Commission recommendations, CAG was responsible for prescribing the formats for keeping of accounts of PRIs. CAG has prescribed revised accounting formats under single entry system for PRIs, which was adopted by State Government from 2004-05. On the basis of recommendations of Principal Accountant General, Third State Finance Commission etc, Government created a temporary post of Accountant in each Grama Panchayat from June 2009 [GO(MS)No.118/09/ LSGD dated 26-6-2009].

### Double entry system in ULBs

**3.15.2** The Kerala Municipality (Accounts) Rules 2007 have been extended to all ULBs from 1 April 2010, according to which, the books of accounts of ULBs shall be maintained on accrual basis under the double entry system of accounting. Details are given in Chapter 13 of this Manual.

## Dissolution of LSGIs

**3.16** Under the Acts, Government is empowered to dissolve LSGIs on the following occasions, subject to following certain procedures.

- Failure of the LSGI to pass the budget for the succeeding financial year before the end of a financial year, which causes financial crisis.
- Resignation or disqualification of majority of its members from office Persistent default in performing the duties imposed on it by law or in carrying out the orders or directions lawfully issued by Government or exceeds or abuses its powers.

## Elections

**3.17** Under the Acts, LSGI elections are to be conducted every five years. The first elections to the three tier PRIs and two level ULBs were held in September 1995 and the LSGIs came into being on 2 October 1995. Thereafter regular elections were conducted in every five years.

## Reservation

**3.18** Stipulated seats are reserved for Scheduled Castes and Scheduled Tribes in the elections. Reservation exists for women also. As per amendments made in the Acts in 2009, women reservation was raised to 50 percent.





# 4 Decentralised Planning in Kerala

## Background

**4.1** The 73<sup>rd</sup> and 74<sup>th</sup> Constitution Amendment Acts in 1992, supplemented by State legislations in 1994, changed the structure of governance permanently from a two-tier to a three-tier system consisting of the Union, the States and the Panchayat/Municipal bodies with a distinct developmental orientation. These landmark Constitutional amendments gave a new lease of life to the Panchayat/Municipal bodies at various tiers/levels and transformed them into Local Self Government Institutions (LSGIs).

## People's Plan Campaign

**4.2** During Ninth Plan period, Government of Kerala introduced radical changes in the planning process with emphasis on decentralisation and people's participation. Government, in July 1996, decided that at least 35-40 per cent of the plan programmes should consist of schemes formulated and implemented by the LSGIs within their areas of responsibilities [GO(MS) No.10/96/Plg dated 30-7-1996]. The decentralised planning process was organised as a mass campaign with the active participation of all sections of the people, popularly known as People's Plan Campaign. The nomenclature was changed as Kerala Development Plan during Tenth Plan, which was again renamed as People's Plan Campaign during Eleventh Plan.

## Milestones in decentralisation

**4.3** The following are the important milestones in decentralised planning in Kerala

<b>April/May 1994</b>	<b>Enactment of KPR Act and KM Act</b>
<b>October 1995</b>	<b>Transfer of powers and functions with institutions, offices and functionaries to LSGIs</b>
<b>February 1996</b>	<b>Introduction of a separate Budget Document (Appendix IV) for LSGI allocations</b>
<b>October 1996</b>	<b>Launching of People's Plan Campaign for decentralised planning and announcement of earmarking of 35-40 per cent plan resources</b>
<b>March 1999</b>	<b>Restructuring of KPR Act and KM Act</b>
<b>March 2000</b>	<b>Amendments to 35 Acts having relevance to LSGI functioning.</b>
<b>July 2000</b>	<b>i) Transfer of district level offices and staff to District Panchayat</b>

	<b>ii) Decision to redeploy surplus ministerial staff and engineers</b>
<b>2002-03</b>	<b>Actual redeployment of surplus ministerial staff and engineers.</b>
<b>2004</b>	<b>i) Sharing/devolution of selected taxes converted into fixed shares from total own tax revenue of State- 3.5 percent as General Purpose Fund and 5.5 per cent as Maintenance Fund. ii)System of automatic monthly release of funds introduced</b>
<b>2005</b>	<b>Institutionalisation efforts begun</b>
<b>2006</b>	<b>Recommendation of 3<sup>rd</sup> SFC operationalised with LSGI-wise predictable grant system</b>
<b>2007</b>	<b>Relaunch of People's Plan Campaign</b>
<b>2008</b>	<b>i)Formation of common engineering cadre for all LSGIs ii)Policy decisions to set up ministerial and executive cadres</b>
<b>2010</b>	<b>Decision to introduce social auditing cell in LSG Department</b>

## Preparation of plan

**4.4** Planning by the people is perhaps the best known feature of Kerala's decentralisation. It follows a definite methodology which has been continuously refined. The key steps in preparation of the plan are given below.

### Situation analysis by LSGIs

**4.4.1** LSGIs are required to constitute Working Groups. 12 Working Groups are mandatory. The Working Groups have to prepare potential projects - for Plan and Maintenance Plan.

### Pre-Grama Sabha/Ward Sabha Consultations

**4.4.2** Pre-Grama Sabha/Ward Sabha consultations should be held with key stakeholders.

### Holding of Grama Sabha/Ward Sabha

**4.4.3** Grama Sabhas / Ward Sabhas would be held after sufficient environment creation and information dissemination. The agenda should be semi-structured through a questionnaire covering key development issues within the LSGI as a whole rather than local issues. Secretary of the LSGI shall collect and maintain recommendations of the Grama Sabha/Ward Sabha as a whole, along with other records.

### Watershed planning

**4.4.4** All the steps envisaged in the G.O (MS) No. 295/06/LSGD, dated 28/12/2006 (see Annexure 13) on Watershed Management would be implemented up to the holding of Watershed Sabha.

### Preparation of Development Report and Vision Document

**4.4.5** This two-part document should be based on the outputs of the first three steps. Development Report part would primarily analyse the development situation in the LSGI in respect of different sectors and also present an overall assessment of development. Vision Document part which would be added to the Development Report, would go beyond five years and give the vision of overall development of the LSGI as well as development in different sectors.

## Draft Plan preparation at the LSGI level

**4.4.6** Each LSGI would decide the broad allocations for different sectors and call a meeting of Working Groups and arrive at a consensus on key strategies and priority schemes. This meeting should finalise the discussion paper containing the draft plan proposals.

## Development Seminar

**4.4.7** Development Seminars would be held with the participation of key representatives from different walks of life and professionals including two representatives nominated by each Grama Sabha/Ward Sabha, one male and one female. The Draft Plan and Maintenance Plan would be discussed in these seminars through group discussions. The gist of the Development Report and Vision Document would be circulated. The Development Seminar would thus fine-tune the specific strategies to be followed and fix the priorities. Each LSGI should have a key development theme for the plan as a whole or for each of the five years related to the broad themes for the district developed by the District Planning Committee.

## Reorientation by LSGIs

**4.4.8** Panchayat/Council would meet along with key members of Working Groups and consider the suggestions and recommendations of the development seminar and make suitable modifications of priorities, strategies and allocations.

## Projectisation

**4.4.9** The Working Groups would then prepare detailed project reports within their allocation in the formats prescribed. Working groups are responsible for the quality of projects. The number of projects should be reduced significantly by completely avoiding small and low-impact projects and thin spread of resources.

## Plan finalisation

**4.4.10** This would be done by the LSGI. After approval by LSGI, twelve documents relating to the planning process would have to be submitted to the District Planning Committee.

## Plan vetting by Technical Advisory Groups

**4.4.11** Technical Advisory Groups (TAGs) are to be constituted at the district level for Block Panchayats and District Panchayat, at the Block level for Grama Panchayats and at the Municipality/Corporation level for Municipalities/Corporations with experts from departments, professional colleges, academic institutions, public/private sector organisations, NGOs, Bankers and from among retired personnel and practitioners as members. The appraisal of projects by Technical Advisory Group should be done scrupulously to ensure quality of the projects. The District Collectors may initiate appropriate action against those members of Technical Advisory Group who recommend projects without proper scrutiny. The draft plan of District Panchayats and Corporations should be submitted to a State Level Technical Group after vetting by TAG.

## Approval by District Planning Committee

**4.4.12** The projects vetted by the Technical Advisory Groups should be considered in detail by the DPCs. Technical Advisory Groups may be asked to present their assessments before the DPC and a considered decision taken. DPCs should not give adhoc clearances or conditional clearances.

## Post approval steps

**4.4.13** A summary of the approved plan in an electronic form containing details like allocation, implementing officer, physical targets, implementation charts etc would be given to the office of the DPC for approval. Proceedings would be issued by the DPC based on this. This would be used for fund release by treasuries and monitoring purposes by the DPC.

## Devolution

**4.5** Third State Finance Commission recommended funds to LSGIs taking 2006-07 as base year and suggested 10 per cent increase per annum for the next four years. This has improved predictability as the SFC has indicated LSGI-wise share for each year over the five-year period under the three streams of General Purpose Fund, Maintenance Fund and Development Fund.

## For development schemes

**4.5.1** Though Government decided to transfer 35-40 percent of total State Plan in July 1996, plan grants actually received by LSGIs during the 9<sup>th</sup> plan period as a percent of the total State Plan was only 29. It declined to 27 per cent during the 10<sup>th</sup> plan. The Third State Finance Commission not only substituted the nomenclature of plan grants by 'development funds' and recommended devolution of 25 percent of State tax revenue, taking 2006-07 as the base year which increases at the rate of 10 per cent per annum for the next four years. ie the linkage with State Plan outlay was discontinued.

For traditional and maintenance purposes

**4.5.2** The First State Finance Commission recommended the integration of non plan specific purpose grants into a broader general purpose grant. The Second State Finance Commission moved away from sharing specific State taxes and suggested sharing of State's own tax revenue, fixing 3.5 per cent as General Purpose Grant and 5.5 per cent as Maintenance Grant. The Third State Finance Commission fixed the base year (2006-07) grant equivalent to the recommendations of the Second State Finance Commission and suggested 10 per cent annual increases for the next four years.

## Flow of funds

**4.6** Government of Kerala devolve grants to LSGIs based on recommendations of the State Finance Commissions. Method of flow and drawal of funds were changed many times after 1997-98. Comparative statement of important aspects of various government orders issued in this behalf is given in Annexure 14.

# 5

## Technical Guidance and Support

### Eleventh Finance Commission

**5.1** Eleventh Finance Commission (EFC) recommended a series of measures to improve the accounting and auditing arrangements at the LSGI level, including an enhanced role for the CAG. Important recommendations on audit and accounts are given below.

#### Control and supervision

**5.1.1** Comptroller and Auditor General should be entrusted with the responsibility of exercising control and supervision over the proper maintenance of accounts and their audit for all the tiers/levels of PRIs and ULBs.

#### Formats

**5.1.2** CAG should prescribe the format for the preparation of budgets and for keeping of accounts for the local bodies.

#### Director of Local Fund Audit

**5.1.3** Director of Local Fund Audit (DLFA) should work under the technical supervision and advice of the CAG.

#### Audit Report

**5.1.4** Report of the CAG relating to audit of accounts of PRIs and ULBs should be placed before a Committee of the State Legislature constituted on the same lines as the Public Accounts Committee

## Technical Guidance and Support

**5.2** Based on the EFC recommendations and after issue of Ministry of Finance guidelines on utilisation of EFC grants in 2001, CAG was entrusted by Government of Kerala, in October 2002, with Technical Guidance & Support (TGS) over the

**maintenance of accounts of local bodies and their audit and providing technical guidance to the Director of Local Fund Audit (DLFA), under section 20(1) of CAG's (DPC) Act 1971 [GO(P) No. 631/02/Fin dated 17-10-2002].**

## Parameters of Technical Guidance and Support

**5.2.1** The parameters of Technical Guidance and Support to the DLFA include assistance by CAG in adopting the auditing standards, audit planning, improved audit methodologies and professional training, besides supplementing the audit done by the Local Fund Audit Department to ensure proper certification of accounts and, thereby enhance its quality.

### No audit fee

**5.2.2** As agreed to with Government of Kerala, Comptroller and Auditor General has decided not to levy audit fee on the supplementary audit conducted as part of Technical Guidance and Supervision.

## Fulfillment of TGS mandate

**5.2.3** To fulfill the TGS mandate, the CAG has prescribed

- accounts and budget formats for PRIs
- accrual accounting system for ULBs
- auditing standards
- guidelines for certification audit

## Training under Technical Guidance and Support

**5.2.4** To acquaint themselves with the new accounting formats for PRIs prescribed by CAG, faculty from PAG Office imparted training to nearly 5000 members of staff from all the PRIs in the State, besides the entire staff of DLFA and Performance Audit during January-March 2004. Another training was given to all the 740 audit staff of DLFA on auditing standards, certification of accounts and good practices in audit during 2006-07.

## DLFA conference

**5.2.5** Building a sound working relationship and rapport with DLFA is the cornerstone of the TGS arrangement with the States. To this end, conferences of DLFAs of various States were to be organised to discuss the TGS arrangement and how best to increase cooperation. On instructions from CAG Office, a Conference of



DLFAs of southern States was convened, under the aegis of PAG Office, at Thiruvananthapuram in May 2007, in which various measures to improve TGS was discussed.

## State Level Monitoring Committee

**5.2.6** In order to monitor the progress of implementation of TGS in various States, State Level Steering Committees comprising representatives of the PAG, the State Government and the DLFA were to be constituted. As suggested by PAG, State Government constituted a State Level Monitoring Committee in June 2005 [GO(Rt)No.4905/05/Fin dated 29-6-2005], which was reconstituted in December 2007, expanding representation [GO(P)No.601/2007/Fin dated 22/12/2007]. Meetings of this Committee have been an exercise in cooperation, have enabled a constant exchange of views, and facilitated the prompt resolution of outstanding accounting and auditing issues.

## Certification of accounts not included

**5.3** Audit of CAG under Technical Guidance and Support do not include the certification of accounts of LSGIs.

## Term of TGS

**5.4** Government of Kerala, in October 2002, entrusted the audit of the accounts of LSGIs for providing Technical Guidance and Support to DLFA for a period of five years [GO (P) No 631/02/Fin dated 17-10-2002]. The initial term of five years began from 1 April 2003 and ended on 31 March 2008. Based on the initiatives taken by Principal Accountant General under TGS, Director of Local Fund Audit issued a circular to its staff in April 2006, instructing them to-

- follow auditing standards prescribed by CAG
- certify accounts as per guidelines issued by CAG
- evaluate internal control system of LSGIs
- Discuss the draft audit report at the exit meeting etc

As the initiatives have brought to the fore a slew of good practices, policy expectations and some immediate requirements, which could lead to improved functioning of the DLFA, Government of Kerala, in December 2007, has extended the scheme for another term of five years from 1-4-2008 [GO(P) No.601/2007/Fin dated 22/12/2007].

# Clarification of CAG on Technical Guidance and Support

## **5.5** HQ have issued the following clarification with regard to matters relating to TGS

- **In addition to audit under TGS, audit under sections 14 and 15 should be continued for those LSGIs which attract the provisions of these sections as this mandate is enshrined in the DPC Act**
- **Under TGS, transaction audit will be conducted in 10 percent of LSGIs and supplementary audit of 10 percent of LSGIs would be focused on audit of financial statements ie comments on accounts. Instructions to DLFA under TGS should be confined to observations/comments based on supplementary audit**
- **PAG will not vet DLFA reports. Sample of reports already issued could be scrutinised and improvements suggested.**
- **Report of CAG will be separately tabled in the Legislature and not as a part of DLFA report**

**[D.O.letter No.163/LB/PRI/14-2001 dated 4-6-2004 of Director (PRI)]**



# 6

## Audit arrangements in LSGIs

### Audit by three authorities

**6.1** The accounts and financial statements prepared by the LSGIs are audited by three authorities based on provisions of different Acts and Rules.

- Comptroller and Auditor General of India
- Director of Local Fund Audit
- State Performance Audit Authority

### Comptroller and Auditor General of India

**6.2** CAG, the Supreme Audit Institution of India, derives his authority and functions mainly from the provisions of Articles 149 to 151 of the Constitution of India.

#### Constitutional Auditor

**6.2.1** Article 149 of the Constitution stipulates that besides the audit of the accounts of the Union and States, CAG shall audit the accounts of bodies and authorities.

#### CAG's (DPC) Act 1971

**6.2.2** Important provisions of the Act relating to audit of bodies or authorities are given below

- Section 14 empowers CAG to audit all receipts and expenditure of bodies or authorities substantially financed from the Consolidated Fund of India or a State.
- Section 15 empowers CAG to audit the accounts of bodies or authorities relating to a specific purpose grant received by them from the Consolidated Fund of India or a State.
- Section 20 empowers CAG to audit the accounts of any body or authority, if entrusted by President/Governor, on mutually agreed terms.

## Periodicity and party days

**6.2.3** Periodicity and number of days fixed by HQ, for audit of LSGIs in Kerala is given below

Type	Periodicity	Days of audit
Grama Panchayat	Quinquennial	12
Block Panchayat	Annual	7
District Panchayat	Annual	20
Municipality	Annual	15
Corporation	Annual	35

Number of days have not been fixed for supplementary audit of LSGIs

## Inspection Reports in Malayalam

**6.2.4** As directed by HQ, audit enquiries and Inspection Reports are issued in Malayalam from April 2005.

## Director of Local Fund Audit

**6.3** Director of Local Fund Audit derives his powers from The Kerala Local Fund Audit Act 1994. For carrying out the provisions of the Act, The Kerala Local Fund Audit Rules 1996 was published.

### Statutory Auditor

**6.3.1** The Kerala Panchayat Raj Act 1994 and the Kerala Municipality Act 1994 also designate DLFA as the statutory auditor of LSGIs. After issuing guidelines for certification of accounts by CAG under Technical Guidance and Support, DLFA has begun to issue audit certificates.

### Kerala Local Fund Audit Act 1994

**6.3.2** Important provisions of the Act relating to audit of LSGIs are given below

- Section 4 empowers DLFA to conduct the audit of accounts of LSGIs
- Under section 10, audit shall be completed within six months of the date of presentation of accounts

- Under section 16, DLFA is empowered to charge/surcharge the person responsible for causing loss/making illegal payments.
- Section 19 provides for payment of audit fee by LSGIs
- Under section 23, DLFA is responsible to present annually a consolidated audit report to Government, for being laid before the Legislature.

## Examination of Audit Reports

**6.3.3** Consolidated audit report of DLFA presented in the Legislature is examined by Committee on Local Fund Accounts.

## State Performance Audit Authority

**6.4** Under KPR Act 1994 and KM Act 1994, Government may arrange periodical performance audit in respect of the administration of the LSGI. Based on these provisions, Government have prescribed KPR (Manner of Inspection and Audit System) Rules 1997 and KM (Manner of Inspection and Audit System) Rules 1997.

### Internal Auditor

**6.4.1** State Performance Audit Authority (SPAA) audits the performance of the LSGIs as prescribed in the Rules. Under the Rules, Secretary to Government, LSG Dept shall function as State Performance Audit Authority. The Authority will submit annual reports to State Government on certain matters specified in the Rules.

### State Performance Audit Officer

**6.4.2** As per Rules governing performance audit, Government shall appoint an Officer as State Performance Audit Officer to assist the State Performance Audit Authority at the State level and the Authority may delegate any or all of its powers to the State Performance Audit Officer.



# 7

## Financial Audit of LSGIs

### Definition

**7.1** Financial audit refers to an assessment as to whether the financial statements are properly prepared, are complete in all respects and are presented with adequate disclosures. Under Technical Guidance and Support, CAG conducts supplementary audit over the financial audit conducted by the statutory auditor.

### Scope of Supplementary audit

**7.2** The statutory auditor (DLFA) is primarily responsible for expressing an opinion on the accounts of the LSGI. Supplementary audit of the accounts by the CAG is mainly an instrument of quality control of financial audit of accounts. The scope of supplementary audit of annual accounts of a LSGI shall include an examination of selected accounting records and a review of the audit report of the statutory auditor including the opinion expressed by him on the annual accounts of the LSGI.

### Checks to be exercised

**7.3** The following may be verified:

- books of accounts and the financial statements for their compliance with the applicable laws, rules and regulations and accounting principles, policies and acceptable standards including conformity with the form of accounts prescribed.
- completeness of the books of accounts and the financial statements; this also includes a critical review of the amounts that are not adjusted to their final classification.
- accuracy of the books of accounts and the financial statements including consistency between the related statements.
- timeliness of the books of accounts and the financial statements.
- adequacy of disclosures including appropriate and necessary explanations for any entry or amount that is prima facie unusual.
- the explanations for the significant variations between the amounts of actual expenditure and the amounts authorised.



## Records to be verified

**7.4** List of records to be verified during supplementary audit of LSGIs is given in Annexure 15.

## Audit findings

**7.5** Some of the audit findings on supplementary audit of LSGIs are given in Annexure 16.



# 8

## Compliance Audit of LSGIs

General provisions of audit apply

**8.1** General provisions relating to audit, contained in Section 13 (audit of expenditure), Section 16 (audit of receipts) and Section 17 (audit of stores and stock) of DPC Act are applicable to audit of LSGIs, to the extent relevant. Besides, provisions contained in Chapter 6 (Compliance Audit) of Regulations on Audit and Accounts 2007 are also applicable to audit of LSGIs.

Compliance or transaction audit

**8.2** Compliance or transaction audit examines the transactions relating to expenditure, receipts, assets and liabilities for compliance with:

- The provisions of Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities.
- It also includes an examination of the rules, regulations, orders and instructions for their legality, adequacy, transparency, propriety and prudence.
- It also examines whether the rules, regulations, orders and instructions are consistent.

Audit of Expenditure

**8.3** Section 13 of the CAG's (DPC) Act authorises CAG to audit all expenditure from the Consolidated Fund of India and of each State. Section 13 of the Act also authorises CAG to audit all transactions of the Union and of the States relating to Contingency Funds and Public Accounts.

Examination of systems and procedures

**8.3.1** Audit of expenditure incurred from the Panchayat/Municipal Fund examines and verifies whether adequate, proper and sound systems and procedures are in place and are being complied with, both in letter and spirit, for spending public money.

## Checks to be applied

### **8.3.2** Audit, *inter alia*, checks the expenditure for:

- Availability of funds in the budget, including supplementary grants and re-appropriation; this also includes (a) examination of the orders of re-appropriation for their legality, competence and propriety; and (b) confirmation that the expenditure is within the scope and intent of the grant
- Authorisation by the authority that is competent to do so
- Compliance with the requirement of the applicable laws, rules, regulations, orders and instructions in actual disbursement
- Evidence by way of vouchers, payees' acknowledgements etc
- Record in the books of the spending officer, including cross-verification with the records of the treasury, bank etc
- Accounting in the books of the LSGI; and
- Monitoring, control and reporting as prescribed in the rules.

## Examination of financial propriety

**8.3.3** The above checks carry an embedded, but essential, requirement of the examination of expenditure for compliance with the broad and general principles of financial propriety. Audit shall bring to light not only significant cases of irregularity and breach of rules, regulations and orders but also every matter, which in the judgment of the audit officer, appears to involve significant unnecessary, excessive, extravagant or wasteful expenditure of public money and resources despite compliance with the rules, regulations and orders.

## Audit of Receipts

**8.4** Section 16 of the CAG's (DPC) Act authorises CAG to audit all receipts which are payable into the Consolidated Fund India of and each State and to satisfy himself that the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed.

## Examination of systems, procedures and their efficacy

**8.4.1** Audit of receipts includes an examination of the systems and procedures and their efficacy in respect of:

- Identification of potential tax assessees , ensuring compliance with laws as well as detection and prevention of tax evasion
- pursuit of claims with due diligence and that these are not abandoned or reduced except with adequate justification and proper authority

- prompt investigation of losses of revenue through fraud ,default or mistake including, if required ,through the review of other similar cases
- exercise of discretionary powers in an appropriate manner including levy of penalties and initiation of prosecution
- any measures introduced to strengthen or improve revenue administration
- amounts that may have fallen into arrears, maintenance of records of arrears and action taken for the recovery of the amounts in arrears
- achievement of targets, accounting and reporting of receipts and their cross verification and reconciliation with the accounts records

## Audit of Stores and Stock

**8.5** Section 17 of the CAG's (DPC) Act authorises CAG to audit and report on the accounts of the stores and stock kept in any office of department of the Union or of a State.

### Verification of systems, procedures and compliance

**8.5.1** Audit of stores and stock is primarily an extension of audit of expenditure. Additionally, it involves verifying that adequate and sound systems and procedures are in place and complied with for:

- establishment of the need for procurement of stores
- proper assessment of requirement of stores, including, where applicable, determination of reserve stock limits
- authorisation of procurement of stores
- procurement of stores in a cost-effective manner in accordance with the prescribed systems and procedures
- receipt, inspection, custody, issue and accounting of stores including appropriate segregation of duties of personnel and reconciliation of store accounts with books of accounts
- verification of physical balances at prescribed intervals, and reconciliation and resolution of discrepancies between physical balances and balances as per the records without delay
- identification of obsolete and surplus stores, their disposal by way of sale and/or transfer to other units, divisions, etc. and accounting of corresponding receipts, or write off after proper investigation

### Right of Audit to investigate stores balances

**8.5.2** Audit shall not normally assume responsibility for physical verification of stores, which rests with the Government. It, however, reserves the right to investigate store balances and highlight discrepancies.

## Audit of other assets and liabilities

**8.6** Section 13 of the DPC Act authorises the CAG to audit trading, manufacturing and profit and loss accounts and balance sheets and other subsidiary accounts kept in any department of the Union or of a State and to report on accounts so audited by him. Accordingly, besides stores and stock, audit by the CAG shall extend to all other assets and liabilities of the Union and of States including ongoing and completed works, investments, loans and advances, deposits, cash balances, internal and external borrowings, guarantees given by the Governments, reserves and sinking funds.

## Audit of Grants-in-aid and Loans

**8.7** Audit of grants-in-aid and loans is primarily an extension of audit of expenditure and the broad principles of audit of expenditure shall apply. Additionally, it examines whether the amount of Government assistance is utilised for the intended purpose.

### Verifications to be done during audit of grants-in-aid and loans

**8.7.1** Audit of Government assistance in the form of grants-in-aid or loans shall be conducted to verify whether systems and procedures are in place and are being complied with for:

- clear enunciation of purpose for the sanction of the Government assistance
- proper and transparent identification and selection of persons, bodies and authorities for Government assistance with reference to their antecedents, absorptive capacity, financial position, systems and management practices
- determination of amount of assistance and its timely release
- proper accounting of assistance by the grantee or the loanee including maintenance of accounts in such form as may be prescribed
- ensuring the fulfillment of conditions of Government assistance
- monitoring and ensuring the economical, efficient and effective end use of assistance including achievement of the objectives of assistance
- refund to the Government of any unutilised amount
- in the case of loans, their repayment as prescribed and recovery of interest including penal interest according to applicable conditions

## Records to be verified

**8.8** List of records to be verified during transaction audit of LSGIs is given in Annexure 17.

## Audit findings

**8.9** Some of the findings on audit of receipts, audit of expenditure and audit of works are given in Annexure 18 to 20.





# 9 Performance Audit

## Performance Audit Guidelines

**9.1** Comptroller and Auditor General of India, in 2004, has formulated Performance Audit Guidelines keeping in mind international best practices in performance auditing. These guidelines are based on the existing guidelines of SAI India, ASOSAI Performance Auditing Guidelines and INTOSAI Exposure Draft Implementation Guidelines for Performance Auditing Standards, besides other SAI's best practices and have been developed with the objective of ensuring consistency with the international best practices. These guidelines will replace en-block section III, Chapter 8 of the Manual of Standing Orders (Audit), in the context of performance auditing in SAI India.

## Mandate

**9.2** The mandate of CAG for performance audit is governed under sections 13, 14, 15, 16, 17, 19 and 20, as the case may be, read with section 23 of the CAG's (DPC) Act 1971.

## Definition

**9.3** Performance audit is an independent assessment or examination of the extent to which an organisation, programme or scheme operates economically, efficiently and effectively.

## Three Es

**9.4** Performance audit assesses:

(a) Economy:	Economy is minimising the cost of resources used for an activity, having regard to appropriate quality. Economy issues focus on the cost of the inputs and processes. Economy occurs where equal-quality resources are acquired at least cost. <i>ie spending less.</i>
(b) Efficiency:	Efficiency is the relationship between the output, in terms of goods, services or other results and the resources used to produce them. Efficiency exists where the use of financial, human, physical and information resources is such that output is maximised for any given set of resource inputs, or input is minimised for any given quantity and quality of output. <i>ie spending well.</i>
(c) Effectiveness:	Effectiveness is the extent to which objectives are achieved and the relationship between the intended impact and the actual impact of an activity. Effectiveness addresses the issue of whether the scheme, programme or organisation has achieved its objectives. <i>ie spending wisely.</i>

## Plus two Es

**9.5** The performance auditor will also be expected to address concerns relating to Equity and Ethics while assessing the effectiveness of a programme/activity.

- Equity in the context of programme management relates to fairness and impartiality in use of public funds.
- Ethics in managing public affairs enjoins the qualities of honesty and integrity in personal conduct and devotion to the duty as manager of public funds.
- 

Audit findings on ethics and equity should be included in the performance audit report only when the infringement of the standards of equity and ethics impacts the performance adversely. Thus, economy, efficiency, effectiveness, equity and ethics are, in effect, three plus two issues rather than five issues.

## Objectives of performance audit

**9.6** One of the main objectives of performance auditing is to assist the people's representatives in exercising effective legislative control and oversight over the policy objectives and their implementation.

## Performance audit and regularity audit

**9.7** In contrast to regularity audit, which is subject to fairly specific requirements and expectations, performance audit is wide-ranging in nature and is more open to judgment and interpretation; coverage is also more selective and may be carried out over a cycle of several years, rather than in one financial period; and it does not normally relate to particular financial or other statements. Therefore, performance audit reports are varied and contain more discussion and reasoned argument.

The performance audit report should state clearly the objectives and scope of the audit. Reports may include criticism (for example, where, in the public interest or on grounds of public accountability, matters of serious waste, extravagance or inefficiency are drawn to attention) or may make no significant criticism but give independent information, advice or assurance as to whether and to what extent economy, efficiency and effectiveness are being or have been achieved.

Performance reports should not concentrate solely on criticism of the past but should be constructive. The auditor's conclusions and recommendations are an important aspect of the audit and, where appropriate, are written as a guide for action. Generally, these recommendations suggest what improvements are needed rather than how to achieve them, though circumstances sometimes arise which warrant a specific recommendation, for example, to correct a defect in the law in order to bring about an administrative improvement.

In the case of performance audits, the judgment will be more subjective as the report does not relate so directly to financial or other statements. Consequently, the auditor may find that materiality by nature or by context is a more important consideration than materiality by amount.

## Nature of performance audit

**9.8** Performance audits are usually directed towards specific functions, activities, programmes or operations of the entity. Performance audit findings are not a random assortment of various financial and regularity audit findings but an assessment of either the whole or the part of the programme/ subject/system.

## Performance audit process

**9.9** The following are the various processes of performance audit.

### Strategic planning

**9.9.1** The objectives of strategic audit planning are to:

- provide a firm basis for the SAI management to give strategic direction for future audit coverage;
- identify and select, audits with the potential to improve public sector accountability and administration;
- provide a platform for communication with agencies and the legislature on SAI audit strategies;
- produce a work programme that can be achieved with expected/available resources;
- understand entity risks and take them into account in audit selection; and provide a basis for SAI accountability.

### Procedure for strategic planning

**9.9.2** An in-depth exercise for performance audit strategic planning may be carried out. After setting the strategic goals and objectives, the data on entity contained in budget papers, programme papers, plan documents, annual reports, parliamentary debates and reports, media concerns, research and reports of international agencies, follow-up and leads from the past audits, etc. should be analysed on the parameters of risk, materiality, significance, visibility, coverage, etc. to select subjects for performance audits to be carried out over the strategic plan period.

## Selection of subjects

**9.9.3** Though amount of expenditure or revenue associated with a programme or function is a significant consideration for selection of a subject, topics for which there are either no budgets or these are insignificant, or whose materiality cannot be determined with reference to expenditure, receipts or assets and liabilities only, could also be selected for performance audit. But the subject or the deficient performance could affect a large or vulnerable section in a significant manner.

## Whole programme not to be selected

**9.9.4** It is not always necessary to conduct performance audits of the entity or the programme as a whole. The selection of the components or parts of the programme may be guided by the materiality and risk profiles. Where desirable, the subjects of performance audit may be selected cutting across various departments or entities.

## Concurrent audit possible

**9.9.5** While performance audit is mainly a posteriori exercise, there is no bar to conduct performance audit of programmes concurrently, or at the initial stages of the implementation of the programme, in cases where the risk and materiality are perceived as being significant.

## Pilot study/preliminary survey

**9.9.6** A pilot study may be conducted in one or two representative units of the entity to assist the performance auditor in refining the risk analysis, audit objectives, audit criteria, audit approach and audit test programme. In some cases, the result of pilot study may necessitate more intense field audit and in others, the result may lead to either defer or abandon the audit.

## Operational planning

**9.9.7** Operational planning of the individual performance audits is the most critical process for securing a high standard of audit. Accountants General should provide sufficient time for collection of data and preparation of detailed guidelines for the performance audit of the selected subjects. A good planning for the performance audit of any subject is almost half the job done and provides an assurance to the SAI top management on the quality of audit. While the time spent on the audit planning of the individual subjects may vary from subject to subject, generally about 20 - 25 per cent of the total time provided for the performance audits may be expected to be consumed in the planning stage. A good audit planning will ensure a focused fieldwork by the audit team and also facilitate monitoring and review of the progress of audit by Accountants General.  
The critical aspects in planning are:

- Collection of and research on the data and information relating to the subject
- Scope of audit
- Pilot study/ Preliminary survey
- Setting the audit objectives and criteria
- Assessment of skill and knowledge required for the conduct of the performance audit and those available internally
- Defining the gap in the requirement and its availability in-house
- Plan for bridging the gap through expert advice or appointment of a full time consultant for the duration of audit
- Assignment of the personnel and other resources
- Finalising the guidelines along with the audit programme

The guidelines, which in effect, serve a road map for the performance audit, will *inter alia* contain audit criteria, selection of the types of evidence to be collected and evidence gathering techniques, time-frame for the various stages of performance audit, sampling of units and sampling of transactions/ vouchers/data for audit tests, etc.

## Draft performance audit report

**9.9.8** Draft performance audit report is to be prepared upon conclusion of the field audit of all units selected for audit. The draft performance audit report provides the first opportunity to the Accountant General as well as to the entity to view the full context of audit findings. The draft performance audit report should be prepared exactly similar in form and content as the final report with the exception that the entity may expect details to enable it to provide a response. The purpose of preparation of the draft report is to seek formal response of the Secretary of the department.

## Style guide to be adhered

**9.9.9** The presentation and language of the performance audit report should abide by the 'style guide' of SAI India (see Annexure 21). The essence of the style guide is to adopt uniform format and language, render the report simple and reader friendly as well as interesting.

## Forwarding of the draft report

**9.9.10** Accountant General may forward the draft performance audit report to the Secretary to Government with a demi-official forwarding letter. Accountant General may forward simultaneously a copy each of the draft performance audit report and the forwarding letter to the Secretary to Government to HQ. On receipt of the response of the Government and observations of HQ, Accountant General may incorporate the modifications, warranted by them and forward the draft report again along with a response sheet to HQ for approval of the report.

## Final report

**9.9.11** On approval of the report by HQ, the Accountant General may send the bond copy of the report with appropriate annotations for formal approval of the report by CAG, after which the report stands cleared for printing of the prescribed number of copies, signature copies for signature of the CAG in ink and others with his facsimile signature. The printed signature copies of the report are to be forwarded to HQ for signature of CAG. The signed copies of the report should be forwarded to the Government for placing it on the table of the State Legislature. Simultaneously, intimation on forwarding of the report along with a copy of the report is to be sent to the Secretary to the Governor. The remaining copies of the printed reports are forwarded to the Legislature Secretariat on their request, generally on the day the report is presented.

## Holding of Entry conference

**9.10** Before commencing detailed work of performance audit, the Accountant General (Audit) shall hold an entry conference with the Secretary to Government of LSG Department. The discussions at the entry conference shall *inter alia* include the scope and coverage of audit, audit objectives and criteria, proposed techniques of evidence collection, overall timeframe and tentative time schedule. The Accountant General (Audit) shall give full consideration to any suggestion that may be made by the Secretary to Government. A written record of the proceedings of the entry conference, duly signed by both parties, shall be kept on record.

## Holding of Exit conference

**9.11** The Accountant General (Audit) shall, after the draft performance audit report is ready, hold an exit conference with the Secretary to Government of LSG Department. A written record of the proceedings of the exit conference, duly signed by both parties, shall be kept on record. The Accountant General (Audit) shall consider the observations and comments of the Secretary while finalising the draft performance audit report for inclusion in the audit report of the CAG.



# 10

## Audit functions of HQ section

### Main functions

**10.1** The main audit functions of LBA (HQ) Section are given below.

- Preparation of strategic and annual audit plans
- Correspondence with CAG Office, State Government, Director of Local Fund Audit, auditee units etc
- Furnishing of registers /returns to CAG Office and within the office by due dates
- Preparation of tour programmes of field parties and supervising officers
- Selection of topics for performance audit
- Issue of intimation of audit to auditee institutions
- Collection of all relevant files, documents etc. and despatch to field parties
- Editing of inspection reports received from field parties and checking of accounts, if any, appended thereto, before submission for approval
- Scrutiny of replies to inspection reports, issue of further remarks, if any, or initiate any further action on the same until the points raised in the reports are finally settled
- Disposal of all general questions relating to field audit
- Maintenance of registers prescribed in addition to the general registers required to be maintained otherwise
- Distribution of government orders, circulars, etc. to field parties
- Examination of weekly diaries of field parties
- Monthly review of outstanding paragraphs in the inspection reports
- Reporting of delay in the disposal of inspection reports by LSGIs to State Government
- Provide information on the defects noticed in central audit to field parties
- Maintenance of files for government orders and circulars
- Taking necessary action on the notes submitted by field parties
- Conduct of quarterly conferences
- Ensuring participation in Audit Monitoring Committees and Technical Guidance and Support Monitoring Committees
- Forwarding copy of potential paragraphs and key documents of Report section

### Proforma on financial data

**10.2** Along with the intimation of audit, a proforma on financial and other details of the LSGI (see Annexure 22) for the last three years will be sent to the Secretary for filling up and handing over to the party on the first day of audit.



## Intimation to LSGIs

**10.3** Intimation of date of visit by the party to the LSGI to be audited will be issued from LBA(HQ) section to the Secretary of the LSGI concerned, fourteen days before the commencement of audit. Intention to hold an entry meeting with the President/Chairperson/Mayor will be conveyed in that communication. It will also indicate the documents and information to be kept ready by the LSGI.

## Review of outstanding paragraphs

**10.4** A list of outstanding paragraphs will be sent simultaneously with the intimation of audit, requesting the LSGI to prepare the replies in advance and hand over to the party on the first day of audit. Details of outstanding paragraphs will also be sent to the party separately so as to reach the LSGI on the day prior to the commencement of audit so that the party can take up the matter during 'entry meeting'.

## Quarterly conferences

**10.5** LBA (HQ) section will convene a quarterly conference of all members of LBA parties for reviewing the performance of party members during the previous quarter. Important points taken by party members in the previous quarter will be compiled by LBA (HQ) in the form of a handbook and circulated in the conference. The contributors will present the points included in the handbook in the conference.

## DP cases

**10.6** Copy of potential paragraphs that are likely to be converted as draft paragraphs will be transmitted to Report (LBA) section along with key documents furnished by party members for preparing statement of facts. As and when an Inspection Report is issued, the documents should be transmitted to Report section. For this purpose, a register will be maintained for recording prospective paragraphs included in the Inspection Reports.

## Fraud and Corruption cases

**10.7** Cases relating to suspected/presumptive fraud and corruption should be highlighted in the Inspection Reports. All such cases should be printed in bold type. Reports of individual cases of suspected fraud/corruption should be confidentially addressed, in the first instance, to the controlling authority concerned, with the approval of Group Officer. More serious cases should also be confidentially reported to the Secretary of the Administrative departments concerned and the investigative authorities like Central/State Vigilance Commission, Lok Ayukta etc over the signature of the PAG or with his/her approval.

## Audit Monitoring Committees

**10.8** Government of Kerala has constituted Audit Monitoring Committees (AMCs) for LSGIs for settling outstanding paragraphs in the Inspection Reports. LBA(HQ) should ensure representation of the office in the meetings of AMCs. Updated details of outstanding paragraphs should be supplied to the official participating in the meeting in advance.

## Database

**10.9** LBA (HQ) will maintain an electronic database of all institutions under its audit jurisdiction, which will be updated periodically.

## Audit Planning

**10.10** Under Audit Quality Management Framework (AQMF) operationalised in IA&AD, audit planning is expected to be strategic in that it fits into the long term and short term goals of audit. A strategic audit plan identifying the major areas to be audited over the next 3-5 years will be prepared. The annual audit plan should flow from the strategic audit plan. The annual audit planning broadly comprises of risk assessment, selection of units, assignment planning etc. The audit plan should be based on a clear assessment of risk, materiality and priority. The overall significance of the auditee based on factors such as financial size or the effect of its performance on the public at large or issues of national importance would be a major factor in prioritising the audits. These could include previous audit experience, visibility of the subject, auditability of the unit and expected audit impact. Unless approved by PAG/HQ office, there shall be no change in the audit plan during the year.

## Grading

**10.11** The following will be graded.

- Inspection Reports of transaction audit
- Performance of party members including supervising officers

## Grading of Inspection Reports

**10.11.1** Inspection Reports will be graded based on aggregate marks obtained for paragraphs and other aspects.

**Maximum points for an Inspection Report will be 100**

Maximum points for paragraphs	: <u>55 points</u>
Maximum points for other aspects of the IR	: <u>45 points</u>
Total	: <u>100 points</u>

For grading an Inspection Report, paragraphs are initially classified into 10 categories from A to J. Details of categories are given in Annexure 23. Points are awarded on a declining scale A to J, where A will carry 10 points and J will carry 1 point.

### Allocation of points for paragraphs

**10.11.2** Category A' paragraph, whether one or more, shall get maximum of ten points, category B, whether one or more, nine points etc. Thus, if an Inspection Report contains one paragraph each in all categories from A to J, it gets the maximum number of points, namely  $55(10+9+\dots+1)$ . If an Inspection Report contains one paragraph each in categories A and B, it will get maximum of 19 points  $(10+9)$ .

### Allocation of points for other aspects of Inspection Report

**10.11.3** The points in this category are awarded to ensure that an audit party which has conducted good quality audit is not ranked 'poor' on account of the fact that the institution had maintained accounts properly and conducted its affairs reasonably well and hence the number of paragraphs were few.

The points will be awarded as follows:

For quality drafting and neat presentation of Inspection Report	: 10 points
For forwarding minutes of Entry meeting and Exit meeting	: 5 points
For inclusion of a quality paragraph on the internal controls of the institution	: 10 points
For attaching documentation that all mandatory checks have been exercised	: 5 points
For forwarding a review report on the previous Inspection Reports	: 5 points
For forwarding proposals for settling at least five paras in the previous IRs	: <u>10 points</u>
Total	: <u>45 points</u>

## Allocation of points to party members

**10.11.4** Performance of party members including supervising officers will be graded based on paragraphs contributed by each. Maximum points for an individual shall be 55. If two individuals contribute one paragraph each under a category, both individuals would get maximum points of that category. If an individual contribute more than one paragraph under a category, he will get points for all the paragraphs in that category.

## Registers to be maintained

**10.12** The following registers will be maintained in LBA (HQ) in addition to the general registers.

Name of Register	Purpose
Watch Register	For recording the date of receipt, dates of different stages of processing and despatch of IR
Progress Register	For recording the gist of paragraphs included in the IRs along with para number and money value. Separate registers may be maintained for transaction and supplementary audits.
Adjustment Register	For recording details of settlement of paras.
Performance Register	For recording the contribution of party members including supervising officers
Register of points to be verified during next audit	For recording points received from HQ or other sections, paper clippings or otherwise for verification during next audit
Register of recoveries made at the instance of audit	For recording recoveries made by LSGIs at the instance of audit either during local audit or central audit or while pursuing IRs.
Register of fraud and corruption	For recording fraud and corruption cases detected during audit.
Complaint Register	For recording complaints relating to LSGIs received from public

## Timely issue of Inspection Reports

**10.13** Belated issue of Inspection Reports not only defeat the purpose of bringing the irregularities to the notice of the executive for taking prompt remedial measures but also delay the processing of potential DP cases. Inspection Reports should be issued within one month from the date of completion of audit. The period of one month for issue of Inspection Reports from the date of completion of audit has to be computed as under.

<b>Stage of processing</b>	<b>No of working days</b>
<b>Receipt of Inspection Report from audit party</b>	<b>5</b>
<b>Submission of Inspection Report by section</b>	<b>5</b>
<b>Passing by Branch Officer and approval by Group Officer</b>	<b>4</b>
<b>Typing and issue of Inspection Report</b>	<b>10</b>
<b>Total</b>	<b>24(say one month)</b>



# **11** Audit functions of field parties

## Conduct of audit

**11.1** The following are the powers relating to the conduct of audit.

### Power to inspect

**11.1.1** It has been clarified that, under section 18 of CAG's (DPC) Act, Comptroller and Auditor General is authorised to inspect and conduct audit in LSGIs under his audit jurisdiction. For this purpose, audit parties shall be deputed to the LSGIs. The audit party can also visit places where relevant records of the LSGIs are kept.

### Facilities for audit

**11.1.2** It shall be the duty of the Secretary of the LSGI to provide appropriate and reasonable office accommodation and other office amenities to the audit party for official use and at par with facilities available in the LSGI.

### Information to be complete

**11.1.3** Secretary of the LSGI shall comply with requests for such information as the audit party may require in as complete a form as possible and with all reasonable expedition.

### Nomination of an officer for liaison with audit

**11.1.4** Secretary of the LSGI may nominate a sufficiently senior officer of the institution for liaison with audit.

### Rapport with auditee unit

**11.1.5** Greater personal rapport, equation and understanding should be developed between party members and auditee unit to facilitate useful interaction and inter personal relationship.

## Demarcation of duties

**11.2** There should be clear demarcation of duties of the personnel in the audit parties. A broad outline of responsibilities and duties of various categories of personnel in the parties is given in the succeeding paragraphs. The Audit Officer in charge of the party is, however, not precluded from making changes in the distribution, to be indicated by him in writing, keeping in view the suitability of the individual officer for performing the duties proposed to be entrusted, distribute the work. The inspection personnel should be involved in clearly defined areas of work so that their contribution in terms of quality and quantum of audit results can be identified and their accountability ensured.

### Person in charge of audit party

**11.2.1** One LBA party consists of two AAOs. Senior of the AAOs will be in charge of the party. If the party is unsupervised, he will perform duties of the Audit Officer also.

### Duties of Audit Officer

**11.2.2** Settlement of outstanding paragraphs of earlier Inspection Reports is one of the important duties of an Audit Officer. The Audit Officer should ensure that physical verification of cash as per the records is done by the DDO in his presence and include comments, if any, arising from such verification in the Inspection Report. Besides performing the coordinating functions to achieve overall efficiency in performance and seeing that necessary processes of audit of the various documents have been carried out by the staff under him, the Audit Officer will also do a certain amount of original work and examine personally with reference to original documents all important points raised by the party members. He should personally review all tenders and agreements, particularly those of high value and also see whether the state of accounts in the office inspected is satisfactory. He should himself draft the Inspection Report and discuss it with the President/Chairperson/Mayor, whenever he is present at the close of audit.

### Duties of the senior of the AAOs

**11.2.3** The duties of the senior of the AAOs of the party include-

- Examination of Cash book
- Verification of drawals from and deposits into treasury with reference to treasury records
- Audit of accounts of stores
- Examination of accounts of grants and loans
- Scrutiny of establishment pay bills
- Examination of register of undisbursed pay and allowances, beneficiary assistances etc
- Collection of financial data from the LSGI in the prescribed format



## Duties of the other AAO

### **11.2.4** The duties of the other AAO of the party include-

- Audit of the accounts of receipts
- Audit of all vouchers
- Examination of points marked from HQ
- Examination of audit reports of other agencies
- Examination of Service Books
- Scrutiny of register of advances
- Examination of the accounts of immovable properties

## Duties on verification of schemes

**11.2.5** Records of schemes/projects implemented by Secretary of the LSGI and works implemented by Engineering wing may be divided among the party members keeping in view the suitability of the individual officer for performing the duties proposed to be entrusted, to be indicated in writing. In respect of schemes of other implementing officers, the work may, as far as possible, be divided equally among the AAOs depending upon the number of implementing officers in the LSGI, in such a way that one AAO verifies all the records of an implementing officer. Work of verifying records of implementing officers may be rotated among party members in such a way that each AAO covers all implementing officers during the audit of a few LSGIs.

## Review of outstanding paragraphs

**11.3** Settlement of outstanding paragraphs in the earlier inspection reports is one of the important duties of the supervising officer. For this purpose, details of outstanding paragraphs will be sent to the party from LBA (HQ) section so as to reach the party on the first day of audit. Persuasive efforts may be taken to obtain replies from the LSGI for settling the outstanding paragraphs.

## Cash verification

**11.4** The supervising officer should ensure that physical verification of cash as per the records is done by the DDO in his presence and include comments, if any, arising from such verification in the Inspection Report. Details of physical verification may be included in Part I of the Inspection Report and also recorded in the format (see Annexure 24) signed by both parties and forwarded along with the Inspection Report. As far as possible, cash verification may be conducted within the first two days of commencement of audit.

## Selection of month

**11.5** One month is to be selected for detailed check in respect of annual audit and two months, for audit covering more than one year. Selection of month for detailed check will be done by the Group Officer. The month selected for detailed audit will be shown in the tour programme. For audit covering more than one year, the same month of the last two years of the period of audit may be taken. The month next to the month of detailed audit may be taken for checking of arithmetical accuracy. But, if the month selected for detailed audit is March, checking of arithmetical accuracy may be done for February. Examples are given below.

- *annual audit* : If the month selected is shown as May, for audit for the year 2009-10, then 5/2009 may be taken for detailed audit and 6/2009 for checking of arithmetical accuracy.
- *audit covering more than one year* : If the month selected is shown as March, for audit from 2005-06 to 2009-10, then 3/2009 and 3/2010 are to be taken for detailed audit and 2/2009 and 2/2010 for checking of arithmetical accuracy.

While recording the selected months in the title sheet, it may also be added that the selection was made by Group Officer. The information regarding month selection and conduct of detailed check may be kept secret from the LSGI.

## Verification of remittances

**11.6** Verification of drawals from and deposits into treasury relating to selected month/s with reference to treasury records is to be done by the senior of the AAOs. A statement of the details of remittances verified, duly authenticated by the AAO may be attached along with the Inspection Report.

## Verification of payments

**11.7** Field parties would collect the details of payments made by the treasuries for the selected months from the list of payments maintained in the treasury in respect of the LSGI/transferred institution and check the details with the initial records maintained in the LSGI/transferred institution. The collection of details of payments would be made during the visit of AAO of the party to the treasury for check of remittances. There should be only one visit to the treasury for verifying remittances and collecting the details of payments. A statement of the details of payments collected from the treasury and verified with the initial records, duly authenticated by the AAO may be attached to the draft Inspection Report. Details of journey, if any, undertaken for the purpose should be reported to LBA (HQ) for regulating TA claim.

## Records of implementing officers

**11.8** Records of implementing officers may be verified at the LSGI. Party members may also visit the office of the implementing officer for audit, with the prior approval of supervising officer. Details of such journeys may be intimated to LBA(HQ) separately and recorded in weekly diary for checking of TA bills.

## Issue of audit enquiries

**11.9** The supervising officer may permit individual members of the party to issue audit enquiries themselves and see them in due course after issue. In cases where it is considered appropriate, he should stipulate that the audit enquiries be issued only with his approval. The supervising officer should always keep himself posted with the progress of audit and the observations that have been communicated to the LSGI inspected. Audit enquiries may be prepared in duplicate and serially numbered and dated before issue. Original copy of audit enquiry may be issued to the institution. Habit of issuing bulk of audit enquiries just before the close of audit may be discouraged. As and when an audit enquiry is issued, dated acknowledgement may be obtained in the 'list of audit enquiries issued' from the official authorised to receive them. Audit enquires relating to the implementing officers may be issued to the Secretary of the LSGI and replies insisted to be routed through him.

## Replies to audit enquiries

**11.10** Every effort should be made to get replies of the Secretary of the LSGI to the audit enquiries issued. The drafting of Inspection Report should in no case be delayed due to non-receipt of replies. The preliminary audit observations are mainly intended to convey the defects/irregularities observed by the audit party and to give an opportunity to the Secretary to offer reasonable explanation for the omissions and lapses.

### Responsibility to furnish reply

**11.10.1** There is no point for the audit party in waiting for a reply from the Secretary of LSGI for drafting the Inspection Report as it is primarily the responsibility of the officer to satisfy audit by way of furnishing replies to the audit observations and if they fail, the points find a place in the Inspection Report and the LSGI has to give a reply later. The audit party should impress this upon the Secretary/implementing officers at the outset and tell them to furnish replies to audit enquiries as and when received. If the replies are not received promptly the fact should be commented in the Inspection Report.

### Independent scrutiny of the case

**11.10.2** The supervising officers and party members should take adequate care in the preparation and drafting of audit enquiries/inspection reports. The supervising officer should make independent scrutiny of the case sought to be commented upon

by the other members of the audit party in the audit enquiries prepared/issued by them and ensure that the more important audit observations are not diluted or excluded or minor ones highlighted due to lack of experience or otherwise of the members of the party.

## Drafting of Inspection Reports

**11.11** It should be ensured that the Inspection Report is concise. Being concise requires that the report is not longer than necessary to convey the audit opinion and conclusions. Too much detail detracts from the report and conceals the audit opinion and conclusions and confuses the readers.

The supervising officer should write the report himself and not leave it to his subordinates to do the drafting. In drafting the Inspection Report, the supervising officer should give due emphasis to the reply given by the LSGI and bring out the point of view in the final draft with his comments, so that LSGI point of view may be examined at the very outset rather than at the final stage. Remarks of general nature should be supported by instances. The supervising officer should realise that his Inspection Report has not to be redrafted or edited at HQ. The report is the product of his labours and it issues as his report. Therefore he has to be exceedingly careful in its drafting. Whenever a supervising officer quotes a reference (letter, government order etc) in Inspection Report, he should send a copy of the reference along with the Inspection Report. Paragraphs included under Part II A should invariably contain sufficient, competent, relevant and reliable key documents. This should never be overlooked.

### Language of Inspection Report

**11.11.1** All exaggeration of language should be avoided. In drafting the inspection reports, the language used must be moderate and impersonal as the effectiveness of an audit objection is more likely to be reduced, rather than enhanced by the use of strong language. As a matter of fact, the more serious the nature of an objection the greater is the need for using language which is both polite and unexceptionable. The use of such words as 'should', 'must' etc. is to be strictly avoided and the words 'please' and 'kindly' used as freely as possible. No improper or questionable motives should be attributed in the Inspection Reports, even by implication, to any officer. All comments should as far as possible, be concluded in the third person and in impersonal and objective phraseology. Innuendo is forbidden; if a charge cannot be substantiated, there should not be even any hint of it.

### Form of Inspection Report

**11.11.2** The results of local audit by the field audit staff are communicated through Inspection Reports, which should be written up in the following form. Inspection Report contains three parts.

**Part I :**           **Introductory**  
                          Containing introduction, outstanding objections of the previous inspection reports, schedule of persistent

irregularities and general information relating to finances, accounts and audit of the LSGI

- Part II :**
- » **Section A: Major irregularities**  
Irregularities that are likely to be converted as Draft Paragraph of the Audit Report and those relating to system failure
  - » **Section B: Other irregularities**  
Irregularities though not major but are required to be brought to the notice of higher authorities and followed up by the Principal Accountant General and instances of recoveries to be effected or regularised.

- Part III :** Test audit notes  
Containing minor irregularities to which a schedule of items settled on the spot should be attached. The procedural irregularities in respect of which Secretary of the LSGI has held out assurances about following the correct procedure in future should be noted in this schedule. Test audit notes do not require a reply in detail, but it should be verified at a subsequent audit that adequate notice was taken of it.

## Numbering of paragraphs

**11.12** Paragraphs included in the Inspection Report relating to transaction audit are classified under group headings depending on the irregularity. I,II,III..... may be used for group headings and i,ii,iii,...numbering may be used for paragraphs. As far as possible, further sub numbering may be avoided. In exceptional cases, 1, 2, 3,..... numbering may be done. Alphabets may not be used. Even if one paragraph only is available under a group, say I, it may be numbered as I (i)....

### Identification of a paragraph

**11.12.1** A paragraph number will have two parts. First part shows the group number and the second part its serial number in the group. Both parts should always be used. eg: I(ii), III(i) etc. Usages like II or (iii) are not permitted.

### Applicable to Part IIA and Part II B

**11.12.2** Group numbers/headings and paragraph numbering are similar for Part IIA and Part II B. ie similar group /heading can appear in both parts.

## Paragraph headings

**11.12.3** Suggestive headlines should be given to paragraphs in indication of the substance so as to encourage the busy officer to read through the paragraph. Mere general headings may be avoided. Headings giving a definite idea about the subject, which makes one inquisitive about the contents of the paragraph may be used. Paragraph headings must convey the essence of the objection and money value. Headings may be read critically to see whether it actually conveys the objection. Long sentences may be avoided (maximum two printed lines). Money value may also be shown in all possible cases.

## One scheme, one objection

**11.13** Instances are noticed where different objections relating to one scheme/subject are written under different groups, because of the involvement of more than one irregularity. Being scattered at different places of the Inspection Report, this would cause inconvenience to the auditee institution in understanding all the objections of the same scheme/subject and for furnishing reply. This would also lead to repetition of details of the scheme/subject making the Inspection Report unwieldy. To avoid this, main objection may be identified and included as a paragraph under the appropriate group and other objections included under it as sub paragraphs.

## Collection of audit evidence

**11.14** Whenever satisfactory explanation is not forthcoming and the supervising officer feels that the points raised by him are so important that they may ultimately find a place in Audit Report to be submitted to the Legislature, he should take particular care to collect all relevant information and also to take attested copies of those documents which are likely to be useful in pursuing the matter with their higher authorities.

## Source to be recorded

**11.14.1** Important, significant or controversial documents should be photocopied and their source recorded. As far as possible, the photocopies may be certified. In respect of photographs the date, time and place of the event or object recorded may be noted in the photo itself with proper attestation by the auditor and a representative of the entity to avoid any disputes later. For joint physical inspection, minutes may be prepared and signed by both parties.

## Forwarding Inspection Reports

**11.15** AAO in charge of the party should ensure that the inspection report is despatched immediately on completion of audit so that it is received in LBA (HQ) Section within five days from the date of completion of audit. If any delay is anticipated, the matter should be specially brought to the notice of the Group

Officer in a note, clearly indicating the reasons therefore and also the period of extension sought for.

## Entry meeting

**11.16** On the first day of audit, the party members shall have an 'entry meeting' with the Mayor/Chairperson/President (in his/her absence, the Secretary of the LSGI) to inform about the audit plan and requirements of the records and documents and request the head of office and other officers and staff to be available in the office throughout the period of audit. Minutes of the 'entry meeting' should be documented and forwarded along with the Inspection Report.

## Exit meeting

**11.17** On the last day of audit, party members should invariably discuss the Inspection Report with the Mayor/Chairperson/ President ( in his/her absence, the Secretary of the LSGI ) and the fact of the discussion should be recorded in the Inspection Report under the dated signature of the person with whom discussed. Minutes of the 'exit meeting' should be documented and forwarded along with the Inspection Report.

## News paper clippings for local verification

**11.18** News paper clippings or other materials for local verification sent from HQ section may be duly verified with the records of the auditee unit and results forwarded in a separate note along with Inspection Report. If any irregularity is detected in verification, it should be included in Inspection Report also.

## Verification of Service Books

**11.19** In the LSGIs inspected, the local audit staff should examine the service books and leave accounts of non-gazetted Government Servants to ensure that they are kept according to rules.

### Quantum of check

**11.19.1** The service books of the members of staff in an office should be checked to the extent prescribed below.

<u>Periodicity of audit</u>	<u>Quantum of check to be done</u>
Annual	25 percent
Biennial	50 percent
Triennial, quadrennial and quinquennial	100 percent

However the service books of persons due to retire within the next five years should invariably be checked even if the percentage exceeds the quantum of audit. A separate note containing the following details of verification should be furnished by the party along with the Inspection Report.

- Total number of service books maintained in the LSGI
- Number of service books selected for scrutiny according to quantum fixed
- List of persons due to retire within the next five years

A certificate to the effect that the nominations in respect of GPF/DCRG etc. have been ensured and suitable notes have been kept in the service books may be forwarded along with the Inspection Report.

## Retention in service beyond the date of superannuation

**11.20** All parties should ensure during local audit that the checks prescribed in Rule 150 of KSR Part III are carefully complied with by the Heads of Offices. They should furnish a declaration that it had been satisfied during local audit that no Government Servant had been retained in service beyond the date of superannuation without proper authority. This declaration should be incorporated in the list of retiring Government Servants required to be obtained from the head of the Office concerned to be attached to the Inspection Report.

## Not to direct recovery of excess payment

**11.21** It has been noticed that field parties issue audit enquiries directing the auditee institution to recover the excess payments made on account of irregular fixation of pay of serving Officers. When the affected officers approach Courts with a plea to quash such directions, Headquarters Office find it difficult to defend the cases. Hence, all parties are directed not to issue any 'directions' for recovery of excess payments/ re-fixation of pay etc. while detecting any irregularity. Instead, the auditee institutions may be asked to re-examine the case based on the orders/ directions issued by Government, quoted in the audit enquiry.

## Paragraph on internal control

**11.22** Evaluation of internal control system is an inseparable part of local audit of LSGIs. To facilitate the evaluation, audit parties should fill up the questionnaire (see Annexure 25) and include a paragraph on the internal control environment of the institution after evaluating the replies based on the questionnaire.



# Fraud and Corruption

**11.23** Examination of system for detection and prevention of fraud and corruption will be an integral part of all audits. Audit must evaluate and report on the adequacy of the systems in place and competence with which the management has discharged its responsibility in relation to prevention, detection, response and follow-up/remedial measures in relation to fraud and corruption [HQ letter No126/Audit (AP)/I-2004 dated 6-9-2006 of DG(Audit)].

## Vigilance about fraud during audit

**11.23.1** During the course of audit work, the audit personnel should be vigilant and seek explanations, if it comes across possible fraud indicators.

- At the commencement of each audit, information about the fraud and corruption awareness, detection and prevention policy and related environment (including any instances of fraud and corruption noticed since last audit and action taken on such instances including strengthening of internal control systems) should be collected from the auditee management.
- During the course of audit work, the audit teams/officers should be vigilant and seek explanations, if they come across possible fraud indicators. The report of the audit party should indicate inter alia the scope of audit, main findings, total amount involved, modus operandi of the suspected fraud or irregularity, accountability for the same and recommendations for improvement of internal control system, fraud prevention and detection measures (including changes in the systems and procedures) to safeguard against recurrence of fraud/serious financial irregularity.



# 12

## Functions of Report section

### Duties of Report section

#### 12.1 Report (LBA) section attends to:

- Preparation and issue of statement of facts
- Finalisation and issue of draft paragraphs /performance audit reports
- Preparation, finalisation and issue of Audit Report
- Preparation of Memo of Important Points in connection with the discussion of Audit Report in Committee on Local Fund Accounts (CLFA)
- Vetting of notes, reports etc forwarded by LSG Department/ Legislature Secretariat for being placed before the Committee on Local Fund Accounts
- Review of reports of CLFA, Audit Reports of other States

### Preparation of draft Audit Report

**12.2** Important points to be borne in mind at different stages upto the preparation of draft Audit Report are given below.

#### Reporting standards applicable

**12.2.1** As per Regulations on Audit and Accounts 2007, reporting standards are applicable to Audit Reports of CAG. Reporting standards to be followed in the preparation of Audit Report is contained in Chapter 2 of this Manual.

#### Style guide to be followed

**12.2.2** The style and format for reporting as given in the style guide should be followed right from the draft paragraph stage.

#### Statement of Facts

**12.2.3** Report (LBA) section will prepare and send statement of facts to Government and LSGI, based on copies of potential paragraphs included in Inspection Reports and key documents received from LBA (HQ) section.

## Draft Paragraphs

**12.2.4** The following instructions should be borne in mind while preparing draft paragraphs

- DP should not be very lengthy and should not include unnecessary material
- They should give all relevant information with dates where necessary and lay correct emphasis on the exact points to be brought out
- All words and phrases likely to cause resentment or unpleasantness should be avoided
- The paragraphs should be worded in detached and dispassionate language so that the facts speak more than the comment
- The words 'Audit Comments' or the qualifying words such as 'Audit thinks that' or 'Audit comments on' are unnecessary and should not be used
- The circumstances in which the irregularity occurred and the circumstances in which the LSGI took action should be brought out in the paragraph to give a fair appreciation of the case
- The DP should indicate the Government/ LSGI's point of view wherever available and why it is not wholly or partly acceptable to audit.
- The names of the departments, organisations and parties connected with the irregularities may be mentioned in the paragraphs. Names of individuals should not, however, be mentioned; only the designation is to be given. If the case commented deals with some fraud or misappropriation on the part of an official and departmental and criminal proceedings are taken against him, the paragraph should be so drafted as not to give any clue to his identity.
- The emphasis should be on quality rather than quantity and on analysis rather than mere narration
- The thrust of the paragraph and performance audit report should come out clearly. Performance audit reports and paragraphs should be concise, unnecessary descriptive material should be cut out and the facts stated should be brought out in sharp focus with adequate thrust. Only matters of public importance should be incorporated.
- The paragraphs should not be cluttered with information not relevant to the points sought to be made.
- The names of Acts passed by Parliament and Legislatures should be used exactly as notified in the gazettes, with capital letters at appropriate places

## Communication of draft paragraph to Government

**12.2.5** After approval by PAG, a copy of draft paragraph will be sent to the Secretary to Government, LSG Department by name for communicating the comments, observations and explanation of Government within a period of six weeks from the date of the letter, simultaneously endorsing a copy thereof to the Finance Secretary of Government and Secretary of LSGI. PAG may also offer to discuss the draft paragraph with the Secretary at mutual convenience within the

aforsaid period. A discussion may not be necessary in the case of a draft performance audit report that has been separately discussed with the Secretary at an exit conference. The draft paragraph shall be annotated with reference to the supporting audit evidence. PAG shall provide copies of any relevant documents and evidence in his possession that may be required by the Government.

### Reply to draft paragraph

**12.2.6** The Secretary to Government, LSG Department shall confirm or cause to be confirmed, the receipt of the draft paragraph to PAG as soon as it is received, and communicate the comments, observations and explanation of the Government on the draft paragraph in writing to PAG by name within the specified period. The reply shall be signed by the Secretary or carry an indication of approval by the Secretary.

### Reply to be considered

**12.2.7** PAG shall give full consideration to the reply of the Government. The draft paragraph may be modified or settled or may not be included in the Audit Report in the light of the reply.

### Non-receipt of reply

**12.2.8** In case a final reply is not received within the specified period or the extended period agreed to, PAG will proceed on the assumption that the Government has no comments, observation and explanation in the matter. The Government shall bear responsibility for the accuracy of the facts, figures and the related audit evidence mentioned in the draft paragraph in such cases. A convention has been set up with the State Government, regarding the draft paragraphs sent to them for verification of facts by which PAG may consider the paras as final if no reply is received within the prescribed time limit. In case where reply is not received, the words 'reply from Government has not been received' should be indicated in the draft paragraph/performance audit report forwarded to the CAG.

### Confidentiality of DPs

**12.2.9** As the draft paragraphs are considered as confidential, they should invariably be marked as confidential in order to maintain secrecy while sending them either to HQ for edition or to Government for verification of facts and during subsequent correspondence thereon.

### List of Key Documents

**12.2.10** A list and photocopies of key documents on which the draft paragraphs /performance audit reports are based should be enclosed to the draft paragraphs /performance audit reports.

## Separate file for Key Documents

**12.2.11** All key documents of a particular Audit Report should be kept in a single file, properly indexed so that they are easily available at the time of discussion in the Committee on Local Fund Accounts.

## Expeditious revision of DPs

**12.2.12** On receipt of the comments of CAG on the draft paragraphs, expeditious action should be taken to revise the paragraphs taking into account the remarks of the CAG and the replies of Government and LSGI, with a view to bringing out the factual position correctly and completely. Normally it is not necessary to send the modified/revised paragraphs to Government before the receipt of Administration's remarks on the original paragraphs. Where, however, as a result of further examination with reference to the comments of the CAG or on further material being available, fresh points arise, on which Government's remarks have not been asked for, such points or the modified/revised paragraphs should be communicated to Government well in time so that before the paragraph is finalised, Government's remarks are available on all the points.

## Sending DPs second time

**12.2.13** Under the present system, draft paragraphs and draft performance audit reports proposed for inclusion in the Audit Report are forwarded to the State Government and Departments concerned for their comments. However, the final paragraphs after incorporation of their replies are not sent second time to the Government/Department. It has been decided that the final draft paragraphs/performance audit reports should be sent to Government/Departments whenever substantive changes are made in the paragraph in the light of the replies received and they will be requested to respond within 10 days. Summary of their replies may be included in the Audit Report, but need not be rebutted.

## Money value of DPs

**12.2.14** CAG office has not so far fixed monetary value for paragraphs in the Audit Report for LSGIs.

## Sending batches to HQ

**12.2.15** The draft paragraphs proposed for inclusion in the Audit Report may be sent in triplicate to HQ in convenient batches, as and when they are ready. Draft paragraphs and performance audit reports may be sent in separate batches. Each performance audit report should be considered as a batch unless it is too small for a batch. Each batch should be sent duly stitched and not forwarded in loose sheets.

## Sending soft copy

**12.2.16** While forwarding materials for the Audit Report to HQ, Report section should submit the soft copy (floppy/CD in duplicate) along with the hard copy, right from the batch stage to bond copy stage. It should be ensured that the soft copy is virus free.

## Matrix value

**12.2.17** While sending the batch material for Audit Report, the matrix identity, money value and weighted money value (matrix value) of the draft paragraphs may be indicated in a marginal box alongside. In case of performance audit report/long paragraph the money value, matrix score and the weighed money value for the performance audit report/long paragraph as a whole may be indicated in a box in the beginning while money value of the individual sub paragraphs may be mentioned alongside each sub paragraph of the performance audit report/long paragraph. A statement indicating matrix identity, money value and matrix value in respect of all the transaction audit paragraphs, long paragraphs and performance audit reports should also be sent while forwarding the bond copy to HQ. Matrix value for a performance audit report /long paragraph will be the money value multiplied by matrix weight for the performance audit report/long paragraph.

## Draft audit report

**12.3** Within one month of the receipt back of the last batch vetted by HQ, the draft Audit Report should be prepared, meeting the points raised by HQ and forwarded to HQ. The remarks of HQ and reply of PAG thereto as also the changes made in the paragraphs should be indicated on the page facing the one in which the relevant material appears. The remarks and queries of CAG may be linked to the material by proper guide marks. Reference to paragraph number, batch etc should be given against each paragraph included in the draft Audit Report. Detailed instructions on drafting of Audit Report and their submission are contained in MSO (Audit).

## Action taken cases not to be included

**12.3.1** Audit observations on which Government have taken rectificatory action and also suitable remedial measures to set right the lacunae in procedure etc need not be included in the Audit Report unless they are so important that it is considered necessary to bring them to the notice of the Legislature.

## Appendix

**12.3.2** If the main text of the Audit Report involves detailed analysis of complicated issues or statistics, these should normally be set out in an appendix. But do not use appendices simply to display the entire information collected. They are

not a vehicle for including descriptions of detailed systems or procedures operated within the audited body. Material should always be relevant and support the case being made. Appendices need to be drafted and edited just as carefully as the main text. As a rule of thumb, if information on less than five items is to be provided, the details may be incorporated in the main text itself, rather than an appendix.

## Diagrams, tables

**12.3.3** Full use should be made of facts, figures and relevant examples to give life to the Audit Report and to point the reader to significant issues and conclusions. Diagrams, charts, graphs, photographs and tables should be used to help get across important messages and these should be, where appropriate, included in the text, not only in the appendices. These can save a lot of explanation, provided they are simple and well laid out, and can often convey more in a short space than stretches of narrative. If a table is included in a performance audit report/paragraph, it should be followed by a clear analysis of the information contained therein.

## Glossary

**12.3.4** Abbreviations in Audit Reports should be kept to a minimum. Where five or more abbreviations (or specialised terms) are necessary in the Audit Report then all abbreviations and terms used should be listed in a glossary at the end of the Audit Report.

## Annotated copy

**12.3.5** In the annotated copies of the draft Audit Report, portions which have undergone material revision should be duly indicated, notes containing background information or clarifications on specific points raised by CAG being given in the margin or on attached sheets or slips wherever necessary. Copies of draft paragraphs containing HQ observations should also be returned along with the Audit Report.

## Changes not allowed

**12.3.6** No change whatsoever may be made in the draft Audit Report approved by CAG without obtaining clearance from HQ.

## Lay out of Audit Report

**12.4** The following shall be the lay out of the Audit Report (LSGIs)

- Preface
- Overview
- Chapters I to IV
- Appendices



## Overview

**12.4.1** The overview, which would be printed in the Audit Report in distinct colored pages, should be drafted well, lucid, accurate and brief without compromising on essential details. The language used should be capable of being easily understood and use of parentheses should generally be avoided. Cross reference to relevant paragraphs should be made in the overview.

## Chapter I

**12.4.2** Chapter I deals with the structure and finances of LSGIs and related observations.

## Chapter II

**12.4.3** Comments arising from supplementary audit under Technical Guidance and Support to Director of Local Fund Audit under section 20(1) of DPC Act are included in Chapter II

## Chapter III

**12.4.4** Chapter III contains results of performance audit of selected schemes or subjects related to LSGIs. List of performance audit reports included in previous Audit Reports is given in Annexure 26.

## Chapter IV

**12.4.5** Observations arising from transaction audit of LSGIs are included in Chapter IV. List of transaction audit paragraphs included in previous Audit Reports is given in Annexure 27.

## Bond copy

**12.5** While forwarding the Bond copy to HQ, every care should be taken to ensure correctness of the facts, figures and comments included in the Audit Report and availability of sufficient evidence in support of those. The bond copy in duplicate (with CD) should be sent for approval of HQ. Number of cases of fraud and corruption included in the Audit Report together with the money value of the concerned paragraphs should be indicated in the forwarding letter. A list of paragraphs dropped/deferred should be attached to the letter forwarding the bond copy along with the reasons therefor. In the letter forwarding bond copy to HQ for approval, the name(s) of PAG responsible for the finalisation of the Audit Report may also be indicated. In case more than one AG/PAG had held the charge, the periods for which they held the charge have also to be indicated. Compliance of the CAG's observations on the approved Bond copy should be given top priority and the revised material should reach HQ within 10 days from the date of receipt of the

approved bond copy by the PAG. In the bond copy of the Audit Report a brief epitome of the contents of the Audit Report titled as 'overview' should be included.

Follow up on fraud and corruption cases

**12.5.1** All cases of suspected fraud and corruption cases should be taken up immediately after approval of the bond copy, with appropriate authorities in the Union and State Governments, viz., Central/State Vigilance Commission etc as a follow up. If such cases have been reported earlier by PAG, reference may be drawn to them with the additional information that these cases have been included in CAG's Audit Report to the Legislature.

## Assurance memo

**12.6** In order to assess the quality and impact of audit, HQ has decided that bond copies of Audit Reports may be accompanied by assurance memos signed by PAG. The assurance memo should contain the following declaration-

- that the audit plan for the year has been fully implemented
- that all observations pointing out lapses in the implementation of systems and procedures and all weakness in the responsibility centres have been discussed with the heads of administrative departments and assurance obtained in regard to corrective measures for arresting potential risks
- that in respect of performance audit of schemes, samples have been selected based on risk analysis or risk perception and that the evidence of such exercise is available on record

## Printing

**12.7** The following may be borne in mind while printing the Audit Report

- Audit Report should be printed in RA4 size.
- Cover of all Audit Reports of a year should be of same colour.
- All statements should be printed vertically and not horizontally
- Different and distinct types should be used for printing the headings and subheadings
- Fractions of a rupee should be omitted
- The logo of the State Government would continue to be printed on the cover of the Audit Report

## Copyright

**12.7.1** The copyright of the Audit Reports that are prepared by the IA&AD rest with CAG. The following should be printed at the back page of compilation

©  
Comptroller and Auditor General of India  
..... (Year of publication)

## Bold letters

**12.7.2** The following should be printed in bold letters

- Paragraphs relating to fraud/corruption
- Highlights of performance audit report

## Proof reading

**12.7.3** Proof reading should be done carefully to ensure that no occasion arises for detection and rectification of errors in the final copies in the CAG's office. Where only few minor errors are detected in the final copies and these are capable of being corrected manually in CAG's office without previous reference to PAG, the necessary corrections will be effected there by hand and the fact intimated to PAG for effecting identical corrections in the copies remaining with him. If however, the final copies contain numerous errors, omissions and unfilled blanks, necessitating correction slips, addenda or corrigenda, freshly signed and dated copies should be sent to the CAG after incorporating all corrections and additions.

## Number of copies

**12.7.4** The total number of copies of Audit Reports to be printed is decided by the PAG. At present 600 copies of English version and 1600 copies of Malayalam version are printed

## Progress of printing

**12.7.5** Weekly progress report on printing in respect of English and Malayalam versions is to be sent to HQ every Thursday in the proforma prescribed.

## Cost of printing

**12.7.6** The entire cost of printing of Audit Report (English and Malayalam) is borne by IA&AD.

## Translation

**12.7.7** Both the English and Malayalam versions of the Audit Reports would be countersigned by the CAG simultaneously. Hence translation work should be started immediately after bond copy is submitted to CAG or even earlier and should be completed in 3 weeks. Changes made while approving the bond copy may also be carried out subsequently in the translated Audit Report.

## Correction slips

**12.7.8** CAG has ordered that correction slips should be issued only in exceptional cases to the final copies of the Audit Report after they have been submitted by CAG to Government but before they are presented to the Legislature. Such correction slips should not bear any date.

## Errata

**12.7.9** On receipt back of Audit Report signed in ink by CAG, errata may be provided if required. However, insignificant printing errors need not be included in the errata.

## Numbering system for Audit Report

**12.7.10** In States where separate Civil, Revenue and Commercial Audit Reports are brought out, Audit Report on Local Bodies will be Report No.5. The new numbering system will be in force in respect of Audit Reports from the financial year 2009-10[HQ letter No. 59 Audit (AP)/32-2008 dated 17-2-2010 of Director General (Audit)].

## Signature copies

**12.8** Nine copies will be bound in full leather and three copies in calico. In five of the leather bound copies, which are to be signed in ink, the facsimile signature of the PAG and CAG will not be printed. Seven leather bound copies (including five that are to be signed in ink) are intended for submission to CAG. The remaining leather bound copies are to be kept in PAG library in the same form as the Audit Report sent for countersignature of the CAG. While forwarding the printed copies of the Audit Report for CAG's signature, the name of the Finance Secretary to Government should be intimated to enable the CAG to forward the signed copies of the Audit Report to him by name. The name of the Secretary to Governor should also be intimated to enable HQ to advise him about the despatch of the Audit Report to the Finance Secretary.

## Date of signature

**12.8.1** The signature of PAG on the final copy of the Audit Report sent to CAG should bear the date on which it is signed. The date of signature of the CAG in the copies of the Audit Report intended for submission to the Governor should be left blank; the actual date will be inserted when the copies are signed by the CAG. This date is to be incorporated in the other final copies by means of rubber stamp on receipt of communication from the CAG.

## Countersigning by CAG

**12.8.2** The name of CAG should be got printed, within brackets, in the Audit Report just below the place meant for his countersignature leaving sufficient space for his signature. The space on the signatory page of the printed Audit Report between the designation of the PAG and "countersigned" should be one inch and that between "countersigned" and the CAG should be 1.5 inches.

## Countersigned copies from HQ

**12.8.3** The Additional Deputy CAG in charge of Audit Report will forward the signed copies of the Audit Report to the Finance Department of the State Government and also keep the Secretary to Governor informed demi officially, forwarding a copy of the Audit Report (this copy will be signed by the PAG and the word "sd" superscripted over the signature space of CAG).Immediately after the delivery of the Audit Report to the Finance Department, the fact will be intimated to the press by PAG without disclosing any part of the contents thereof.

## Facsimile signature

**12.8.4** The facsimile signatures of the PAG and CAG should also be got printed in the Audit Report except in the copies of the Audit Reports to be signed in hand, for being sent to Government. The facsimile signature of CAG is kept in the personal custody of the PAG.

## Presentation

**12.9** While all efforts should be made to complete the printing of the Audit Report and forward the signed Audit Report to the State Government as early as possible, it should be impressed upon the State Government that the Audit Report should be tabled in the budget session. In case it is not possible to forward the Audit Report to the Government during the budget session, Government may be requested to arrange placement of the Audit Report in the Legislature in the next session.

## Press brief

**12.9.1** A draft of the summary of important points highlighted in the Audit Report termed as 'press brief' will be prepared by PAG strictly based on the overview. According to External Communication Policy, the press brief should be got approved by report controlling DAI/ADAI.

## Press conference

**12.9.2** To facilitate the dissemination of information contained in the Audit Report, a press conference shall be conducted on the day of presentation of the Audit Report in the Legislature. Details of holding the press conference as contained in the Media Policy of IA&AD, is given in Annexure 28.

## National coverage on large Central schemes

**12.9.3** In accordance with the existing External Communication Policy, all media interface with regard to State Audit Reports is only at the State level. In the context that huge amount of central funds are being used in the State for centrally sponsored schemes and flagship programmes of Government of India, national coverage should also be given to State Audit Reports. To facilitate this, the procedure being followed for the Central Report will also be followed for the State Audit Reports with some modifications. For this, a different press release with content pertinent to national coverage shall be drafted and got approved by the ADAI.

## DO letter to Chief Minister

**12.9.4** Immediately after placing the Audit Report in the Legislature, important points contained in it should be sent to HQ for inclusion in CAG's demi-official letter to Chief Minister. A brief mention of issues relating to suspected fraud and corruption where such cases appear in the Audit Report and the system put in place by the PAG to monitor paragraphs relating to fraud and corruption should also be included in the draft of the letter.

## Placing Report in website

**12.9.5** Audit Report is to be placed in the website of CAG soon after it is tabled in the Legislative Assembly. For this purpose, the CD containing the Audit Report in web ready format should be sent to HQ along with the printed Audit Report. In the event of any correction made by HQ in the printed Audit Report, a fresh CD containing the corrected version of the Audit Report should be sent as soon as the printed Audit Report is handed over to the State Government. While sending the CD, it should be certified that the CD contains the printed Audit Report and corrections, if any. The title of the Audit Report and year should be recorded on the label of the CD and authenticated with seal and signature of an officer not below the rank of a Group Officer.

## Post presentation

**12.10** Audit Report presented in the Legislature will be examined by Committee on Local Fund Accounts. The activities to be carried out after presentation of the Audit Report are given below.

### Memo of Important Points

**12.10.1** In order to guide the Legislative Committee to pick out the really important points, PAG will prepare, before the Audit Report is taken up for consideration, a memo of more important points dealt with in the Audit Report which he feels are important and which he would like to comment for the special attention of the Committee and sent sufficient number of copies thereof confidentially to the Secretary to the Legislative Assembly for distribution among members of the Committee without the departmental witnesses having access to it. The memo should contain such additional or background information as may be relevant for a proper appreciation of the issues that arise. Further developments, if any, may also be included in it.

### Action Taken Notes

**12.10.2** The administrative department concerned will send to PAG three copies each of the self-explanatory action taken notes on all audit paragraphs forwarded by it to the Committee. These notes are to be sent within a period of two months of the presentation of the Audit Report to the Legislature.

### Vetting

**12.10.3** All draft notes/statement of action taken on the recommendations of the Committee should be got vetted by Audit before their submission to Legislature Secretariat. While referring draft notes/statement of action taken memoranda to audit for verification of facts, it should be accompanied by the relevant files and other documents on the basis of which the notes have been prepared. An officer not below the rank of a Joint Secretary to Government who has ultimately to sign them should approve the draft. Based on the vetted copy, LSG Department will prepare the final copies and transmit them to PAG. On receipt of the final copies. PAG will forward them to Legislative Secretariat with his comments, if any, under advice to the Secretary to Government in the LSG Department and the Finance Secretary to Government.

## Action on recommendations

**12.10.4** As soon as the report of the Committee is received from the State Government, a copy thereof should be submitted to the PAG for perusal. The report should then be scrutinised in detail with special reference to the remarks made by the PAG and thereafter six copies of the report should be sent to CAG. The portions of the report containing recommendations made by the Committee, promises made by the State Government or by PAG to the Committee and other points requiring further action on the part of the Government or PAG should be watched.

## Settlement of paragraphs

**12.10.5** The issues which have been included in the Audit Reports and which have been examined by Legislative Committee with suitable recommendations could be deemed to be settled and removed from the list of objections / Inspection Reports. It is for the Committee to pursue their recommendations about such issues. It must be ensured that Government takes suitable action on all the points included in Audit Reports even if the Committee do not discuss them.

## Internal Working Rules of Legislature Committee

**12.10.6** As per amendment to Rule 261 H of Rules of Procedure and Conduct of Business in the Kerala Legislative Assembly, Committee on Local Fund Accounts (CLFA) has been entrusted with the examination the Reports of Comptroller and Auditor General of India on LSGIs also [Kerala Gazette Notification No.2641 dated 4-12-2008]. Internal Working Rules of CLFA modified in April 2009, based on the amendment, relating to audit are given below.

- Principal Accountant General (Audit) shall be present for the sittings of the Committee whenever the Committee so desires, to assist the Committee.
- Five copies of statement showing detailed explanations received from Local Self Government Department in respect of performance audit reports/paragraphs contained in Audit Reports shall be forwarded to Principal Accountant General (Audit) by Secretary of Legislative Assembly within three months.
- Notes and other details furnished by Local Self Government Department as a result of the examination of the departmental witness may be submitted to the Committee after verification by Principal Accountant General (Audit)
- Thirty five copies of statement showing action taken on the recommendations contained in the reports shall be obtained from Local Self Government Department duly vetted by audit within three months of the presentation of the reports.



## Other matters

**12.11** Some of the general matters related to functioning of Report section are given below.

### Reports from other offices

**12.11.1** As soon as Audit Reports are received from other audit offices, important comments therefrom should be extracted and transmitted to LBA(HQ) section for distribution to Audit Officers and Assistant Audit Officers of the wing to enable them to watch for similar irregularities in their own sphere of work. This should be done within a month of receipt of the Audit Reports.

### Supply of Report to other offices

**12.11.2** Copies of Audit Report may be supplied to other audit offices as per approved mailing list on an exchange basis as soon as these are formally submitted by CAG to Governor. While sending copies, it should be stipulated that they should be treated as confidential until their presentation to Legislature.

### Watching progress of performance audit

**12.11.3** After arranging the conduct of performance audit by LBA (HQ) section, on topics approved by HQ, Report section should concurrently watch the progress of performance audit and bring out cases of slow progress of work to the notice of PAG.

### DP Register

**12.11.4** Draft Paragraph register showing the details of draft paragraphs prepared and issued will be maintained in Report (LBA) section, in the prescribed proforma.

### Disclosure under RTI Act

**12.11.5** As draft paragraphs, draft performance audit reports and bond copies send to CAG are privileged documents, these should not be disclosed under Right to Information Act,2005.



# 13

## ULBs

# Double Entry Accounting in

## CAG Task Force Report

**13.1** As per Eleventh Finance Commission recommendations, CAG was responsible for prescribing the formats for the preparation of budget and for keeping of accounts for PRIs and ULBs. For the Urban Local Bodies, the CAG set up a Task Force in February 2002 to recommend appropriate accounting and budget formats. Task Force, report of which was finalised in December 2002, recommended accrual accounting system for Municipalities. Task Force also suggested development of an 'Accounts Manual' based on their report.

## National Municipal Accounts Manual

**13.2** Based on the Task Force Report, Ministry of Urban Development, Government of India, formulated the National Municipal Accounts Manual (NMAM) , which was formally launched in December 2004. NMAM comprehensively details the accounting principles, policies, procedures and guidelines designed to ensure correct, complete and timely recording of municipal transactions and produce accurate and relevant financial reports. State Governments were encouraged by the Ministry to draft State specific Municipal Accounts Manual, based on NMAM.

## Kerala initiative

**13.3** Government of Kerala, in January 2007, declared that Accrual Based Double Entry Accounting system would be introduced in all the five Corporations and Alappuzha and Thalassery Municipalities with effect from 1 April 2007[G.O(MS)No.8/07/LSGD dated 6-1-2007]. Subsequently, Government, in March 2007, issued the Kerala Municipality (Accounts) Rules 2007 to provide statutory basis for the new accounting system[G.O ( P) No.100/07/LSGD dated 30-03-2007].For carrying out the provisions of the rules, Kerala Municipal Accounts Manual was published in May 2007[ G.O (MS) No.130/07/LSGD dated 17-05-2007].

All ULBs covered

**13.3.1** Government, in February 2010, have extended the application of rules to all the remaining Municipalities with effect from 1 April 2010 [GO(MS)No.23/10/LSGD dated 4-2-2010].

## The Kerala Municipality (Accounts) Rules 2007

**13.4** The Kerala Municipality (Accounts) Rules 2007 came into force with effect from 1 April 2007. Important provisions of the rules are given below.

### Books of Accounts

**13.5** The following shall be the primary Books of Accounts and supporting documents under the double entry system (Rule 4)

- Cash Book
- Bank Book
- Journal Book
- General Ledger and Sub ledger
- Vouchers

### Books of Original Entry

**13.5.1** Cash book, Bank book and Journal book shall be the Books of Original Entry.

#### Cash Book

**13.5.2** All cash receipts and disbursements shall be recorded in the cash book. Cash withdrawals from bank/treasury accounts shall be recorded on the debit side of the cash book. The cash book shall be closed daily, the totals for the end of the day struck and the closing balance worked out with details to show unremitted and undisbursed cash. Accounts Officer shall daily examine the entries and closing balance as per cash book and verify the cash balance in hand with the cashier and a record a certificate to that effect in the cash book(Rule 5).

## Bank Book

**13.5.3** All amounts deposited or withdrawn, in cash or cheque, from bank/treasury accounts shall be recorded in the bank book.

- The following Items of receipts shall be accounted on the debit side of the Bank Book.
  - Total amount of collections deposited directly into bank/treasury accounts
  - Amounts remitted or received directly in the treasury account
  - Any other collections, demand drafts, warrants etc received in the bank/treasury accounts
- All withdrawals and payments through cheques from the bank/treasury accounts shall be accounted on the credit side of the bank book.
- Bank book shall be closed daily, the totals for the end of the day struck and the closing balance worked out with details to show the balance in the bank/treasury accounts, as per the books of accounts.
- Actual balance in the bank/treasury accounts shall be compared and reconciled with the bank book balance periodically and at least once at the end of every month.
- Where the books of accounts are maintained manually, same register may be used for cash book and bank book with separate columns for cash and for each bank account (Rule 6).

## Journal Book

**13.5.4** All entries which do not involve cash or bank/treasury accounts shall be recorded through the Journal Book, appropriately identifying the account heads to be debited and credited in respect of the transaction (Rule 7).

## General Ledger

**13.5.5** General Ledger shall be maintained with separate folios for each head of account which have an opening balance or transaction entry. At the end of every day, the transactions recorded in the cash book, bank book and journal book shall be posted to the appropriate ledgers to complete the double entry book keeping (Rule 8).

## Sub Ledger

**13.5.6** Sub Ledger may be maintained for any account in the General ledger, identified as a control account, for detailed information (Rule 9).

## Voucher

**13.5.7** Every transaction shall be entered in a voucher and the type of voucher to be used shall depend on the nature of transaction. Vouchers shall form the base documents for recording the transactions in the Books of Original Entry. The following are the types of vouchers.

- Receipt Voucher
  - Payment Voucher
  - Journal Voucher
  - Contra Voucher
- All vouchers shall be used as the covering sheet for all supporting documents which form the basis of authorisation of transaction.
- Vouchers shall be numbered separately for each type and shall be distinctly coded for each Fund. Voucher numbering shall begin afresh every year.
- In order to maintain the number series of vouchers, a running serial number list shall be maintained for each voucher type, for each Fund, for each year.
- A single voucher shall have multiple account heads but shall record transactions only in respect of one Fund (Rule 10).

## Forms and Registers

**13.5.8** A list of forms and registers prescribed under Kerala Municipal Accounts Manual is given in Annexure 29.

## Correction in Accounts

**13.6** Any correction to an entry made in the books of accounts shall be authorised by the Secretary and effected only through another rectification entry. A Journal Voucher shall be used to effect the same (Rule 11).

## Chart of Accounts

**13.7** Accounting entries shall be recorded using uniform Chart of Accounts consisting of –

- Fund Code
- Function Code
- Functionary Code
- Field Code
- Account Code (Rule 14)

## Bank/Treasury Account Reconciliation Statement

**13.8** Entries and closing balance in the bank book shall be reconciled with bank/treasury statement and a monthly Bank/Treasury Account Reconciliation Statement prepared before 7<sup>th</sup> of the subsequent month (Rule 53).

## Period end procedures

**13.9** The following period end procedures shall be carried out by Secretary or Accounts Officer or an Officer designated by the Secretary (Rule 54).

### Daily procedures

**13.9.1** The following procedures shall be carried out daily.

- Closing of Cash Book and Bank Book
- Physical verification of cash balance with cash book balance
- Checking ledger accounts with the Books of Original Entry

### Monthly procedures

**13.9.2** The following procedures shall be carried out at the end of every month.

- Recording of expenditure incurred against permanent advance
- Payment to Central Pension Fund and Central Provident Fund in respect of employees
- Payment of pension contribution and leave salary contribution in respect of employees on deputation
- Compilation of details of stock used during the month for recording the consumption of stores
- Closing of ledger accounts
- Payment of government dues
- Reconciliation of accounts records with records of other sections.

### Half-yearly procedures

**13.9.3** The following procedures shall be carried out at the end of every half year.

- Reconciliation of deposits, advances, receivables and incomes with subsidiary records and registers
- Transfer of specific grants received to grant income as well as contribution, based on its use during the period
- Accrual of interest on borrowings
- Recording of provision for bills remaining unpaid
- Accrual of interest on advances and investments
- Reconciliation of capital work in progress account with records and registers
- Closing of ledger accounts

## Yearly procedures

**13.9.4** The following procedures shall be carried out at the end of every year.

- Physical verification and reconciliation of stores
- Physical verification of fixed assets
- Recording utilisation of special funds by transfer to Special Funds(utilised) account
- Confirmation of all categories of advances
- Recording transfer entry for creating special funds for benefit of backward classes or similar other welfare schemes
- Confirmation from Government and Government agencies
- Create provision for depreciation on various types of assets in accordance with the policies in this regard
- Create provision for amounts receivable in accordance with the provisioning norms in this regard
- Annual closing of ledger accounts by transfer to Income and Expenditure Statement, where required

## Monthly Financial Statements

**13.10** The following financial statements shall be prepared monthly.

- Monthly Statement of Receipts and Payments
- Monthly Trial Balance and Financial Statements

### Monthly Statement of Receipts and Payments

**13.10.1** The Accounts Officer shall, not later than 20<sup>th</sup> of the subsequent month, prepare and submit a monthly fund wise statement of Receipts and Payments to the Standing Committee (Rule 56).

### Monthly Trial Balance and Financial Statements

**13.10.2** A Trial Balance shall be prepared by extracting all ledger balances, certified by the Secretary and Accounts Officer. From the trial balance, monthly financial statements shall also be prepared (Rule 57).



# Annual Financial Statements

**13.11** Annual Financial Statements shall be approved by the Council and submitted to the auditor within two months from the close of the year [Rule 58(5)]. Annual Financial Statements consist of the following-

- Balance Sheet
- Income and Expenditure Statement
- Statement of Cash Flows
- Receipts and Payments Statement
- Notes to Accounts
- Financial Performance Indicators

## Balance Sheet

**13.11.1** Assets, Liabilities and Reserve heads shall be posted from the Trial Balance to the Balance Sheet.

## Income and Expenditure Statement

**13.11.2** This statement shall include all the income earned during the year whether actually received or not and all the expenditure incurred whether actually paid or not.

## Statement of Cash Flows

**13.11.3** This statement shall include cash flows from operating, investing and financing activities in a manner, which is most appropriate to the activities of the Municipality.

## Receipts and Payments Statement

**13.11.4** This statement shall record all receipts and payments on cash basis.

## Notes to Accounts

**13.11.5** This shall comprise of Statement of Significant Accounting Policies, Statement on Contingent Liabilities, Subsidy Report and Other Disclosures.

## Financial Performance Indicators

**13.11.6** This shall mean the financial ratios as prescribed by the Government.

## Audit Report

**13.12** Audit of Annual Finance Statements shall be completed and Audit Report submitted before 30 September [Rule 60(3)].

## Annual Report

**13.13** The Annual Report of the Municipality shall include the following. The Annual Report shall be published not later than six months after the end of the year.

- Annual Financial Statements
- Budget variance analysis
- Audit Report
- Secretary's Report on the Annual Financial Statements and the qualification and comments made in the Audit Report
- Status of audit issues raised by the auditor and
- Key ratios

## Budget

**13.14** An annual budget shall be prepared on accrual basis. Separate budget shall be prepared for each Fund. In addition, a consolidated budget for the Municipality as a whole shall also be prepared.

## Distinct Cash and Accounts branches

**13.15** The cash and accounts branches of each Municipality shall be kept distinct from each other as far as possible and under distinct officials who shall be termed 'Cashier' and 'Accountant' respectively. The same person shall not compile the accounts and receive the collections on behalf of the Municipality (Rule 68).

## Significant accounting policies

**13.16** The financial statements of the Municipalities shall contain a Statement of Significant accounting policies as notes to accounts. The accounting policies shall be followed consistently each year. The accounting policies shall be uniformly followed across all funds. In case the accounting policies are silent on certain aspects, the accounting policies recommended in the NMAM shall apply.

## Taxes

**13.17** The following shall govern the accounting of transactions relating to taxes.

### **13.17.1** Property and related taxes

- Revenue in respect of property and related taxes (collected as part of property tax) shall be recognised in the period in which they become due and the demands are ascertainable.
- In case of new or changes in assessment, income shall accrue in the month in which the demand is served.
- Liability of Library Cess shall be recognised as and when it is collected.

### **13.17.2** Profession tax

- Revenues in respect of Profession tax on Institutions/ Professionals/ Traders shall be accrued in the year to which it pertains when demands are ascertainable
- Revenues in respect of Profession tax from employees shall be recognised on actual receipt

### **13.17.3** Advertisement tax

- Advertisement tax, if auctioned, shall be recognised as per terms of the agreement
- In all other cases, when permission for advertisement is granted for the first time, the Advertisement tax shall be accrued at the point when tax is paid and permission is granted
- After the first year, Advertisement tax shall accrue when renewal is due

#### **13.17.4 Entertainment tax and Timber tax**

- **Entertainment tax and Timber tax shall be reckoned only on actual receipt**

#### **13.17.5 General policies on taxes**

- **Interest and penalties shall be reckoned on actual receipt**
- **Advance/excess payment of taxes shall be treated as a liability till the tax becomes due, at which point, it shall be adjusted against the receivables**
- **Demands raised with retrospective effect shall be treated as 'prior period income' to the extent it pertains to earlier years**

### **Rents, License Fees and other sources of income**

#### **13.18 The following shall govern the accounting of transactions relating to rents, fees etc**

- **Revenues in respect of Trade License Fees shall be accrued in the year to which it pertains, when demands are ascertainable.**
- **Revenues in respect of rents from properties shall be accrued based on the terms of agreement.**
- **Fees for certificates and extracts, building construction permit fee, betterment fee, sale of products, scrap sale, sale of tender forms etc shall be recognised on actual receipt**

### **Employee related transactions**

#### **13.19 The following shall govern the accounting of transactions relating to employees**

- **Expenditure on salaries and other allowances shall be recognized as and when they are due for payment**
- **Statutory deductions from salaries shall be recognised as liability in the same period in which salary is recognised as expenditure**
- **Contributions for retirement benefits such as pension, gratuity etc made by the Municipality shall be recognised as and when they are due**
- **Contributions due towards Pension Fund of contingent staff shall be recognised as an expense and as a liability as per existing rules**
- **Liability towards leave encashment shall be recognised as and when the amount is determined**
- **Bonus, overtime allowance and reimbursements of the employees shall be recognised as an expenditure as and when they are due for payment**

## Grants

**13.20** The following shall govern the accounting of transactions relating to grants

- General Grants, which are of a revenue nature, shall be recognised as income on actual receipt.
- Specific Grants towards revenue expenditure, received prior to the incurring of expenditure (i.e. received in advance) shall be treated as a liability till such time the expenditure is incurred.

## Borrowings

**13.21** The following shall govern the accounting of transactions relating to borrowings

- Interest expenses on loans shall be recognized on accrual basis
- Interest on borrowings directly attributable to acquisition or construction of qualifying fixed assets upto the date of commissioning of the assets shall be capitalised

## Fixed assets

**13.22** The following shall govern the accounting of transactions relating to fixed assets.

- All fixed assets shall be carried at cost less accumulated depreciation.
- Any addition to or improvement to the fixed asset that results in increasing the utility or useful life of the asset shall be capitalised and included in the cost of the fixed asset.
- Any fixed asset which has been acquired free of cost shall be recorded at a nominal value of Re.1
- Depreciation shall be charged by Straight Line Method (SLM) on all fixed assets except land. The rate of depreciation shall be prescribed by Government.
- All assets costing less than Rs 5000 shall be depreciated at 100% in the year of purchase.
- All assets which have been fully depreciated shall be carried at a book value of Re.1

- Depreciation shall be provided at full rates for assets which are purchased/constructed before 1 October of an accounting year. Depreciation shall be provided at half rates for assets which are purchased/constructed on or after 1 October of an accounting year.
- Depreciation shall be provided at full rates for assets which are disposed on or after 1 October of an accounting year. Depreciation shall be provided at half rates for assets which are disposed before 1 October of an accounting year.

## Valuation Guidelines

**13.23** The fixed assets valuation guidelines, which form part of the Manual, are given below.

### Ascertainment of Original Cost

**13.23.1** Valuation of assets will be done as per the following order of preference.

- If both the cost and date of purchase/ construction is available/ ascertainable:
  - Original cost.
- If cost is not available /unascertainable but the date of purchase/ construction is available:
  - If the asset has outlived its estimated useful life, then it will be valued at Re.1. The Engineers of the Municipality will do estimation of useful life.
  - For assets that have not outlived its useful life, valuation shall be done based on the rates prescribed by PWD for that year. The Engineers of the Municipality shall conduct the exercise of estimation of value and provide it to the implementation committee. The value so obtained shall be the cost of asset.
  - In case PWD rates for a particular year are not available, the current replacement cost based on the recent rates as prescribed above shall be taken. This will be deflated till the year of construction based on wholesale price index (see Annexure 30) to arrive at the original cost.
  - In case of those class of assets for which PWD rates are not prescribed, current replacement cost will be used. This will be deflated to the year of purchase/ construction based on wholesale price index to arrive at the original cost of asset. Current rates from other manufacturers can be taken e.g. in case of vehicles.

- In case neither the cost nor the date of purchase/ construction is available, valuation will be at Re 1, the same being considered as the residual value.
- For fixed assets acquired during 2006-07 and later, the Municipality shall value the assets based on the actual cost.
- The assets related to the transferred institutions shall also be included in the valuation and the same shall be valued at Re.1.

## Depreciation

**13.23.2** Depreciation shall be charged by Straight Line Method (SLM) on all fixed assets except land. The rate of depreciation for each type of fixed assets will be based on the estimated useful life (see Annexure 31). All assets costing less than Rs.5,000 shall be depreciated at 100% in the year of purchase. All assets which have been fully depreciated shall be carried at a book value of Re.1. Depreciation shall be provided at full rates for assets, which are purchased/ constructed before 1 October of an accounting year. Depreciation shall be provided at half the rates for assets, which are purchased / constructed on or after 1 October of an accounting year.

## General Principles

**13.23.3** The following general principles shall be followed in the valuation of fixed assets.

- Land that are acquired free of cost from the Government or provided by individuals or institutions under endowment for specific purposes shall be valued at Re.1
- Where the ownership of the asset has not been transferred in favour of the Municipality, but the asset is in the permissive possession of the Municipality, it shall be included in the Fixed Asset Register with Re.1 as its value.
- Statues, heritage assets and valuable works of art shall be charged at original cost and no depreciation shall be charged thereon.
- Land pertaining to parks and playgrounds including the cost of development of land shall be booked under land. Other amenities to parks and playgrounds shall be capitalised as 'parks and playgrounds.
- Any building /structures/ plant and machinery, etc., constructed/ installed in the parks and playgrounds and used for other purposes shall be booked under the appropriate heads of account.
- Land under road shall be classified under land and shall not be included under roads.
- The valuation report shall contain the methodology adopted for valuation and shall give justification for each of the item.
- The valuation report shall be placed before the Council for approval before the same is incorporated in the opening balance sheet.





# 14

## Auditing in IT environment

### Scope of auditing in IT environment

**14.1** The term 'auditing in IT environment' include auditing IT systems including those under development, and IT-assisted audits. Auditing in IT environment is a methodology of audit and can be applied to all types of audit, namely, financial audit, compliance audit and performance audit.

### Right of access to Audit

**14.2** The auditable entity shall ensure that Audit has the right of access to the IT systems, irrespective of the fact whether the systems are owned, maintained and operated by the auditable entity or by any other agency on behalf of the auditable entity.

### Requirements of Audit to be incorporated in the IT system

**14.3** The auditable entity is required to ensure that all requirements for the purpose of facilitation of audit are incorporated in the IT system.

### Audit examination of IT systems at various stages

**14.4** Audit may examine the IT systems at various stages such as feasibility study, system development, implementation and maintenance. This is to ensure that IT assets are safeguarded and that appropriate controls are in place to ensure –

- integrity of the system
- reliability, availability and confidentiality of the data and information and
- compliance of the system with rules and procedures.

### Methods and techniques for evidence

**14.5** Depending upon the audit task, the audit officer may use IT tools as appropriate for collection and evaluation of evidence.

# Application software used in LSGIs

**14.6** Some of the application software developed by Information Kerala Mission and used in LSGIs is given below.

## Saankhya KMAM

**14.6.1** Accrual based double entry accounting system in ULBs is implemented using this application. Installed in all the ULBs from 1 April 2010. Some other applications are also integrated with Saankhya KMAM.

## Sulekha

**14.6.2** This application is used by all LSGIs for plan monitoring. Government has made this application mandatory for approval of annual plan of LSGIs by District Planning Committee.

## Sevana

**14.6.3** One package of Sevana is used for registration of birth & death and marriage. Another package is used for social security pensions. Installed in 1057 LSGIs as of 1 April 2010.

## Sthapana

**14.6.4** As of 1 April 2010, this application is used in 999 LSGIs for matters relating to salary.

## Sanchaya

**14.6.5** This is a revenue module for collection of property tax, profession tax, and various license fees.

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**Annexure 1**  
**(Paragraph 1.1.1)**

**Articles 149 to 151 of Constitution of India**

- 149. Duties and powers of the Comptroller and Auditor-General.**—The Comptroller and Auditor-General shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by Parliament and, until provision in that behalf is so made, shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States as were conferred on or exercisable by the Auditor-General of India immediately before the commencement of this Constitution in relation to the accounts of the Dominion of India and of the Provinces respectively.
- 150. Form of accounts of the Union and of the States.**—The accounts of the Union and of the States shall be kept in such form as the President may, on the advice of the Comptroller and Auditor-General of India, prescribe.
- 151. Audit reports.**—(1) The reports of the Comptroller and Auditor-General of India relating to the accounts of the Union shall be submitted to the President, who shall cause them to be laid before each House of Parliament.
- (2) The reports of the Comptroller and Auditor-General of India relating to the accounts of a State shall be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State.

Annexure 2  
(Paragraph 1.1.2)

**Sections 14,15 and 20 of CAG's(DPC) Act,1971**

**Audit of receipts and expenditure of bodies or authorities substantially  
financed from Union or State Revenues**

**14(1)** Where any body or authority is substantially financed by grants or loans from the Consolidated Fund of India or of any State or of any Union territory having a Legislative Assembly, the Comptroller and Auditor-General shall, subject to the provisions of any law for the time being in, force applicable to the body or authority, as the case may be, audit all receipts and expenditure of that body or authority and to report on the receipts and expenditure audited by him.

**Explanation:** Where the grant or loan to a body or authority from the Consolidated Fund of India or of any State or of any Union territory having a Legislative Assembly in a financial year is not less than rupees twenty-five lakh and the amount of such grant or loan is not less than seventy-five percent of the total expenditure of that body or authority, such body or authority shall be, deemed, for the purposes of this sub-section, to be substantially financed by such grants or loans as the case may be.

**(2)** Notwithstanding anything contained in sub-section (1) the Comptroller and Auditor-General may with the previous approval of the President or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, audit all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of India or of any State or of any Union territory having a Legislative Assembly, as the case may be in a financial year is not less than rupees one crore.

**(3)** Where the receipts and expenditure of any body or authority are by virtue of the fulfillment of the, conditions specified in sub-section (1) or sub-section (2) audited by the Comptroller and Auditor-General in a financial year, he shall continue to audit the receipts and expenditure of that body or authority for a further period of two years notwithstanding that the conditions specified in sub-section (1) or sub-section (2) are not fulfilled during any of the two subsequent years.

**Functions of Comptroller and Auditor-General in the Case of Grants or  
Loans given to other Authorities or Bodies**

**15(1)** Where any grant or loan is given for any specific purpose from the Consolidated Fund of India or of any State or of any Union territory having a Legislative Assembly to any authority or body, not being a foreign State or international organisation, the Comptroller and Auditor-General shall scrutinise the procedures by which the sanctioning authority satisfies itself as to the fulfillment of the conditions subject to which such grants or loans were given and shall for this purpose have right of access, after giving reasonable previous notice, to the books and accounts of that authority or body:

**Provided that** the President, the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, may, where he is of opinion that it is necessary so to do in the public interest, by order, relieve the Comptroller and Auditor-General, after consultation with him, from making any such scrutiny in respect of any body or authority receiving such grant or loan.

**(2)** Except where he is authorised so to do by the President, the Governor of a State or the Administrator of Union territory having a Legislative Assembly, as the case may be, the Comptroller and Auditor-General shall not have, while exercising the powers conferred on him by sub-section (1), right of access to the books and accounts of any corporation to which any such grant or loan as is referred to in subsection (1) is given if the law by or

**under which such corporation has been established provides for the audit of the accounts of such corporation by an agency other than the Comptroller and Auditor-General: Provided that no such authorisation shall be made except after consultation with the Comptroller and Auditor-General and except after giving the concerned corporation a reasonable opportunity of making representations with regard to the proposal to give to the Comptroller and Auditor-General right of access to its books and accounts.**

**Audit of accounts of certain authorities or bodies**

- 20(1) Save as otherwise provided in section 19, where the audit of the accounts of any body or authority has not been entrusted to the Comptroller and Auditor-General by or under any law made by Parliament, he shall, if requested so to do by the President, or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority:  
Provided that no such request shall be made except after consultation with the Comptroller and Auditor-General.**
- (2) The Comptroller and Auditor-General may propose to the President or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, that he may authorised to undertake the audit of accounts of any body or authority, the audit of the account of which has not been entrusted to him by law, if he is of opinion that such audit is necessary because a substantial amount has been invested in, or advanced to, such body or authority by the Central or State Government or by the Government of a Union territory having a Legislative Assembly, and on such request being made, the President or the Governor or, the Administrator, as the case may be, may empower the Comptroller and Auditor-General to undertake the audit of the accounts of such body or authority.**
- (3) The audit referred to in sub-section (1) or sub-section (2) shall not be entrusted to the Comptroller and Auditor-General except where the President or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, is satisfied that it is expedient so to do in the public-interest and except after giving a reasonable opportunity to the concerned body or authority to make representations with regard to the proposal for such audit.**

**Chapter 10 of Regulations on audit and accounts 2007**  
**'Role of the C&AG in audit of Panchayati Raj Institutions and**  
**Urban Local Bodies'**

**149. Arrangements for maintenance of accounts and audit**

Under Articles 243 J and Z of the Constitution, the legislature of a State may, by law, make provisions with respect to the maintenance of accounts and the auditing of such accounts of Panchayat Raj Institutions and Urban Local Bodies. The local fund auditor, who is generally an officer of the State Government, is responsible for audit of Panchayat Raj Institutions and Urban Local Bodies. In the states of Bihar, Jharkhand and West Bengal, the Examiner of Local Fund Accounts, who is an officer of the Comptroller and Auditor General, is responsible for the audit of accounts of Panchayat Raj Institutions and Urban Local Bodies.

**150. Audit under Section 14 of the Act where applicable**

The Comptroller and Auditor General may undertake the audit of Panchayat Raj Institutions and Urban Local Bodies under Section 14 of the Act where such bodies are financed by grants or loans from the Consolidated Fund of India or of any State or Union Territory having a legislative assembly and are auditable under the provisions of this Section of the Act. In such cases, the Regulations for such audits as contained in Chapter 8 shall apply. These Regulations, to the extent relevant, shall also apply in cases where audit of Panchayat Raj Institutions and Urban Local Bodies is entrusted to the Comptroller and Auditor General under Section 19 or Section 20 of the Act.

**151. Model forms of accounts and budget**

The model forms in which the accounts of Panchayat Raj Institutions and Urban Local Bodies may be kept and the forms in which their budgets may be prepared and presented, have been prescribed by the Comptroller and Auditor General.

**152. Arrangements regarding technical guidance and support**

The functions of technical guidance and support to audit of Panchayat Raj Institutions and Urban Local Bodies have been entrusted to the Comptroller and Auditor General under Section 20(1) of the Act in many States. The salient features of the collaborative arrangement between the Comptroller and Auditor General and the local fund auditor under technical guidance and support as incorporated in various Government orders of State Governments are as follows:

- (1) The local fund auditor will prepare by the end of March every year, an annual audit plan for audit of Panchayat Raj Institutions and Urban Local Bodies in the next financial year and forward it to the Accountant General (Audit) of the State;
- (2) The audit methodology and procedures for audit of Panchayat Raj Institutions and Urban Local Bodies by the local fund auditor will be as per various Acts and statutes enacted by the State Government and guidelines prescribed by the Comptroller and Auditor General.
- (3) Copies of inspection reports in respect of selected local bodies shall be forwarded by the local fund auditor to the Accountant General (Audit) for advice on system improvements and the Accountant General (Audit) shall review the same with a view to make suggestions for improvement of existing systems being followed by the local fund audit department. The Accountant General (Audit) will also monitor the quality of the inspection reports issued by the local fund auditor by scrutinising such inspection reports.
- (4) The local fund auditor will furnish returns in such format as may be prescribed by the Comptroller and Auditor General for advice and monitoring.

- (5) The Accountant General (Audit) would conduct test check of some of Panchayat Raj Institutions and Urban Local Bodies in order to provide technical guidance. The report of the test check would be sent to the local fund auditor for pursuance of action to be taken by Panchayat Raj Institutions and Urban Local Bodies. The local fund auditor will pursue the compliance of such paragraphs in the inspection reports of the Accountant General (Audit) in the same manner as if these are his own reports.
- (6) Irrespective of the money value of the objections, any serious irregularities such as system deficiencies, serious violation of rules and fraud noticed by local fund auditor will be intimated to the Accountant General (Audit).
- (7) The local fund auditor shall develop, in consultation with Accountant General (Audit), a system of internal control in his organisation.
- (8) The Accountant General (Audit) shall also undertake training and capacity building of the local fund audit staff.

### **153. Audit not to include certification of accounts**

Unless specifically provided, audit by the Accountant General (Audit) in terms of paragraph (5) of the preceding Regulation does not include the certification of accounts of Panchayat Raj Institutions and Urban Local Bodies.

### **154. Role of Accountant General (Audit) in pursuance of inspection reports**

Notwithstanding anything contained in the Regulations of this chapter regarding pursuance of paragraphs in the inspection reports of the Accountant General (Audit) by the local fund auditor, the Accountant General (Audit) will also ensure their regular pursuance.

### **155. Forwarding of results of audit to the Government**

The Accountant General (Audit) will send to the concerned Secretary or Secretaries to the Government by the end of June every year an annual technical inspection report based on the results of audit of Panchayat Raj Institutions and Urban Local Bodies conducted by his office during the preceding year. The Secretary or Secretaries may ensure that appropriate remedial action is taken expeditiously and the Accountant General (Audit) is informed of the action taken. In the States of Bihar, Jharkhand and West Bengal, the technical inspection report shall be prepared by the Examiner of Local Fund Accounts and countersigned by Accountant General (Audit).

### **156. Inclusion of results of audit in audit report**

Where the results of audit of Panchayat Raj Institutions and Urban Local Bodies are included in the audit report of the Comptroller and Auditor General and placed before the legislature, the Regulations prescribed in Chapter 15 shall apply as relevant.



**Annexure 4**  
**(Paragraph 3.1.1)**

**Matters relating to Panchayat Raj Institutions**  
**ELEVENTH SCHEDULE OF THE CONSTITUTION OF INDIA**  
**(Article 243 G)**

- 1 Agriculture, including agricultural extension.
- 2 Land improvement, implementation of land reforms, land consolidation and soil conservation.
- 3 Minor irrigation, water management and watershed development
- 4 Animal husbandry, dairying and poultry.
- 5 Fisheries.
- 6 Social forestry and farm forestry
- 7 Minor forest produce
- 8 Small scale industries, including food processing industries.
- 9 Khadi, village and cottage industries.
- 10 Rural housing.
- 11 Drinking water
- 12 Fuel and fodder
- 13 Roads, culverts, bridges, ferries, waterways and other means of communication
- 14 Rural electrification, including distribution of electricity
- 15 Non-conventional energy sources
- 16 Poverty alleviation programme
- 17 Education, including primary and secondary schools
- 18 Technical training and vocational education
- 19 Adult and non-formal education
- 20 Libraries
- 21 Cultural activities
- 22 Markets and fairs
- 23 Health and sanitation, including hospitals, primary health centres and dispensaries
- 24 Family welfare
- 25 Women and child development
- 26 Social welfare, including welfare of the handicapped and mentally retarded
- 27 Welfare of the weaker sections, and in particular, of the SCs and the STs
- 28 Public distribution system
- 29 Maintenance of community assets

**Annexure 5**  
**(Paragraph 3.1.2)**

**Matters relating to Urban Local Bodies**  
**TWELFTH SCHEDULE OF THE CONSTITUTION OF INDIA**  
**(Article 243 W)**

- 1 Urban planning including town planning
- 2 Regulation of land-use and construction of buildings
- 3 Planning for economic and social development
- 4 Roads and bridges
- 5 Water supply for domestic, industrial and commercial purposes
- 6 Public health, sanitation conservancy and solid waste management
- 7 Fire services
- 8 Urban forestry, protection of the environment and promotion of ecological aspects
- 9 Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded
- 10 Slum improvement and upgradation
- 11 Urban poverty alleviation
- 12 Provision of urban amenities and facilities such as parks, gardens, playgrounds
- 13 Promotion of cultural, educational and aesthetic aspects
- 14 Burials and burial grounds; cremations, cremation grounds; and electric crematoriums
- 15 Cattle pounds; prevention of cruelty to animals
- 16 Vital statistics including registration of births and deaths
- 17 Public amenities including street lighting, parking lots, bus stops and public conveniences
- 18 Regulation of slaughter houses and tanneries

**Annexure 6**  
**(Paragraph 3.6)**

**List of allied Acts amended**

- 1 The Kerala Local Authorities Entertainment Tax Act, 1961
- 2 The Kerala Additional Tax on Entertainments and Surcharge on Show Tax Act, 1963
- 3 The Travancore-Cochin Public Health Act, 1955
- 4 The Madras Public Health Act, 1939
- 5 The Cattle Trespass Act, 1961
- 6 The Kerala Cinemas (Regulation) Act, 1958
- 7 The Kerala Places of Public Resort Act, 1963
- 8 The Kerala Parks, Play-fields and Open Spaces (Preservation and Regulation) Act, 1968
- 9 The Kerala Housing Board Act, 1971
- 10 The Kerala Land Development Act, 1964
- 11 The Kerala Plant Diseases and Pests Act, 1972
- 12 The Kerala Prevention and Control of Animal Diseases Act, 1967
- 13 The Travancore-Cochin Fisheries Act, 1950
- 14 The Indian Fisheries Act, 1897
- 15 The Kerala Marine Fishing Regulation Act, 1980
- 16 The Kerala Lime Shells (Control) Act, 1957
- 17 The Kerala Khadi and Village Industries Board Act, 1957
- 18 The Kerala Education Act, 1958
- 19 The Kerala Public Libraries (Kerala Granthasala Sanghom) Act, 1989
- 20 The Kerala Water Supply and Sewerage Act, 1986
- 21 The Madras Irrigation Works (Repairs, Improvement and Construction) Act, 1943
- 22 The Madras Irrigation Tanks Act, 1949
- 23 The Madras Irrigation (Levy of Betterment Contribution) Act, 1955
- 24 The Malabar Irrigation Works (Construction and Levy of Cess) Act, 1947
- 25 The Travancore-Cochin Irrigation Tanks (Preservation and Improvement) Act, 1952
- 26 The Travancore-Cochin Irrigation Act, 1956
- 27 The Kerala Irrigation Works (Execution by Joint Labour) Act, 1967
- 28 The Kerala Command Areas Development Act, 1986
- 29 The Travancore Public Canals and Public Ferries Act, 1906
- 30 The Madras Canals and Ferries Act, 1890
- 31 The Cochin Ferries and Tolls Act, 1882
- 32 The Indian Electricity Act, 1910
- 33 The Land Acquisition Act, 1894
- 34 The Kerala Land Assignment Act 1960
- 35 The Kerala Land Conservancy Act, 1957
- 36 The Kerala Land Relinquishment Act, 1958
- 37 The Kerala Survey and Boundaries Act, 1961
- 38 The Kerala Land Reforms Act, 1963
- 39 The Kerala Local Authorities Loans Act, 1963
- 40 The Kerala Motor Vehicles Taxation Act, 1976
- 41 The Kerala Tolls Act, 1976
- 42 The Kerala Public Buildings (Eviction of Unauthorised Occupants) Act, 1968

**Annexure 7**  
**(Paragraph 3.7.2)**

**Functions of Grama Panchayats**  
**THIRD SCHEDULE OF THE KERALA PANCHAYAT RAJ ACT 1994**  
**[Section 166(1)]**

**A. Mandatory Functions**

- 1 Regulating building construction
- 2 Protection of public lands against encroachment
- 3 Maintenance of traditional drinking water sources
- 4 Preservation of ponds and other water tanks
- 5 Maintenance of waterways and canals under the control of Grama Panchayats
- 6 Collection and disposal of solid waste and regulation of liquid waste disposal
- 7 Storm water drainage
- 8 Maintenance of environmental hygiene
- 9 Management of public markets
- 10 Vector Control
- 11 Regulation of slaughtering of animals and sale of meat, fish and other easily perishable food stuffs etc
- 12 Control of eating places
- 13 Prevention of food adulteration
- 14 Protection of roads and other public properties
- 15 Street lighting and its maintenance
- 16 Adopt immunisation programmes
- 17 Effective implementation of National and State level strategies and programmes for prevention and control of diseases
- 18 Establishment and maintenance of burial and burning grounds
- 19 Issue of licenses to dangerous and offensive trades
- 20 Registration of births and deaths
- 21 Providing bathing and washing ghats
- 22 Provision for ferries
- 23 Provision for parking spaces for vehicles
- 24 Construction of waiting sheds for travellers
- 25 Provision for toilet facilities and bathing ghats at public places
- 26 Regulate the conduct of fairs and festivals
- 27 Issue licence to domestic dogs and to destroy stray dogs

**B. General Functions**

- 1 Collection and updating of essential statistics
- 2 Organise voluntary workers and make them participate in collective activities
- 3 Organise campaigns for thrift
- 4 Awareness building against social evils like drinking, consumption of narcotics, dowry, abuse of women and children
- 5 Ensuing maximum peoples participation at all stages of development
- 6 Organise relief activities during natural calamities
- 7 Inculcating environmental awareness and motivating local action for environmental upgradation
- 8 Promotion of co-operative sector
- 9 Enhancing communal harmony
- 10 Mobilisation of local resources in cash or in kind including free surrender of land for developmental purposes

- 11 Campaign on legal awareness among weaker sections
- 12 Campaign against economic offences
- 13 Organising neighbourhood groups and self-help groups focusing on the poor
- 14 Awareness building on civic duties

### **C. Sector-wise functions**

#### **I. Agriculture**

- 1 Cultivate wastelands and marginal lands
- 2 Ensure optimum utilisation of land
- 3 Soil protection
- 4 Production of organic manure
- 5 Establishment of nurseries
- 6 Encourage the system co-operative ground farming
- 7 Organise self help groups among farmers
- 8 Encourage horticulture and vegetable cultivation
- 9 Fodder development
- 10 Plant production
- 11 Seed protection
- 12 Farm mechanisation
- 13 Management of Krishi Bhavans

#### **II. Animal Husbandry and Diary farming**

- 1 Cattle Development Programmes
- 2 Diary farming
- 3 Poultry farming, bee keeping, piggery development, goat rearing, rabbit rearing, etc
- 4 Running of veterinary hospitals
- 5 Running of ICDP sub-centres
- 6 Preventive Health Programmes for animals
- 7 Prevention of cruelty to animals
- 8 Implementation of fertility improvement programmes
- 9 Control of diseases of animal origin

#### **III. Minor Irrigation**

- 1 Maintenance and implementation of all minor irrigation projects within the area of a Grama Panchayat
- 2 Implementation and maintenance of all micro irrigation projects
- 3 Put into practice water conservation

#### **IV. Fishing**

- 1 Development of fisheries in ponds, pisci-culture in fresh water and brackish water and mariculture
- 2 Improvement of fish seed production and distribution of offsprings
- 3 Distribution of fishing implements
- 4 Provide assistance for fish marketing
- 5 Provide minimum basic facilities for fishermen families
- 6 Implementation of fishermen Welfare Schemes

#### **V. Social Forestry**

- 1 Growing trees for cattle feed, fire wood and growing of fruit trees
- 2 Organise campaigns for planting of trees and to build environmental awareness
- 3 Afforestation of waste land

#### **VI. Small scale Industries**

- 1 Promotion of cottage-village industries
- 2 Promotion of handicrafts
- 3 Promotion of traditional and mini industries

#### **VII. Housing**

- 1 Identification of the homeless people and the poramboke dwellers and provide them with lands for house construction and with houses

- 2 Implementation of rural housing programmes
- 3 Implementation of shelter upgradation programmes

#### **VIII. Water Supply**

- 1 Management of water supply schemes within a Grama Panchayat
- 2 Setting up of water supply schemes within a Grama Panchayat

#### **IX. Electricity and Energy**

- 1 Installation and maintenance of streetlights
- 2 Encourage the consumption of bio-gas

#### **X. Education**

- 1 Management of Government Pre-primary Schools and Primary Schools
- 2 Implementation of literacy programmes
- 3 Management and promotion of reading rooms and libraries

#### **XI. Public Works**

- 1 Construction and maintenance of village roads within a Grama Panchayat
- 2 Construction of buildings for institutions including those transferred from the government

#### **XII. Public Health and Sanitation**

- 1 Running of dispensaries, Primary Health Centres and Sub-centres (with all systems of medicines)
- 2 Management of maternity and Child Welfare Centres
- 3 Carry out immunisation and other preventive measures
- 4 Implementation of family welfare programme
- 5 Implementation of sanitation programmes

#### **XIII. Social Welfare**

- 1 Running of Anganwadis
- 2 Sanctioning and distribution of pension to destitutes, widows, handicapped and agricultural labourers
- 3 Sanctioning and distribution of unemployment wages
- 4 Sanctioning of financial assistance for the marriage of the daughters of widows
- 5 Implementation of Group Insurance Scheme for the poor

#### **XIV. Poverty Alleviation**

- 1 Identifying the poor
- 2 Implementation of self employment and Group Employment Schemes for the poor especially for women
- 3 Providing community assets of continuing benefits to the poor

#### **XV. Scheduled Caste-Scheduled Tribe Development**

- 1 Implementation of beneficiary oriented schemes under SCP, TSP
- 2 Running of nursery schools for Scheduled Caste-Scheduled Tribes
- 3 Arrange basic facilities in Scheduled Caste-Scheduled Tribe Colonies
- 4 Provide assistance to Scheduled Caste-Scheduled Tribe Students
- 5 Provide discretionary assistance to scheduled Caste-Scheduled Tribe when necessary

#### **XVI. Sports and Cultural Affairs**

- 1 Construction of playgrounds
- 2 Establishment of Cultural Centres

#### **XVII. Public Distribution System**

- 1 Examining the complaints against the Public Distribution System and find out and implement remedial measures
- 2 Organise campaigns against offences relating to weights and measures
- 3 General supervision and guidance of Ration Shops, Maveli Stores, Neethi Stores and other public distribution systems and start new public distribution centres, if necessary.

### **XVIII. Natural calamities Relief**

- 1 Protection of Relief Centres
- 2 Conduct works relating to natural calamity. The work to compensate damages caused to the assets should be done by the respective Panchayats

### **XIX. Co-operation**

- 1 Organise Co-operative societies within the boundaries of Grama Panchayat
- 2 Strengthen the existing co-operative institutions

## **Annexure 8** **(Paragraph 3.7.2)**

### **Functions of Block Panchayats**

#### **FOURTH SCHEDULE OF THE KERALA PANCHAYAT RAJ ACT 1994**

**[Section 172(1)]**

#### **A. General Functions**

- 1 Utilise Governmental-non-Governmental technical expertise at block level
- 2 Provide technical assistance to Grama Panchayats
- 3 Prepare schemes taking into consideration the schemes of Grama panchayats in order to avoid duplication and to provide backward, forward linkage

#### **B. Sectorwise functions**

##### **I. Agriculture**

- 1 Farmers training programmes for the implementation at the Grama Panchayat level
- 2 Arrange agricultural inputs required for schemes at the Grama Panchayat level
- 3 Conduct of agricultural exhibitions
- 4 Management of watersheds falling within the Block Panchayat area
- 5 Mobilise agricultural loans
- 6 Encouragement of sericulture

##### **II. Animal Husbandry and Dairy Farming**

- 1 Running of veterinary poly clinics and zonal artificial insemination centres
- 2 Provide speciality services in animal husbandry
- 3 Conducting of cattle and poultry shows

##### **III. Minor Irrigation**

- 1 Implementation and maintenance of all Lift Irrigation Schemes and Minor Irrigation Schemes covering more than one Grama panchayats

##### **IV. Fisheries**

- 1 Development of traditional landing centres

##### **V. Small Scale Industries**

- 1 Establishment of mini industrial estates
- 2 Promotion of industries with investment limit of one third of S
- 3 Formulation of self employment schemes in Industrial sector

##### **VI. Housing**

- 1 Popularisation of low cost housing
- 2 Promotion of housing co-operative societies

##### **VII. Electricity and Energy**

- 1 Development of conventional energy sources

##### **VIII. Education**

- 1 Management of Government Industrial Training Institutions

### **IX. Public Works**

- 1 Maintenance of Village roads connecting more than one Grama panchayat within the Block Panchayat and other roads vested in block panchayat.
- 2 Construction of buildings for institutions transferred from Government.

### **X. Public Health and Sanitation**

- 1 Running of community health centres and Taluk Hospitals with all systems of medicine within the Block Panchayat.

### **XI. Social Welfare**

- 1 Management of I.C.D.S

### **XII. Poverty Alleviation**

- 1 Planning and implementation of employment assurance schemes in co-ordination with the GramaPanchayat
- 2 Skill upgradation of poor for self employment and giving wage employment for people below poverty line

### **XIII. Scheduled Caste/Scheduled Tribe Development**

- 1 Management of pre-metric hostels
- 2 Promotion of Co-operative Societies means for Scheduled Caste/Scheduled Tribes

### **XIV. Co-operation**

- 1 Organising co-operatives within the jurisdiction of Block Panchayat
- 2 Strengthening of co-operative institutions



**Annexure 9**  
**(Paragraph 3.7.2)**

**Functions of District Panchayats**  
**FIFTH SCHEDULE OF THE KERALA PANCHAYAT RAJ ACT 1994**  
**[Section 173(1)]**

**A. General Functions**

- 1 Mobilisation of the technical expertise available from Government-non-Government institutions
- 2 Provide technical assistance to Block Panchayats, Grama Panchayats and Municipalities
- 3 Prepare schemes after taking into account the schemes of the Grama Panchayat and the Block Panchayat to avoid duplication and to provide forward-backward linkage

**B. Sectorwise Functions**

**I. Agriculture**

- 1 Running of agriculture farms other than regional farms and research centres
- 2 Integrated water-shed management in water sheds covering more than one block panchayat area
- 3 Provide for agricultural inputs
- 4 Soil testing
- 5 Pest control
- 6 Marketing of agricultural products
- 7 Cultivation of ornamental plants
- 8 Promotion of agricultural co-operatives
- 9 Promotion of commercial crops
- 10 Application of bio-technology
- 11 Popularisation of innovative field trials and pilot projects
- 12 Conduct of locally appropriate research and development

**II. Animal Husbandry and Dairy Farming**

- 1 Running of district level veterinary hospitals and laboratories
- 2 Running of dairy extension units
- 3 Promotion of Milk co-operative societies
- 4 Running of farms other than regional farms, breeding farms and research centres
- 5 Implementation of district level training
- 6 Implementation of disease prevention programmes
- 7 Propagating new methods of field trials and pilot projects
- 8 Locally relevant research and development

**III. Minor Irrigation**

- 1 Development of ground water resources
- 2 Construction and maintenance of minor irrigation schemes covering more than one Block Panchayat
- 3 Command area development

**IV. Fisheries**

- 1 Arrangements for fish marketing
- 2 Management of fish farm development agency
- 3 Management of district level pisci-culture centres net making units, fish markets, feed mills, ice plants and cold storages
- 4 Management of fisheries schools
- 5 Introduction of new technologies
- 6 Provide implements required for fishermen
- 7 Promotion of fishermens co-operative societies

**V. Small Scale Industries**

- 1 Management of district industries centres
- 2 Promotion of small scale industries
- 3 Setting up of industrial estates
- 4 Organising exhibitions for sale of products
- 5 Conduct of entrepreneur development programme
- 6 Marketing of products
- 7 Imparting training
- 8 Create input service and common facility centres
- 9 Implementation of industries development credit schemes
- VI. Housing**
  - 1 Implementation of housing complex and infrastructure development
  - 2 Mobilisation of housing finance
- VII. Water Supply**
  - 1 Implementation of water supply schemes covering more than one Grama panchayat.
  - 2 Taking over of water supply schemes covering more than one Grama panchayat
- VIII. Electricity & Energy**
  - 1 Taking over of micro-hydel projects
  - 2 Determining priority areas for extension of electricity
- IX. Education**
  - 1 Management of Government high schools (including Lower and Upper Primary Schools attached to High Schools).
  - 2 Management of Government Higher Secondary schools
  - 3 Management of Government Technical Schools
  - 4 Management of Government Vocational Training Centres and Polytechnics
  - 5 Management of government Vocational Higher Secondary Schools.
  - 6 Management of District Institute for Education and Training
  - 7 Co-ordination of centrally and state sponsored programmes related to education
- X. Public Works**
  - 1 Construction and maintenance of all district roads vested within the District Panchayat other than major district roads
  - 2 Construction of building for institutions transferred
- XI. Public Health & Sanitations**
  - 1 Management of district hospitals with all systems of medicines
  - 2 Setting up of centres for the care of special categories of handicapped and mentally disabled people
  - 3 Co-ordination of centrally and state sponsored programmes at district level
- XII. Social Welfare**
  - 1 Provide grants to orphanages
  - 2 Establishment of welfare centres for the handicapped and destitutes.
- XIII. Poverty Alleviation**
  - 1 Providing infrastructure facilities for self employment programme.
- XIV. Development of Scheduled Caste-Scheduled Tribe**
  - 1 Management of post metric hostels
  - 2 Management of vocational training centres for the Scheduled Caste/Scheduled Tribes.
- XV. Sports and Cultural affairs**
  - 1 Construction of stadia
- XVI. Co-operation**
  - 1 Organisation of co-operatives within the limits of District Panchayat.
  - 2 Strengthening of the co-operative institutions

**Annexure 10**  
**(Paragraph 3.7.2)**  
**Functions of Urban Local Bodies**  
**FIRST SCHEDULE OF KERALA MUNICIPALITY ACT 1994**  
**[See Section 30(1)]**

**A. Mandatory Functions**

- 1 Regulating building construction
- 2 Protection of public land from encroachment
- 3 Conservation of traditional drinking water sources
- 4 Preservation of ponds and other water tanks
- 5 Maintenance of waterways and canals under the control of the Municipality
- 6 Collection and disposal of solid waste and regulation of disposal of liquid waste
- 7 Stream water drainage
- 8 Maintenance of environmental hygiene
- 9 Management of public markets
- 10 Vector control
- 11 Regulation of slaughtering of animals and sale of meat, fish and other easily perishable food stuffs etc
- 12 Control of eating houses
- 13 Prevention of food adulteration
- 14 Maintenance of roads and other public properties
- 15 Street lighting and its maintenance
- 16 Adopt immunisation measures
- 17 Effective implementation of National and State level strategies and programmes for prevention and control of diseases
- 18 Establishment and maintenance of burial and burning grounds
- 19 Issue of licences to dangerous and offensive trades and industries
- 20 Registration of births and deaths
- 21 Providing bathing and washing ghats
- 22 Arranging ferries
- 23 Providing parking spaces for vehicles
- 24 Construction of waiting sheds for travellers
- 25 Providing toilet facilities and bathing ghats at public places
- 26 Regulating the conduct of fairs and festivals
- 27 Issue licence to domestic dogs and destroy stray dogs
- 28 Providing basic facilities in slum areas
- 29 Amenities including foot path and road crossing facilities for pedestrians
- 30 Preparation of detailed town planning and Action plan for implementation in a phased manner

**B. General functions**

- 1 Collection and updating of essential statistics
- 2 Organising voluntary workers and make them participate in collective activities
- 3 Organise campaign for thrift
- 4 Awareness building against social evils like drinking, consumption of narcotics, dowry and abuse of women and children
- 5 Ensuring maximum people's participation in all stages of development
- 6 Organise relief activities during natural calamities
- 7 Inculcating environmental awareness and motivating local action for its upgradation
- 8 Development of Co-operative Sector

- 9 Promoting communal harmony
- 10 Mobilising local resources in cash or in kind including free surrender of Land for developmental purposes
- 11 Propagating legal awareness among the weaker sections
- 12 Campaign against economic offences
- 13 Organising neighbourhood groups and self-help groups with focus on the poor
- 14 Awareness building on civil duties

### **C. Sector-wise distribution of functions**

#### **I. Agriculture**

- 1 Bring into cultivation barren land and surrounding land
- 2 Ensure optimum utilisation of land
- 3 Soil conservation
- 4 Production of organic manure
- 5 Establishment of nurseries
- 6 Promotion of co-operative-group farming
- 7 Organising self-help groups among farmers
- 8 Promotion of horticulture and vegetable cultivation
- 9 Implementation of fodder crop development
- 10 Encourage plant protection activities
- 11 Development of seed production
- 12 Implementation of farm mechanisation
- 13 Running of Krishi Bhavans
- 14 Organise Agricultural exhibitions

#### **II. Animal Husbandry and Dairy Farming**

- 1 Implementation of cattle improvement programmes
- 2 Increase the production of milk
- 3 Poultry farming, bee keeping, piggery development, goat rearing and rabbit rearing
- 4 Running of veterinary hospitals
- 5 Running of ICDP sub-centres
- 6 Formulation and implementation of preventive-health programme for animals
- 7 Prevention of cruelty to animals
- 8 Implementation of fertility improvement programmes
- 9 Control of animal origin disease
- 10 Running of veterinary poly-clinics and Regional Artificial Insemination Centres
- 11 Providing of speciality services in animal husbandry
- 12 Conduct cattle-poultry shows

#### **III. Minor Irrigation:**

- 1 Implementation and maintenance of all minor and lift irrigation projects within the Municipal areas
- 2 Implementation and Maintenance of all micro-irrigation projects
- 3 Carry out conservation of water
- 4 Implementation of ground water resources development

#### **IV. Fisheries:**

- 1 Implementation of Pisi-culture in ponds, fresh water and brackish in water, and development of marine
- 2 Promotion of fish-seed production and distribution
- 3 Distribution of fishing implements
- 4 Providing assistance for fish marketing
- 5 Providing of minimum basic services for fishermen families
- 6 Implementation of fishermen welfare scheme
- 7 Development of traditional landing centres
- 8 Administrative control of fisheries schools

#### **V Social Forestry:**

- 1 Growing of trees for fodder or fuel and growing of fruit trees
- 2 Organise campaign for planting of trees and environmental awareness
- 3 Afforestation of waste land

#### **VI Small Scale Industries:**

- 1 Promotion of cottage-village industries
- 2 Promotion of handicrafts
- 3 Promotion of traditional and mini industries
- 4 Establishment of Mini Industrial Estates
- 5 Encourage the industries with investment of one-third of SSI limit
- 6 Formulate and implement self employment schemes in Industrial Sector
- 7 Promotion of small scale Industries
- 9 Implementation of the entrepreneur development programmes

#### **VII Housing:**

- 1 Identify the homeless and purampoke dwellers and to provide house sites and houses
- 2 Implementing housing programmes
- 3 Implementing the shelter rejuvenation programmes
- 4 Popularising the low-cost housing
- 5 Encourage housing co-operative societies
- 6 Implement the development of housing complex and infrastructure
- 7 Mobilise fund necessary for housing

#### **VIII Water Supply:**

- 1 Maintain water supply schemes within the respective Municipal area
- 2 Arrange water supply schemes within the respective Municipalities

#### **IX Electricity and Energy:**

- 1 Install street lights
- 2 Encourage the consumption of bio-gas
- 3 Promote the non-conventional energy sources

#### **X Education:**

- 1 Run the Government pre-primary schools, primary schools and High schools
- 2 Implement literary programmes
- 3 Run the Government Industrial Training Centres in the Municipal area
- 4 Run the Government Higher Secondary Schools in the Municipal area
- 5 Run the Government Technical Schools in the Municipal area
- 6 Run the Government Vocational Training Centres and Polytechnics in the Municipal area
- 7 Run the Government Vocational Higher Secondary Schools in Municipal area

#### **XI Public Works:**

- 1 Construct and maintain the roads except National Highways, State Highways and major District roads within the Municipality
- 2 Construction of building for institutions including those were transferred from Government

#### **XII Public Health and Sanitation:**

- 1 Run Dispensaries, Primary Health Centres and sub centres under all systems of medicines
- 2 Conduct child welfare centres and mother care homes
- 3 Organise remedial and other preventive measures against disease
- 4 Implement family welfare programmes
- 5 Implement sanitation programmes
- 6 Run Public Health Centres and Taluk hospitals under all system of medicine, in Municipal area

### **XIII Social Welfare:**

- 1 Run Anganwadis
- 2 Sanction and distribute pension to destitutes, widows, handicapped and agricultural labourers
- 3 Sanction and distribute unemployment wages
- 4 Sanction financial assistance for the marriage of the daughters of widows
- 5 Implement Group Insurance Scheme to the poor sectors
- 6 Provide grant to orphanages,
- 7 Start institutions for the welfare of handicapped, destitutes etc

### **XIV Eradication of poverty:**

- 1 Identify the poor
- 2 Implement self employment and group employment schemes for the poor, especially for women
- 3 Create community assets to get continuing benefit to the poor
- 4 Develop the skills of those below poverty line to do self-employment and for remunerative employment
- 5 Provide basic facilities for self employment schemes

### **XV. Development of the Scheduled Caste/Scheduled Tribe:**

- 1 Implementation of beneficiary oriented schemes under Special Component Plan and Tribal Sub Plan
- 2 Run Nursery schools for the Scheduled Caste/Scheduled Tribe
- 3 Provide basic facilities in the residential centres for the Scheduled Caste/ Scheduled Tribe
- 4 Provide financial assistance for the Scheduled Caste/Scheduled Tribe Students
- 5 Provide assistance discretionally to the Scheduled Caste and the Scheduled Tribes who deserve
- 6 Run Pre-metric hostels in Municipal area
- 7 Develop Scheduled Caste/Scheduled Tribe Co-operative Societies
- 8 Run post-metric hostels in Municipal area
- 9 Run Vocational Training Centres for the Scheduled Caste/Scheduled Tribe in Municipal area

### **XVI Sports and Cultural Affairs:**

- I Construct playgrounds and studios

### **XVII Public Distribution system:**

- 1 Examine Complaints against Public distribution system and to find out and implement remedial measures
- 2 Organise campaigns against offences relating to weights and measures
- 3 General Supervision of Ration shops, Maveli Stores, Neethi Stores and other public-distribution systems and to provide guidance, and start new public distribution centres if necessary

### **XVIII Natural Calamity relief:**

- 1 Maintain relief centres
- 2 Organise relief activities
- 3 Constitution of Chairman/Mayor's relief fund.

### **XIX Co-operation:**

- 1 Organise Co-operative Societies within the Municipal area
- 2 Distribute Government grants and subsidies

**Annexure 11**  
**(Paragraph 3.9.1)**

**Important recommendations of State Finance Commissions**

**First State Finance Commission**

- 1 Expenditure on elections to Local Governments other than District and Block Panchayats may be met by them.
- 2 Government may liquidate arrears of share of taxes / grants due to Local Governments in three instalments.
- 3 Plinth area may be adopted as the basis for Property Tax.
- 4 For arrears of taxes due to LSGIs from different payees penal interest at 2% per month may be charged.
- 5 Government may specify only the minimum rate for fees.
- 6 Land Tax may be doubled.
- 7 Formula based devolution of funds may be followed.
- 8 Maintenance Grant should be based on current cost of construction.
- 9 Vehicle Tax compensation may be 25% of net collection of Motor Vehicles Tax.
- 10 Tax mapping may be followed.
- 11 A Fund for local government development may be built up for leveraging funds and for subsidising the interest rate of non-remunerative but essential schemes.
- 12 A statutory authority should give annual reports to the Governor showing the quantum of statutory and non-statutory grants due to local governments and the amount actually paid.
- 13 A special Cell may be constituted to watch the implementation of recommendations of the SFC.

**Second State Finance Commission**

- 1 5.5 % of the Own Tax revenue of the State may be devolved as Maintenance Grant and 3.5 % as General Purpose Grant.
- 2 Plinth area based Property Tax may be operationalised without a gap on increase or limit on decrease.
- 3 Presumptive Profession Tax may be introduced to bring certain self-employed occupational groups into the tax limit.
- 4 Entertainment Tax may be introduced for Cable TV.
- 5 Conversion tax may be realized at the rate of 5% of the capital value in the case of conversion of paddy lands.
- 6 Service Tax may be made compulsory and be linked to the cost of performing obligatory functions and calculated as a percentage of Property Tax.
- 7 Ceiling on surcharges may be removed.
- 8 Only the minimum may be fixed for Non-Tax revenue sources.
- 9 Local Governments should get automatic allocations at the beginning of every month.
- 10 A legislative provision may be introduced for indexing non-tax revenue items and taxes

like Property

Tax, Advertisement Tax and Service Tax linked to Consumer Price Index for non-manual workers for

Urban Local Governments and Consumer Price Index for agricultural labourers for Grama Panchayats.

- 11 All Local Governments should prepare annual maintenance plans.
- 12 10% of the Development Grant may be set apart for an incentive system.
- 13 For grants-in-aid a bill system may be introduced for drawing from the Treasuries instead of the cheque system.
- 14 A Cell under the general control of Finance and Local Self Government Departments may be set up for monitoring financial matters of Local Governments.

### Third State Finance Commission

- 1 For the financial year 2006-07, Rs.300 crore may be transferred as General Purpose Fund, Rs.350 crore as Maintenance Fund and Rs.1400 crore as Development Fund. 10% annual increase may be provided during each of the four subsequent years. The entire amount may be provided in the State Budget as “‘Compensation and assignments’ to LSGIs in Non-Plan revenue account. (Till now Development Grant was treated as Plan grant-in-aid). LSGI-wise allocations for each of the three streams was provided in the report of the SFC itself year wise.
- 2 General Purpose Fund should be released in 12 equal monthly instalments and other funds in 10 equal monthly instalments from April to January. The funds should be transfer credited to Public Account (Major head of account 8448) before the 5th of every month. 10% carryover is allowed in respect of Maintenance Fund and Development Fund.
- 3 A Finance and Accounts Wing may be set up even in Grama Panchayats
- 4 The payment of salaries of employees transferred to LSGIs may continue to be paid by Govt
- 5 Before ordering exemption in taxation which would adversely affect LSGI, Government should obtain the recommendation of the LSGI.



**Annexure 12**  
**(Paragraph 3.12)**

**Implementing officers who are drawing and disbursing officers**

<b><u>Grama Panchayat</u></b>		<b><u>Block Panchayat</u></b>	
1	Secretary, Grama Panchayat	1	Secretary, Block Panchayat
2	Agricultural Officers, Krishi Bhavan	2	Assistant Director, Agriculture
3	Veterinary Surgeon, Veterinary Dispensary/Hospital	3	Assistant Director/Senior Veterinary Surgeon
4	Medical Officer, Primary Health Centre/Government Dispensary	4	Dairy Extension Officer
5	Medical Officer, Homoeo Dispensary/Hospital	5	Industries Extension Officer
6	Medical Officer, Ayurveda Dispensary/ Hospital	6	General Extension Officer
7	Headmaster, Government Primary School	7	Tribal Extension Officer/Tribal Development Officer
8	Sub Inspector of Fisheries	8	Medical Officer, Community Health Centre/ Government Hospital/Taluk Hospital
9	Village Extension Officer	9	Medical Officer, Ayurveda Dispensary/Hospital/ Taluk Hospital
10	ICDS Supervisor	10	Medical Officer, Homoeo Dispensary/Hospital / Taluk Hospital
11	Dairy Extension Officer	11	Scheduled Caste Development Officer
12	Lady Village Extension Officer	12	Child Development Project Officer
13	Tribal Extension Officer		
14	DFO, Parambikkulam (projects benefiting ST)		
15	Senior Veterinary Surgeon		

<b><u>District Panchayat</u></b>			
1	Secretary, District Panchayat	15	Principal, Higher Secondary School/Vocational HSS
2	Deputy Director/Principal Agriculture Officer	16	Deputy Director, General Education
3	Deputy Director, Animal Husbandry	17	District Mission Co-coordinator, Kudumbasree
4	District Soil Conservation Officer	18	District Programme Officer, Social Welfare Dept
5	Assistant Executive Engineer, Agriculture	19	Project Officer (ITDP) / Tribal Development
6	Assistant Engineer, Minor Irrigation	20	District Scheduled Caste Development Officer
7	General Manager/ Manager, District Industries	21	Assistant Registrar, Co-operative Department
8	Superintendent, Tailoring and Garment Making Training Centre	22	Project Officer, District Khadi and Village Industries
9	Assistant Development Commissioner (General) Rural Dev Dept	23	Deputy Director of Dairies
10	District Women Development Officer	24	Deputy Director of Fisheries
11	Headmaster, Government High School	25	District Social Welfare Officer
12	Headmaster, Government Upper Primary School	26	District Medical Officer (Health), Allopathy
13	Headmaster, Fisheries School	27	District Medical Officer (Homoeopathy)
14	District Education Officer (HQ)	28	District Medical Officer (Indian System of Medicine)

<b><u>Municipality</u></b>		<b><u>Municipal Corporation</u></b>	
1	Secretary, Municipality	1	Secretary, Corporation
2	Agricultural Officer, Krishi Bhavan	2	Agricultural Officer, Assistant Director, Agri Dept
3	Deputy Director, Agriculture	3	Deputy Director, Agriculture
4	Sub Inspector of Fisheries	4	Sub-Inspector of Fisheries
5	Medical Officer, Community Health Centre/ Government Hospital/Taluk Hospital	5	Medical Officer, Community Health Centre/Government Hospital/Taluk Hospital
6	Medical Officer, Aurveda Dispensary/Hospital	6	Medical Officer, Ayurveda Dispensary/Hospital
7	Medical Officer, Homoeo Dispensary/ Hospital	7	Medical Officer, Homoeo Dispensary/Hospital
8	Headmaster, Government Primary School	8	Headmaster, Government Primary School
9	Headmaster, Government UP School	9	Headmaster, Government UP School
10	Headmaster, Government High School, Principal, Government Higher Secondary School	10	Headmaster, Government High School, Principal, Government Higher Secondary School
11	Veterinary Surgeon, Veterinary Dispensary/Hospital	11	Deputy Director, General Education
12	Deputy Director, Dairy Development	12	Vet Surgeon/Sr Vet Surgeon/ Dy Dir(Dairy Dev)
13	Industries Extension Officer	13	Industries Extension Officer
14	Project Officer, Urban Poverty Alleviation Cell	14	Project Officer, Urban Poverty Alleviation Cell
15	Assistant CDPO	15	Assistant CDPO
16	Tribal Extension Officer	16	Tribal Extension Officer
17	Scheduled Caste Development Officer	17	Scheduled Caste Development Officer
18	Health Officer (Municipality)	18	Health Officer (Corporation)
19	Senior Co-operative Inspector	19	Senior Co-operative Inspector
20	Agricultural Field Officer	20	Child Development Project Officer
21	Child Development Project Officer		

Annexure 13  
(Paragraph 4.4.4)  
**Watershed planning**

**GOVERNMENT OF KERALA**

**Abstract**

**Local Self Government Department-Guidelines for the Preparation of Watershed  
Development Master Plans- First phase activities- Approved- orders issued**

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**Local Self Government (DP) Department**  
**G.O (M.S) No.295/06/LSGD** **Dated, Thiruvananthapuram**  
**28-12-2006**

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**Read: - 1. G.O. (M.S.) No. 44/99/ Plg dated 27-9-1999**  
**2. G.O. (M.S.) No. 8/2000/ Plg dated 15-2-2000**  
**3. G.O. (M.S.) No. 20/2002/ Plg dated 06-06-2002**  
**4. G.O. (M.S.) No. 40/2004/ Plg dated 31-03-2004**

**ORDER**

The Government took an important policy decision during the IXth Plan period that the development plans of the Local Governments (LSGs) should be on watershed basis. As part of this decision, various committees were constituted at different levels as per GOs read first and second above, and the initial steps for the preparation of Watershed Master Plans were also taken. Micro watersheds of approximately 500 ha size were delineated and Watershed Appraisal Reports were also prepared at the Block level.

On the basis of the decision of the Government to continue the watershed based approach during the Xth Plan period also, directions were issued to take up further activities for the preparation of the Watershed Master Plans and in the case of agriculture and allied sectors it was made compulsory that the development plans should be watershed based as per GOs read as third and fourth above. But, most of the LSGs could not prepare their development plans on a watershed-based approach. Similarly, the process of preparation of Master Plans could not be completed.

In the context of the implementation of Integrated Wasteland Development Project (IWDP/Hariyali), Western Ghats Development Programme (WGDP), and National Watershed Development Programme for Rainfed Areas (NWDPR), which are Centrally sponsored watershed based development programmes and National Rural Employment Guarantee scheme which gives top priority for watershed development, Government have decided that the XI Plan proposals of the LSGs should be on watershed approach.

In the above circumstances, Government are pleased to issue orders approving the following guidelines as part of the first phase of activity involving the constitution of various committees at different levels, their structure, responsibilities, and functions for the preparation of the watershed development master plans.

**A. Committees at various levels, their structure and responsibilities.**

**1. District Level Technical Support Group**

**1.1 The District Planning Committee (DPC) should take leadership for the preparation of watershed development Master Plans in the District. For coordinating the district level activities, and for giving leadership for training, monitoring and evaluation, the DPC should constitute a Technical Support Group. It should be constituted in the full meeting of the DPC including special invitees and Joint Secretaries.**

**1.2 The Principal Agricultural Officer, District Planning Officer/Deputy Planning Officer, District Animal Husbandry Officer, Deputy Director(Dairy Development), District Soil Conservation Officer, Deputy Director (Soil Survey), Deputy Director(Fisheries),Executive Engineer(Minor Irrigation), Divisional Forest Officer, Executive Engineer (Kerala Water Authority) District Officer (Ground Water Dept), representative of Kerala Rural Water Supply and Sanitation**

Agency (Jalanidhi), District Mission Coordinator( Kudumbasree), and the District Coordinator(Information Kerala Mission) shall be the official members of the Technical Support Group.

1.3 Besides the official members, the experts in the field of watershed development from the Universities including the Kerala Agricultural University, Engineering Colleges, Polytechnics, Academic Institutions, Research and Development Institutes, and Non Governmental Organizations should also be included in the Technical Support Group. Only those with expertise and experience in the fields of soil, water, and biodiversity management should be included in the group.

1.4 Government shall nominate the Chairman of the Group and also not less than four expert members.

1.5 The Assistant Development Commissioner (Social Mobilization) will be the convener of the Group. The office of the ADC (Social Mobilization) will function as the Secretariat of the Technical Support Group.

1.6 Major duties and responsibilities:-

- • To coordinate all the activities connected with watershed development in the District.
- • To give leadership to the extensive training programmes for Block level Technical Advisory Groups and their Watershed Management sub-groups, Watershed Management Working Groups of Grama Panchayats, and watershed committees.
- • To procure various maps required for planning (cadastral maps, watershed atlas, resource maps, land use maps etc) from various agencies and make them available at the local level for the planning process.
- • To collect information and details of various centrally sponsored/state/other schemes so far implemented in the watersheds, and also other relevant data required for watershed development planning and to make them available at the local level.
- • To provide required technical support and guide the Block level Watershed Management Sub Group, Watershed Management Working Group and Watershed Committees.
- • To review and scrutinize the watershed development master plan at the local level and to forward it to the District Planning Committee.

## **2. Watershed Management Sub Group of the Block level Technical Advisory Group.**

2.1 For coordinating the Block level watershed development activities, organizing the watershed committees, and for providing technical assistance to the watershed committee, there shall be a watershed management sub group under each Block level Technical Advisory Group.

2.2 The Sub-group would include the Assistant Director (Agriculture Department), Dairy Extension Officer, Overseer (Soil Conservation), Assistant Executive Engineer/Assistant Engineer of the Block Panchayat, representatives of the Non Governmental Organizations, and five non-official experts in the field of watershed development activities.

2.3 The Chairman of the Block level Technical Advisory Group will be the Chairman of the Sub group, and the Block Panchayat Secretary will be the Convener. The Block Panchayat Office will function as the Secretariat of the Sub group.

2.4 The District Collector who is the Member Secretary of the DPC will constitute the Sub Group on behalf of the DPC.

2.5 Major duties and responsibilities:-

- To coordinate the Block level watershed development activities

- To organise the watershed committees, to review and monitor the activities of the watershed committees, and to provide necessary clarifications and directions.
- To visualise the orientation, development potential and approach, on the basis of the watershed resource inventory reports and the programmes and schemes already implemented
- To update the watershed appraisal reports already prepared during the IXth Plan and to make it available to the Grama Panchayat.
- To procure and make available to the Grama Panchayat all the required maps, statistics and reports
- To make technical expertise available to the committees constituted at the watershed level and also to the Watershed Management Working Groups of the Grama Panchayat
- To ensure the required co ordination for planning in the case of watersheds that extend over more than one Grama Panchayat
- To integrate the District level and Panchayat level watershed development planning processes

### **3. Watershed Management Working Groups in the Village Panchayats**

**3.1 The Watershed Management Working Groups in all the Grama Panahayats have to be reconstituted. The Grama Panchayat President will be the Chairman and the Agricultural Officer the convener of the reconstituted Working Group.**

**3.2 One woman member, one SC/ST member, Veterinary Surgeon, Dairy Extension Officer, Fisheries Sub Inspector, Village Extension Officer/ Lady Village Extension Officer, the Assistant Engineer/Overseer of the Grama Panchayat, two representatives of NGOs functioning in the field of watershed development, experts of academic institutions, representatives of the farmers, and voluntary technical experts shall be the members.**

**3.3 A Volunteer who has expertise in the field of watershed development shall be entrusted with the duties of the Joint Convener.**

**3.4 Major duties and responsibilities:-**

- To procure various maps and details from the district /block level committees.
- To delineate the micro watersheds within the Grama Panchayat
- To present before the Special Grama Sabhas convened by the Grama Panchayats the importance of the watershed based approach, the common approach of the XIth Plan, the functioning of the Watershed Sabha and the programmes that will have to be taken up in due course.
- To oversee the constitution of the Watershed Committees
- To provide technical and administrative support for planning sustainable and long term development and management schemes for the watersheds that are completely within the Panchayat area and that are extending to the neighboring Panchayats, and for preparing master plans by integrating them.

### **4. Watershed Committees**

**4.1 Watershed Committees should be constituted for each watershed. There may be more than one Grama Sabha in one watershed. Watershed Committees are to be selected from the Watershed Sabha that includes all those who are the residents of the watershed and also those who have land in the watershed. The Chairperson of the Watershed Committee will be the Ward member within the watershed. If there are more than one Wards falling within the watershed, the member of the Ward having the largest number of families will be the Chairperson.**

**4.2 The Grama/Block/District Panchayat members within the watershed, Presidents/Secretaries of the Padasekhara Samithis, Presidents/ Secretaries of other agricultural organizations, the office bearers of the agro clinics, representatives of the farmers including dairy farmers, model farmers,**

representatives of the agricultural labour organizations, five representatives of the Kudumbasree Neighbourhood Groups, two women representatives, two SC/ST people, the Presidents of the Area Development Societies within the watershed, the Presidents of the Primary Co-operative Societies and Milk Cooperatives having jurisdiction over the watershed, managers of Banks, representatives of the Non Governmental Organizations, and Technical experts shall be the members of the Watershed Committee.

**4.3** In addition, representatives of landowners in the watershed as detailed below shall also to be included.

- (a) Two representatives of those having land area of less than 50 cent
- (b) Two representatives of those having land area between 50 cents and 100 cents
- (c) Two representatives of those having land area between 100 cents and 250 cents
- (d) Two representatives of those having land area between 250 cents and 500 cents
- (e) Two representatives of those having land area more than 500 cents

When more than two persons are willing to be selected in a category, only two will be selected by the draw of lots from the names of all such willing persons.

**4.4** The convener of the Watershed Management Working group of the Grama Panchayat having the largest extent of area in the watershed will be the convener of the Watershed Committee also.

**4.5** The Watershed Committee thus constituted shall in its meeting identify five members among them to form a five member technical group, and the group leader should be decided by consensus.

**4.6** The Grama Panchayat/ Panchayats shall make available the services of the required staff for the functioning of the Watershed Committee, clearly indicating their duties and responsibilities.

**4.7 Duties and Responsibilities**

- To prepare watershed resource maps, and to collect and interpret the relevant data with the help of the technical group
- To list out the problems, potential, and limitations of the watershed and to suggest short term and long term solutions on the basis of watershed approach (ridge to valley approach)
- To prepare watershed development Master Plan considering the forward and backward linkages of various proposals
- To prepare action plan for the priority interventions on the basis of the watershed development Master Plan, ensuring their backward and forward linkages.
- To obtain the approval of the watershed sabha for the watershed Master Plan and the action plan
- To provide leadership for the programme implementation
- To monitor the implementation of watershed development activities
- The technical group shall function as the working group for carrying out the above functions

## **B. Activity Sequence**

**1.** The District Planning Committee shall take appropriate action as per this guideline to constitute the District level Technical Support Group. The names and details of not less than four experts and the Chairman of the Group will be intimated by the Government

**2.** The District Planning Committee will then constitute the Block level Technical Advisory Group as well as the watershed management Sub Groups.

**3.** Simultaneously, all the Grama Panchayats shall reconstitute the watershed management Working Groups

4. The Kerala Institute of Local Administration, with the assistance of technical institutes, shall give training to the members of the Block/District sub groups and the Working Group members of the Grama Panchayats
5. The District level Technical Support Groups shall procure various maps and details from the State Land Use Board, Survey and Land Records, Centre for Earth Science Studies, Soil Survey Organization, Information Kerala Mission etc and it shall be handed over to the Grama Panchayats. The Block level Watershed Appraisal Reports prepared during the IX Plan shall have to be updated by the Block level watershed management Sub-group and it has to be made available to the Grama Panchayats.
6. The Grama Panchayat shall hand over the various maps, details, and Watershed Appraisal Reports to the watershed management Working Group. The Working Group shall verify the watershed boundaries in the field, finalise the watershed area extent, determine the number of families in each grama sabha within the watershed and report it to the Grama Panchayat.
7. When the area of more than one Grama Panchayats comes under a particular watershed, the integrated watershed development plan for that watershed has to be formulated in the joint meeting of the Working Groups of the concerned grama Panchayats. The Block level watershed management sub group has to make sure that the watershed development planning in these watersheds is going on in the right direction.
8. The Grama Panchayats will then convene the special Grama Sabhas and explain the relevance and importance of the watershed based planning and the common approach during the XIth Plan. It should be clearly spelt out in the Grama Sabha that the development activities will be planned and implemented with the approval of the Watershed Sabha, that the Watershed Sabha consisting of all the residents as well as the land owners in the watershed will be convened for that purpose, and after that the project proposals containing all the interventions will be presented before the Grama Sabhas. The Working Group members shall compulsorily attend the Grama sabha meetings. The representatives of the Block level Watershed Management Sub Group should also attend the Grama sabha meetings.
9. On completion of the Grama Sabha meetings, the watershed sabhas should be convened and Watershed Committees and respective technical groups should be selected.
10. After the constitution of the various Watershed Committees, the members of the watershed committee will be generally given training at the Block level, and the members of the technical group will be given training at the District level.
11. The Watershed Committees will now collect, analyze and interpret all relevant base line data and other information, and undertake the preliminary activities required for the preparation of watershed development master plans. On this basis the problems, potential and the limitations have to be listed out and the suggestions for the solution of the problems or for overcoming the limitations have to be worked out.
12. As a next step the watershed development Master Plans have to be prepared taking into account the backward and forward linkages of the activities and interventions with appropriate integration for a sustainable and long-term development and management. The priorities for various suggestions/ technology options should also be decided and recorded. Annual plans are to be formulated for the top priority recommendations as per the Master Plan. The Watershed development Master Plan and the Annual Plan have to be presented in the Watershed Sabha and the respective Grama Sabhas and their approval has to be obtained.
13. The detailed guidelines for the preparation of the watershed development Master Plan and watershed Management projects will be issued by the Government separately.

**Annexure 14**  
**(Paragraph 4.6)**  
**Flow of funds**

<b>GO (P) No 676/97/Fin dated 6/8/1997</b>	<b>GO (P) No 381/2003/Fin dated 9/7/2003</b>	<b>GO (P) No 516/2004/Fin dated 3/11/2004</b>	<b>GO (P) No 177/2006/Fin dated 12/4/2006</b>
<b>DDO: Secretary</b>	<b>DDO: Secretary</b>	<b>DDO: Secretary and IOs</b>	<b>DDO: Secretary and IOs</b>
<b>Two PD a/cs (General PD and Plan PD) to Secretary and for IOs one PD a/c each.</b>	<b>One PD a/c to a LSGI operated by Secretary</b>	<b>Bill drawal</b>	<b>Bill drawal</b>
Secretary receive letter of allotment and present grant in aid bill for crediting money in General PD a/c. Cheques are issued to IOs from General PD a/c for crediting to their PD a/cs. IOs then withdraw money using cheques.	Secretary receive letter of allotment and present grant in aid bill for crediting money in PD a/c. IOs receive cheque from Secretary	Secretary receive letter of allotment and issues allotment letters to IOs based on request for drawing money from Consolidated Fund	Secretary receive letter of authority for A&C funds, as a proof of credit of money in deposit a/cs of LSGI and IOs draw from deposit a/cs using allotment letter issued by Secretary, based on request. B fund is received through letter of allotment, to be drawn from Consolidated Fund
<b>Balance will not lapse but remain in PD a/cs</b>	<b>Balance to be refunded to Govt a/c. Non-plan grants credited in own fund/TP a/c will not lapse.</b>	<b>Balance will lapse (except Gen Purpose Grant)</b>	<b>Balance will not lapse subject to conditions.</b>
<b>Payment by cheque</b>	<b>Payment by cheque</b>	<b>Payment above Rs 1000 by cheque/DD. For money drawn from non-banking treasuries, cash to be deposited in a nationalised bank a/c and cheque/DD issued from it.</b>	<b>Payment above Rs 1000 by DD. For money drawn from non-banking treasuries, cash to be deposited in a nationalised bank a/c and DD issued from it.</b>
<b>A,B and C grants</b>	<b>A,B and C grants</b>	<b>A, B, C, D, E and F grants</b>	<b>A, B, C, D, E ,F and G funds</b>
<b>A: Plan grants to be spent on schemes (plan)</b>	<b>A: Plan grants to be spent on schemes (plan)</b>	<b>A: Grant to decentralised planning (plan) Bill form: TR 59 A Allocation: Monthly</b>	<b>A: Development Expenditure Fund (non plan) Deposit account: VPFA/BPFA/ DPFA/ MFA/MCFA II Allocation: 10 equal monthly instalments from May to Feb Bill form: TR 59 B</b>
<b>B: Assistance for transferred schemes and institutions tied to specific purposes. This include funds for centrally sponsored schemes (plan and non-plan).</b>	<b>B: Assistance for transferred schemes and institutions tied to specific purposes. This include funds for centrally sponsored schemes (plan and non plan).</b>	<b>B: State Sponsored Schemes (plan and non-plan). Drawn from Consolidated fund. Bill form: TR 59 A</b>	<b>B: State Sponsored Scheme Fund (plan and non plan) Drawn from Consolidated fund. Bill form: TR 59 A</b>
<b>C: Amount of Basic Tax, Vehicle Tax Compensation, Stamp duty, Village Road Maintenance, General and Special grants etc(non plan)</b>	<b>C: Amount of Basic Tax, Vehicle Tax Compensation, Stamp duty, Village Road Maintenance. General and Special grants etc (non-plan).</b>	<b>C: General Purpose grant and Maintenance grant (non plan) GPG: Transfer credited in lump to own fund /TP account MG: Secretary and IOs will draw from</b>	<b>C: Maintenance Fund - Road and Non road (non plan) Deposit account: VPFA/BPFA/ DPFA/ MFA/MCFA III Allocation:10 equal monthly instalments from</b>



		<b>Consolidated Fund Bill form: TR 59 A</b>	<b>April to Jan Bill form: TR 59 B</b>
		<b>D: Centrally Sponsored Schemes</b>	<b>D: Gen.Purpose Fund (non plan) Deposit account: VPFA/BPFA/ DPFA/ MFA/MCFA I Allocation: 12 equal monthly instalments from April to March. Drawal by cheque. Will not lapse.</b>
		<b>E: Own revenue</b>	<b>E: GOI fund, ADB fund etc</b>
		<b>F: Receipts from other sources</b>	<b>F: Own revenue, deposit money, retention etc</b>
			<b>G: Loans</b>

**Annexure 15**  
**(Paragraph 7.4)**

**Records to be verified during supplementary audit**

- 1) Audit Report of the Deputy Director of Local Fund Audit
- 2) Annual Financial Statement
- 3) DCB statement
- 4) Budget
- 5) Cash Book
- 6) Vouchers
- 7) Chalans
- 8) Register of Receipts
- 9) Register of payments
- 10) Audit Report of Performance Audit
- 11) Asset Register
- 12) Abstract of Monthly Accounts
- 13) Minutes of Panchayat /Finance Standing Committee meetings
- 14) Receipt Books and Stock Register of Receipt Books
- 15) Stock Register of forms
- 16) Outdoor officers collection book
- 17) Collection Register
- 18) Chitta
- 19) Demand Registers and Arrear Demand Registers
- 20) Assessment registers and supplementary assessment registers
- 21) Records relating to grants received.
- 22) Register of permission and licenses
- 23) Register of loans
- 24) Register of prosecutions
- 25) Register of money orders received
- 26) Register of cheques / drafts received
- 27) Cheque books / pass books and counterfoils of cheques issued
- 28) Register of cheques /drafts
- 29) Treasury / bank reconciliation statement
- 30) Appropriation Control Register
- 31) Register of immovable properties
- 32) Register of deposits
- 33) Advance Register

**Records to be checked additionally in double entry accounting system**

- 34) Balance sheet
- 35) Income and Expenditure Statement
- 36) Receipts and Payments Statement
- 37) Statement of Cash flows
- 38) Notes to accounts
- 39) Financial Performance Indicators
- 40) Trail Balance
- 41) Budget and subsidiary statements of budget
- 42) Bank book
- 43) Journal book
- 44) General Ledger and Sub Ledger
- 45) Record of physical verification of stores
- 46) Budget variance analysis
- 47) Financial Ratio Analysis
- 48) Secretary's report on AFS and qualifications and comments made in the Audit Report
- 49) Action Taken Report of Standing Committee for Finance

**Annexure 16**  
**(Paragraph 7.5)**

**Findings on supplementary audit**

- 1) **Incorrect portrayal of works for which final payment was made, as capital work in progress**
- 2) **Non charging of depreciation on capital works for which final payment made**
- 3) **Application of incorrect rates of depreciation**
- 4) **Non charging of half/full rate of depreciation based on cut off date of 1 October**
- 5) **Non charging of 100% depreciation in the year of purchase, on assets costing less than Rs 5000**
- 6) **Non exhibition of land acquired free of cost from Govt or provided by individuals/institutions at Re 1**
- 7) **Non recording of assets which have been fully depreciated, at Re 1**
- 8) **Non exhibition of assets of transferred institutions at Re 1**
- 9) **Non exhibition of value of all fixed assets including vehicles in balance sheet**
- 10) **Non conduct of physical verification and reconciliation of fixed assets/stores before finalising AFS**
- 11) **Non recording of item wise details of gross block of assets, accumulated depreciation of assets and net block of assets in schedule to the balance sheet**
- 12) **Non provision for income doubtful of recovery**
- 13) **Non submission of AFS to statutory auditor within two months from the close of the year**
- 14) **Non attachment of all financial statements along with the AFS**
- 15) **Non agreement of opening stock with the closing balance of the previous year**
- 16) **Non creation of liability for payments due at the end of the year**
- 17) **Non conversion of license fee (PFA, D &O) received in advance during last months as current in the beginning of the current year**
- 18) **Non preparation of budget on accrual basis**
- 19) **Non recording of incomes accrued (property tax, profession tax-traders, advertisement tax, D&O license fees, PFA license fees, Rent on land/buildings) in the beginning of the year**
- 20) **Non conversion of all incomes receivable(current) as receivable(arrears) in the beginning of the year**
- 21) **Non conversion of development fund recorded as liability on receipt, as capital contribution (utilised as capital expenditure) and revenue grant (utilised as revenue expenditure)**

**Relating to DLFA**

- 1) **Non certification of accounts by DLFA**
- 2) **Incorrect expression of opinion**
- 3) **Acceptance by DLFA of incomplete AFS**
- 4) **Irregular return of AFS for submitting records not prescribed**
- 5) **Preparation of parallel accounts by DLFA**

**Annexure 17**  
**(Paragraph 8.8)**

**Records to be verified during transaction audit**

- 1) Cash book
- 2) Receipt books and stock register of receipt books
- 3) Vouchers
- 4) Chalans
- 5) Treasury bill books, bank pass books, treasury pass books/statements
- 6) Cheque books
- 7) Service books
- 8) Log book
- 9) Register of receipts
- 10) Register of payments
- 11) Demand registers and Arrear demand registers
- 12) Assessment registers and supplementary assessment registers
- 13) Out door Officers collection books
- 14) Collection register
- 15) Chitta
- 16) Register of permissions and licenses
- 17) Stock registers of forms, food grains, bitumen, other articles purchased
- 18) Records of social security pensions/schemes and unemployment allowance
- 19) Asset register
- 20) Road register
- 21) Minutes of Council/Panchayat /Standing Committee/Grama Sabha meetings
- 22) Budget
- 23) Annual plans
- 24) Files on release of Government assistance
- 25) Files and registers of all schemes/projects/works/programmes/purchases of Secretary and other implementing officers
- 26) Monthly accounts , AFS and DCB statement
- 27) List of beneficiaries selected for beneficiary oriented schemes
- 28) Register of Allotments and authorisations
- 29) Appropriation Control Register
- 30) Audit Report of Local Fund Audit, Performance Audit, Finance Inspection Wing
- 31) Advance register and deposit register
- 32) Records of centrally sponsored schemes
- 33) Records of Kudumbasree, Saksharatha
- 34) Register of prosecutions
- 35) Imprest account
- 36) File on disclosures under Right to Information Act

**Annexure 18**  
**(Paragraph 8.9)**

**Findings on audit of receipts**

- 1) Non collection of all tax/ non-tax revenue authorised under Acts
- 2) Application of incorrect rates for tax/non tax receipts
- 3) Non inclusion of all individuals/professionals /institutions/traders in tax net
- 4) Non availability of evidence for ensuring the above
- 5) Non inclusion of all components of salary prescribed for calculating profession tax
- 6) Non existence of system to identify new tax payers
- 7) Non taking of action to collect arrears of tax/fee from defaulters
- 8) Arrears lost due to non recovery within period of limitation
- 9) Short levy of interest/fine
- 10) Non raising of demands promptly
- 11) Loss of revenue due to non uniformity in tax rates in ULB and annexed Grama Panchayats
- 12) Incorrect calculation of property tax on domestic, non domestic and rental buildings
- 13) Non realisation of additional rate of property tax applicable to rented buildings
- 14) Non realisation of registration/ renewal fee from all tutorials and para medical institutions
- 15) Non reconciliation of price of sand sold with passes, labour engaged, kadavu register and vehicles engaged
- 16) Non crediting of all grants as per Appendix IV promptly
- 17) Incorrect deduction from allotment
- 18) Excess carry forward of unutilised grant due to inflating expenditure
- 19) Non receipt of all authorised incomes from transferred institutions
- 20) Non receipt of rent due from assets
- 21) Incorrect levy of building permit fee
- 22) Non realisation of regularisation fee for deviation from building permit
- 23) Incorrect exclusion of parts of buildings not notified under list of exclusions in the Building Rules for calculating FAR
- 24) Non maintenance of tender form register
- 25) Short levy of cost of tender form and VAT
- 26) Non receipt of unutilised advances along with interest
- 27) Non levy of telecommunication tower fee
- 28) Non receipt of interest from bank accounts
- 29) Loss of interest due to opening of current accounts
- 30) Non existence of system for levying advertisement tax
- 31) Non taking of action for removal of unauthorised hoardings
- 32) Exclusion of arrears of revenue from carrying over to next year
- 33) Disagreement of entries in Ticket Seal Register, Daily Collection Report of entertainment tax
- 34) Delay in deposit of daily collection in bank/treasury accounts
- 35) Non assessment of property tax after issue of occupancy certificate
- 36) Non-collection of profession tax from all D&O licensees
- 37) Loss of rent from rooms lying vacant in shopping complex
- 38) Non receipt of further instalments due to dismal implementation of the central/state scheme

**Annexure 19**  
**(Paragraph 8.9)**

**Findings on audit of expenditure**

- 1) **Incorrect application of rate of subsidy**
- 2) **Illegal selection of beneficiaries against statutory provisions**
- 3) **Irregular utilisation of development/maintenance fund violating guidelines**
- 4) **Infructuous expenditure due to idling of machinery/buildings/assets**
- 5) **Blocking of money due to non completion of schemes in the LSGI**
- 6) **Unproductive expenditure due to purchase of inaccessible/unsuitable site**
- 7) **Irregular assistance without purchasing animals or immediate sale after receiving assistance**
- 8) **Irregular taking up of schemes not falling within the functional jurisdiction of the LSGI**
- 9) **Rejection of lowest tender without assigning reasons leading to loss/dismal implementation**
- 10) **Irregular purchase of equipments before creating necessary infrastructure facilities and vice versa**
- 11) **Loss due to non mining of permitted quantities of sand**
- 12) **Excess deduction of water charges from LSGI grants**
- 13) **Non accounting of money drawn from non banking treasuries**
- 14) **Non implementation of schemes entrusted to outside agencies after paying advance**
- 15) **Non accounting of money order returns and failure to remit back to consolidated fund**
- 16) **Irregular retention of unemployment wages by the official authorised to distribute it**
- 17) **Non receipt of share from other LSGIs for joint venture projects**
- 18) **Unauthorised retention of category B funds drawn in previous years in own fund accounts**
- 19) **Additional expenditure towards water charges of non functioning water taps**
- 20) **Irregular retention of subsidy in Subsidy Reserve Account of the bank against norms**
- 21) **Irregular payment of ineligible travelling allowance to elected members**

**Annexure 20**  
**(Paragraph 8.9)**

**Findings on audit of works**

- 1) **Incorrect application of data and rate of each specification of work**
- 2) **Unjustified reasons for re-tendering**
- 3) **Excess expenditure due to non finalisation of tender within firm period**
- 4) **Loss due to non inclusion of clauses to safeguard the financial interests of LSGI in the agreement**
- 5) **Excess expenditure due to non uniformity in measurements and rates in work bill and M book**
- 6) **Loss due to non rearrangement of abandoned works at the risk and cost of the original contractor**
- 7) **Idling of assets after completion of works**
- 8) **Additional expenditure by rate revision due to delay in handing over site to the contractor**
- 9) **Excess expenditure on works due to delay in acquiring land**
- 10) **Additional expenditure due to purchase of surplus land**
- 11) **Non obtaining of administrative/technical sanction before starting the work**
- 12) **Irregular payment of contractor's profit on departmental materials/ convenor or accredited agency works**
- 13) **Non recovery of cost of departmental materials**
- 14) **Non deduction of statutory recoveries**
- 15) **Short recovery of taxes due to subtracting value of departmental materials from the value of work done**
- 16) **Non adjustment of advance from work bill**
- 17) **Non reconciliation of number of tender forms sold and its stock with tender form register**
- 18) **Non imposition of fine for delayed work**
- 19) **Manipulation in tender documents by correcting rate of tender**
- 20) **Loss due to collusion in bidding**
- 21) **Irregular adoption of rate of daddoing for tile works**
- 22) **Additional expenditure due to non adoption of taluk level average conveyance**
- 23) **Irregular splitting of works to avoid technical sanction of higher authorities**
- 24) **Non invitation of tenders for works exceeding an estimate of Rs 20,000**
- 25) **Non levy of earnest money deposit and security deposit**
- 26) **Non crediting of lapsed deposits to own fund**
- 27) **Undue benefit to agencies due to early payment of advance before transferring site**
- 28) **Non use of road due to non availability of approach road**
- 29) **Irregular payment without taking measurement for work done**

**Annexure 21**  
**(Paragraphs 9.9.9 and 12.2.2)**  
**Style Guide**

## **Introduction**

1. This Style Guide is in six parts: general advice on good writing; guidance on drafting; a list of conventions which must be followed in IA&AD; an A to Z of common errors and weaknesses and list of words and phrases to be used with care.
2. Many of the rules are arbitrary and the judgements prescriptive. Nobody is likely to agree with them all, but they should be applied in the interests of consistency and to save time in re-drafting and proof reading.
3. The guide is written in the context of our audit reports, but the message it promotes applies to all our official writing: to produce drafts that are clear, readable and interesting. It is not intended to set up a single drafting model. But the Style Guide does seek to encourage the use of plain, simple English - short words, short sentences and short paragraphs.

## **I. General advice on good writing**

- 1.1. Clear writing depends on clear thinking. To draft well a writer must know just what meaning he wishes to convey.
- 1.2. You can usually say what you want in short everyday words. This is especially important if you are writing about a complex subject. Readers will need all their attention to grasp what they are being told. They don't want to spend time grappling with obscure language as well.
- 1.3. Orwell observed 'A scrupulous writer in every sentence that he writes will ask himself at least four questions. What am I trying to say? What words will express it? What image or ideas would make it clearer? Is this image fresh enough to have an effect? And he will probably ask himself two more: Could I put it more shortly? Have I said anything that is avoidably ugly?' So think what you want to say, then say it as simply as possible. Keep in mind the following elementary rules:
  - >avoid cliches and slang;
  - >never use a long word when a short word will do;
  - >if it is possible to cut out a word, always cut it out;
  - >never use a foreign phrase, a scientific word or a jargon word if you can think of a straightforward English equivalent. Use the language of everyday speech, not that of accountants, computer experts, bureaucrats and lawyers;
  - >avoid a desire to impress. Your job is to help readers understand you readily and precisely and not to show them how clever you are; and
  - >do your best to be lucid. Simple sentences and short paragraphs help to break down slabs of text into manageable chunks. Avoid complicated constructions and gimmicks.

### **How long is long?**

- 1.4. For writers, long sentences are difficult to construct well. The longer they get the more risk there is of ideas becoming confused. For readers, long sentences are hard work.
- 1.5. So how long is long? Readers seem to be comfortable with an average sentence length of 15-20 words in most circumstances. Most writers are capable of writing such sentences without much effort. Occasionally a longer sentence is necessary, but beware of using such long sentences regularly. Sometimes, a very short sentence can be useful to punch home an idea. It catches the reader's attention and stops him skimming over important facts.
- 1.6. Use short paragraphs none should be longer than a third of a typed page. Use indents freely to list main points and get your message across more clearly; make more use of side- headings; and give paragraphs minor sub-headings.

## **II. Drafting reports**

### **Objectives of reports**

- 2.1. Reports are the principal means by which the IA&AD meets its primary objective of providing Parliament and State Legislatures with independent information and assurance. They are written for the Parliamentary reader or the PAC, and beyond that for the wider public. They are not written to be read as a dialogue between the IA&AD and the audited body and are not therefore reports in any 'expert to expert' category. So the reports need to get their essential messages across clearly and simply



to an audience who probably do not need or wish to know the details and complexities surrounding the subjects examined.

- 2.2. For every report, meeting these objectives means putting a premium on:
- >having a strong, clear report structure;
  - >avoiding a temptation to include as much as possible of the information and analysis gathered during the investigation to support IA&AD findings and conclusions;
  - >concentrating less on narrative descriptions of how things are done and more on why they are done, how well they are controlled and the results achieved; and
  - >used hard evidence and telling examples to reinforce the messages in the report
- 2.3. All drafts must pay close regard to the reporting objectives summarised above. It is not acceptable for drafts to be submitted on the basis that as much as possible should be included and that streamlining, selection and re-arrangement will be catered for by subsequent redrafting up the line.

### **The IA&AD style of report writing**

- 2.4. Writing audit reports is not so different from writing any other kind of informative writing. To give our readers a comfortable ride, use verbs actively, write short sentences and keep to the essentials. The more complex the subject, the simpler the style should be. Our aim should be reports, which set out the facts in a series of short crisp paragraphs. Drafting this way is not always easy. Everyone will have to be ruthless in revising their own material and rejecting what is not up to scratch. Always look critically at your finished work to see if you can answer 'yes' to the following questions.

#### **Structure**

Does it have a strong, clear framework which presents the material logically and to best effect?

#### **Is it clear?**

Does it get its main message across on first reading?

Will the language be clearly understood by the reader?

Is it free from jargon?

#### **Simple and brief?**

Does it concentrate on the main issues, avoiding aspects which are peripheral?

Does it give only the essential facts?

Does it include only essential words and phrases?

#### **Accurate?**

Is the information correct?

Are the findings supported by evidence?

Is the writing free from errors in grammar, spelling and punctuation?

#### **Complete?**

Does it give all the necessary information?

Does it answer all the important questions?

#### **Balanced and fair?**

Does it present both sides of the argument?

Does it reflect good performance and good VFM by the audited body as well as criticisms?

Are the audited body's views properly reflected?

Is the language used moderate and non-provocative?

#### **Constructive?**

Does it consider the feasibility of recommendations made?

Does it look forward to improvements rather than back at faults and weaknesses?

### **Length of reports, paragraphs, reviews and appendix**

- 2.5. As a rule of thumb, maximum length of the report (excluding overview and appendix) should be 120 typed pages. The limit can be relaxed where the number of reviews is four or more in bigger states. Overview should not normally exceed about eight to ten typescript pages. The existing limit of (30) pages appendix/annexure has been relaxed to (65) pages. Transaction audit paragraphs should not normally exceed two pages. Except All-India reviews, other reviews should be confined to 20 typed pages. The 20-page limit for performance audits could be relaxed by 5 pages depending upon the availability of material.

#### **Structure of reviews**

- 2.6. There is no ideal drafting model which is suitable for all reviews. A rigid format could become cumbersome and unimaginative. The main consideration is how the facts, figures and conclusions on a particular subject can most effectively be communicated and what form of presentation best meets that purpose.
- 2.7. There are two main structures adopted:
- >a 'straight through' review incorporating recommendations in the main text;
  - >a review preceded by 'highlights' and ending with 'conclusion' containing recommendations

- 2.8. Long reviews of about 15 pages should normally be preceded by 'highlights' containing the main findings. The 'highlights' should be concise (not more than 3 pages), but should sufficiently bring out the main issues to provide the reader with a clear view of the purpose and results of the review.
- 2.9. The 'highlights' is not intended to be free standing, mini- report and should contain the minimum of description and narrative. It is not always necessary for matters dealt with in the 'highlights' to follow the same sequence or be under the same headings as in the main text of the review; sometimes, for example, it may be desirable to arrange the 'highlights' according to the materiality of audit findings. However structured, the 'highlights' should cross-refer to the relevant paragraphs in the report.
- 2.10. The review should be free-standing – ie. capable of being read without the need to refer to other source material or other published information. It is a condensed description of main issues, findings and conclusions; and supporting facts. The essential approach should be:
- >bring out the really important matters;
  - >play down the less important;
  - >omit the unimportant; and
  - >generally be selective and concentrate on IA&AD analysis rather than on descriptions and narratives.

### **Appendix**

2.11. If the main text of audit report involves detailed analysis of complicated issues, or statistics, these should normally be set out in an appendix. But don't use appendices simply to display how much information you have collected. They are not a vehicle for including descriptions of detailed systems or procedures operated within the audited body. Material should always be relevant and support the case being made. Appendices need to be drafted and edited just as carefully as the main text. As a rule of thumb, if information on less than five items is to be provided, the details may be incorporated in the main text itself, rather than as an appendix.

### **Diagrams, tables etc**

- 2.12. Full use should be made of facts, figures and relevant examples to give life to the report and to point the reader to significant issues and conclusions. Diagrams, charts, graphs and tables should be used to help get across important messages; and these should be where appropriate included in the text, not only in appendices. These can save a lot of explanation and - provided they are simple and well laid out – can often convey more in a short space than stretches of narrative.

### **Glossary**

- 2.13. Abbreviations in reports should be kept to a minimum. Where five or more abbreviations (or specialised terms) are necessary in the report then all abbreviations and terms used should be listed in a glossary at the end of the report.

## **III. IA&AD conventions which must be used**

### **Abbreviations**

- 3.1. Keep the use of abbreviations to a minimum, particularly where they are likely to be unfamiliar to the reader. Observe the following rules:
- >all abbreviations are potentially an affront to the reader since they are used for your benefits and not his;
  - >do not use abbreviations for bodies which are referred to only a handful of times in a report- the reader will have forgotten what they mean and will have to look back to check up;
  - >if you must use an abbreviation write the words in full on their first appearance followed by the initials in brackets;
  - >ring the changes by referring to 'the Ministry', 'the Department', 'the Commission' etc;
  - >normally avoid using abbreviations in the 'overview' and 'highlights', particularly if the words in full are explained only in the text;
  - >abbreviations that can be pronounced do not need the definite article (e.g., UNESCO). All other abbreviations do (e.g., the CAG, the GOI)

### **Active not passive**

- 3.2. Wherever possible write actively. Overuse of passive verbs is one of the most common causes of unclear writing. So say 'Audit examined this account' and not 'an examination of this account has been carried out by Audit'. To convert passive into active change either the verb: 'expenditure was reduced by Rs. 10 lakh' to 'there was reduction in expenditure of Rs. 10 lakh' or the subject: 'payment was authorised by the Executive Engineer' to 'Executive Engineer authorised the payment'.

### **Apostrophes**

- 3.3. Use the normal possessive ending 's after singular words or names that end in s: boss's, Jones's. Use it after plurals that do not end in s: media's. Use the ending s' on plurals that end in s: companies' - including plural names that take a singular verb (e.g. Reuters')

### **Capitals**

- 3.4. A balance needs to be struck between using too many and too few capital letters. Here there can be no general rule, but two pieces of advice may be given:

>The particular and the general: Use a capital for the particular and a small letter for the general. For e.g. 'it is a road leading out of Barakhamba Road'

>Consistency: Whatever practice you adopt, be consistent throughout any document you are writing.

### **Chapter numbers**

- 3.5. Use roman numerals (I, II, III .....) for chapter numbers.

### **Dates**

- 3.6. Do not put commas in dates. Use any of the following formats:

>26 May

>Monday 26 May

>26 May 2003

>26-30 May 2003

>26 May -5 June 2003

>2002-03

>26/5/2003

### **Figures**

- 3.7. Never start a sentence with a figure; write the number in words instead. Use figures for numerals greater than nine and for all numerals that include a decimal point or a fraction. Use words for whole numbers from one to nine. Fractions should be hyphenated (two-thirds). Spell out lakh and crore. Do not use abbreviations for lakh and crore except in tables.

Do not mix decimals and fractions; thus use either 3½ lakh or 3.5 lakh but not both.

Use commas appropriately while writing figures (12,34,56,789.99).

Number greater than 100 lakh should be expressed in crore and numbers less than 100 lakh in lakh.

In case of comparison same units to be used, e.g. lakh or crore.

Use 2,000-3,000, 2 lakh-3 lakh (not 2-3 lakh). But, 'costs rose from Rs. 2 lakh to Rs. 3 lakh' (not Rs. 2 lakh-Rs. 3 lakh).

- Figures in table and narration should be in same unit

- Use of figures or words should be uniform for comparison e.g. 2 and 12 or two and twelve.

### **Font**

- 3.8. Use font size of 12 in the text of report. Even in tables and charts do not use font size of less than 8.

### **Page numbers**

- 3.9. Use Roman numbers (i, ii, iii, ...) for the part of the report containing contents, preface and overview of the report. Use Arabic numbers for the main text and appendices in the report. Never use alpha-numerals (12A, 12B) for page numbering.

### **Paragraph numbers**

- 3.10. Never use alpha-numeric coding (3.2A.1) for paragraph numbers.

Also avoid a mix of Roman-Arabic numbers(3.4.(iv)).

Use Arabic numerals for paragraph numbers. The first digit of the paragraph number should indicate the chapter number. For e.g.the first digit of a paragraph in Chapter III should be 3. The paragraphs and sub-paragraphs should be numbered as 3.1, 3.1.1 etc. Do not use more than 4 levels in paragraph numbering (e.g. 3.1.2.1, 3.1.2.2. and so on.

### **Percentages**

- 3.11. Write per cent rather than % and percentage rather than %age. A range of values should be expressed as 10-12 per cent, not 10%-12 or 10 per cent-12 per cent. Do not use a percentage, a proportion, or a fraction when you mean some, as in: substantive testing proved worthwhile in a percentage of cases.

### **Preface**

- 3.12. Introduction to the report should be titled 'Preface' and not 'Prefatory remarks'.

### **Singular/plural**

- 3.13. There is no rule about whether a verb that agrees with a single collective noun should be singular or plural.

However, use "a number are" and "the number is".

>In using collective nouns, the plural is more suitable when the emphasis is on the individual members and the singular verb when it is on the body as a whole. For e.g. the committee were unable to agree and a committee was appointed.

>Do not use a singular verb where two singular nouns are linked by "and" unless the linked words are so closely associated that they might also be hyphenated

>For words linked by "with" use singular verb if the subject is singular. The Minister together with the Secretary is coming.

>When each is the subject of a sentence, the verb is singular and so is any pronoun. For eg. each has a room to himself.

>Certain nouns are often misused. Remember agenda is singular and data is plural. Thus it is wrong to write "data that is four to twelve years old is of limited use".

>The IA&AD and Government Departments should always be treated as plural nouns.

#### IV. A to Z of common errors and weaknesses

##### A or An

- 4.1. Use an in place of a when it precedes a vowel sound, not just a vowel. That means it's "an honor" (the h is silent), but "a UFO" (because it's pronounced yoo eff oh). Some people think it's wrong to use "an" in front of an abbreviation (like 'MRI') because "an" can only go before vowels. The sound is what really matters. It's 'an MRI' (you pronounce it 'em ar eye').

##### Adverbs

- 4.2. Put them where you would in normal speech, which is usually after the verb.

##### Among versus Between

- 4.3. The simple rule will rarely fail you: use between for two things, among for more than two.

##### Alternative

- 4.4. Strictly this means one of two, not one of three, four, five or more. Options should be used when more than two are meant.

##### Ampersands

- 4.5. Should be used in three ways:

>When they are part of a company or body (IA&AD)

>When two names are linked to form one unit (Trade & Industry).

>In R&D

##### Anticipate

- 4.6. Does not mean expect but to use in advance. Probably best avoided since it is often misused.

##### Basically

- 4.7. Almost always useless. Qualifiers such as *basically*, *essentially* and *totally* rarely add anything to a sentence; they're the written equivalent of 'Um'.

##### Circumstances

- 4.8. Stand around a thing: therefore correctly it is in the circumstances not under them.

##### Colon

- 4.9. To be used:

>To mark more sharply than a semicolon the antithesis between two ideas:

This year the department is short of funds: next year it will have money to burn.

>To precede an explanation or to introduce a list of series:

The Government Account consists of 3 parts: the Consolidated Fund, the Contingency Fund and the Public Account

##### Comma

- 4.10. Use commas sparingly and as an aid to understanding. Too many in one sentence can be confusing.

Generally used:

>to mark off less important statements within a sentence:

>to break long sentences into easily understood parts:

>to separate items in a list.

##### Compare

- 4.11. X is compared with Y when drawing attention to the difference (compared with last year's poor results, 1986-87 was a good year): X is compared to Y when stressing their similarity (as in "shall I compare thee to a summer's day").

##### Compound

- 4.12. This word is often misused. It does not mean to make worse, to multiply or to complicate. It means to mix together, to settle by mutual agreement or to condone for a consideration. Probably best avoided.

##### Comprise

- 4.13. The meaning is 'composed of'. DTI comprises Trade and Industry: Trade and Industry make up (not comprise) DTI.

Continual versus Continuous

- 4.14. *Continual* means 'happening over and over again'; *continuous* means 'happening constantly without stopping'. If you're *continually* on the Internet, it means you keep going on; if you're *continuously* on the Internet, it means you haven't gone off at all.

##### Convince

- 4.15. Is not a synonym for persuade. The C&AG was persuaded to award a 10 percent increase: he was convinced of the wisdom of doing so only after the wastage rate had risen to 100 percent.

##### Currently

4.16. What's wrong with now? Or even leaving it out altogether and letting a present tense verb do the trick? *It is currently not available* is the same as *It is not available* or *It is not yet available*.

#### **Decimate**

4.17. Strictly this means to reduce something by a tenth, not to destroy a large proportion. Probably best avoided.

#### **Different**

4.18. Different from not to or than.

#### **Disinterested**

4.19. Means impartial and not uninterested. 'Uninterested' means unconcerned or indifferent.

#### **Due to**

4.20. Its three main meanings:

>Owed to, as in: Rs. 1 lakh of fees is due to the IA&AD

>Arranged or timed to, as in: the VFM Report is due to be completed in May.

>Because of: when used to follow a noun, as in: the cancellation, due to the election, of not it was cancelled due to the election.

#### **Effectively**

4.21. Means with effect: if you mean in effect, say so. 'The matter was effectively dealt with in committee' means it was well done in committee. 'The matter was, in effect, dealt with in committee' means it was more or less attended to in committee.

#### **E.g. versus i.e.**

4.22. The abbreviation *e.g.* is for the Latin *exempli gratia*, 'for example'. I.e., Latin *id est*, means 'that is'. They're not interchangeable. Both abbreviations should be followed by a comma.

#### **Estimated**

4.23. Avoid 'an estimated Rs. 10 lakh', use instead 'about Rs. 10 lakh' or 'it was estimated as Rs. 10 lakh'.

#### **Factor**

4.24. A hackneyed word; the expressions of which it forms part can usually be replaced by something more direct and idiomatic. For e.g., instead of saying 'His superior training was the great factor in his winning the match' use 'He won the match by being better trained'.

#### **Farther versus Further**

4.25. Though very few people bother with the difference these days, there is a traditional distinction: *farther* applies to physical distance, *further* to metaphorical distance. You travel *farther*, but pursue a topic *further*.

#### **Finally**

4.26. Do not use finally when you mean lastly or at last. Thus, it is illogical to write Public Expenditure finally fell below Rs. 100 crore because it may rise above it again in the future.

#### **Flaunt**

4.27. Means display: Flout means show contempt for.

#### **Foreign words and phrases**

4.28. Avoid them unless there is no everyday English alternative.

#### **Full stops**

4.29. A full stop marks the natural conclusion of the small package of information that has been offered in a sentence. Do not use full stops at the end of headings or in abbreviations. Full stops should be used to mark the end of a sentence and mark a stronger break between ideas than a comma, semicolon or colon.

#### **Get**

4.30. Be sparing with this verb. Thus: BALCO did not get privatized: it was privatized.

#### **Hopefully**

4.31. This adverb means 'full of hope'. Thus you may begin writing a draft report hopefully, but never write: Hopefully, the VFM investigation will be finished in 1989. It is better to say: If all goes to plan (or with great good luck)...

#### **However**

4.32. In the meaning nevertheless, not to come first in its sentence or clause.

##### **Incorrect**

The roads were almost impassable.

However, we at last succeeded in reaching camp.

When *however* comes first, it means *in whatever way* or *to whatever extent*. For e.g. However you advise him, he will probably do as he thinks best.

##### **Correct**

The roads were almost impassable.

At last, however, we succeeded in reaching camp.

However discouraging the prospect, he never lost heart.

### Hyphens

4.33. Use them in the following words:

>Fractions

>Most words beginning with anti and non: anti-government (but not anticlimax, antitrust non-combatant, non-payment (but not nonaligned, nonstop)

>A sum of money followed by the word worth: Rs. 10 lakh-worth of stocks

>To avoid ambiguities: a little-used vehicle (low mileage) and a little used-vehicle (an old Mini)

>Separating identical letters: Book-keeper, re-entry, pre-eminent

>Nouns formed from prepositional verbs: build-up, call- up, get-together, shake-up.

### Information overload

4.34. As discussed earlier, do not provide all the details you have just because you have it. Information overload can distract readers' attention from the main issue. For e.g. while making a comment on the non-utilisation of a building constructed at a cost of Rs. 55 lakh for more than 3 years, do not discuss salary of Rs. 1.25 lakh paid to a watch and ward for the security of the building.

### Inverted commas

4.35. If an extract ends with an exclamation or question-mark, put the punctuation before the closing inverted commas: The Director said to him, 'Haven't you finished that draft yet?'

If the question or exclamation mark is part of a lengthy sentence within which the quotation stands, put it outside the inverted commas: Why did the Director say, 'Haven't you finished that draft yet?'

-ise or -ize?

4.36. Always use -ise for it will never be wrong, whereas -ize sometimes will be: criticise, solemnise etc.

### It's versus Its

4.37. There's no shortcut; all you can do is memorize the rule. *It's* with an apostrophe means *it is* (or, a little less often and a little less formally, *it has*); *its* without an apostrophe means *belonging to it*.

### Jargon

4.38. The C&AG's Reports are not addressed to IA&AD staff or to the audited bodies, but to the Parliament and the public jargon must therefore be avoided, especially legal and technical terms and those conventional phrases invented by government departments that are unintelligible to outsiders. You may have to think harder if you do not use jargon, but you can still be precise. You should ask yourself- will the reader understand this term properly? Could I replace it with everyday language? Should I still use the term but explain it?

Read through your completed draft, and try to remove all jargon to make the result intelligible to everybody.

### Less and fewer

4.39. Less qualifies degree, quantity or extent and takes a singular noun. Fewer relates to number and takes a plural noun. Thus: less spending; less distance; fewer miles, fewer opportunities.

### Literally

4.40. Use the word *literally* with care, and only where what you are saying is *literally* true. 'We were *literally* flooded with work' is wrong because the *flood* is a metaphorical one, not an actual deluge. Don't use *literally* where really, *very*, or *extremely* will do.

### Majority

4.41. Do not use the major part or the majority when most should be adequate: reserve them for occasions when the difference between a majority and a minority is significant. Thus,; the majority of CIPFA students is likely to vote for the proposal.

### -ment

4.42. Avoid adding -ment to verbs indiscriminately. Do not use words like schedulement, reallocationment etc.

### Metaphors

4.43. Metaphors can be useful, enabling ideas to be conveyed succinctly without tedious explanation. But used indiscriminately they become stale and lack precision. Orwell put it as follows: 'A newly invented metaphor assists thought by evoking a visual image, while, on the other hand a metaphor which is technically 'dead' has in effect reverted to being an ordinary word and can generally be used without loss of vividness. But in between these two cases there is a huge dump of worn-out metaphors which are merely used because they save people the trouble of inventing phrases for themselves.

### Multiple/negatives

4.44. Avoid using multiple negatives in a sentence. For e.g., 'common' could be used instead of 'not uncommon'.

### Nature

4.45. Often simply redundant, used like character. For e.g., 'Acts of hostile nature' could be replaced with 'Hostile acts'.

### None

4.46. None takes a singular verb. So does neither X nor Y, unless Y is plural. For example, neither the minister nor the officers have done it -where the verb agrees with the element closest to it.

### Nor

4.47. Although there are other possibilities, you can't go wrong if you use *nor* only after the word *neither*: instead of 'Keats did not write novels nor essays', use either 'Keats did not write novels *or* essays' or 'Keats wrote *neither* novels *nor* essays'. (You *can*, however, say 'Keats did not write novels, nor did he write essays')

### Only

4.48. Put only as close as possible to the word it qualifies if it could reasonably be thought ambiguous elsewhere. Thus: these sections produce accounts only in September. To say that they only produce accounts in September could suggest to a careful reader that in September they do nothing else or that in other months they do something other than 'produce' them.

### Optimum

4.49. Optimum is not an alternative for best. It should be used only of the product of conflicting forces. An auditor's optimum work rate is not the fastest he can do, but the rate which reconciles in the most satisfactory way the conflicting needs for speed, accuracy and a satisfactory result.

### Paragraphs

4.50. Long paragraphs can confuse the reader. One thought- one paragraph.

### Parameter

4.51. Parameter is a mathematical term with a precise meaning. It is normally better to use boundary, limit, framework or condition.

### Particular

4.52. This particular word, in many particular circumstances, serves no particular purpose. Give particular attention to the particular prospect of cutting it out.

### Per

4.53. Avoid the habit of using *per* instead of *according to*, as in *per manufacturers' guidelines*.

### Plus

4.54. The use of the word *plus* where *and* or *with* would be better is a bad habit picked up from advertising copy. Try to limit *plus* to mathematics, and use *and* or *with* where they're appropriate.

### Presently

4.55. Does not mean at present but soon. Example: Presently the department will act on their decision. Probably best avoided.

### Punctuation

4.56. The specific punctuation marks are dealt with in the relevant section of this guide. However, remember that:

>The only purpose of punctuation is to make clear to the reader what you want to say:

>Keep punctuation marks to a minimum.

### Semicolon

4.57. No hard and fast rules here, except to encourage consistency throughout a report. Remember that a semicolon is simply a stronger version of the comma.

### Shall versus Will

4.58. *Will* is usually the simple future indicative: 'This *will* happen'. 'You *will* be surprised'. *Shall* is related to the subjunctive, and means 'Let it be so', which you might see in legal or business writing: 'The employee *shall* produce all required documentation', 'A committee *shall* be appointed' and so forth. (They're not just predicting that the employee's going to do it or the committee is going to form; they're declaring that they *must*, or at least *should*, happen.) But this rule works only for the second person (*you*) and the third person (*he, she, it, they*). The first person -I and we-reverses the rule, so 'I *shall* do it' means I'm going to get around to it, while 'I *will* do it' shows a mustering of resolve (let it be so).

### Sentences

4.59. These must be short and have unity of thought.

### Short words

4.60. Should always be used in preference to long words unless there is a good reason not to. Use the language of everyday speech. Not that of auditors. Accountants. Lawyers. Bureaucrats and computer experts.

### So

- 4.61. Avoid using 'so' as an intensifier, as in 'It's so hot', unless there's a *that* clause (though the word 'that' needn't appear in less formal writing): For e.g., 'It's so hot that the asphalt is melting'. Usage of 'so' instead of 'very' is a no-no.

### Spelling

- 4.62. Always use English spelling and not American. A list of commonly mis-spelt words is attached.

### That versus which

- 4.63. The relative pronoun *that* is restrictive, which means it tells you a necessary piece of information about its antecedent: for example, "The word processor *that* is used most often is WordPerfect". Here the *that* phrase answers an important question: which of the many word processors are we talking about? And the answer is the one that is used most often.

Which is non-restrictive: it does not limit the word it refers to. An example is 'Penn's ID center, *which* is called CUPID, has been successful so far'. Here *that* is unnecessary: the *which* does not tell us which of Penn's many ID centers we're considering; it simply provides an extra piece of information about the plan we're already discussing. 'Penn's ID Center' tells us all we really need to know to identify it.

It boils down to this: if you can tell which thing is being discussed without the *which* or *that* clause, use *which*; if you can't, use *that*.

### Unnecessary words

- 4.64. Use adjectives and adverbs to make your meaning more precise but beware of using them for emphasis alone. Very is often used so freely that it ceases to have any meaning; it must be used discriminatively to be effective. Necessarily and inevitably are overworked: they often add nothing to the meaning of the words they qualify.

The knife may also be wielded on many other words and phrases: For e.g., Track record (record), cutbacks (cuts), large-scale (big).

### Verbs

- 4.65. Comments made in the side-margins and tables should be complete English sentences. Avoid a temptation to save space by omitting verbs like is, are, was, were, etc. in the sentences contained in tables and side-margins.

### While

- 4.66. Avoid the indiscriminate use of this word for *and*, *but*, and *although*. Many writers use it frequently as a substitute for *and* or *but*, either from a mere desire to vary the connective, or from uncertainty which of the two connectives is the more appropriate. In this use a semicolon best replaces it. For e.g., instead of 'The office and salesrooms are on the ground floor, while the rest of the building is devoted to manufacturing' use 'The office and salesrooms are on the ground floor; the rest of the building is devoted to manufacturing'.

### Who versus whom

- 4.66. While it's possible to memorize a rule for distinguishing *who* from *whom*, it's easier to trust your ear. A simple test to see which is proper is to replace *who/whom* with *he/him*. If *he* sounds right, use *who*; if *him* is right, use *whom*. For example: since *he did it* and not *him did it*, use *who did it*; since we give something *to him* and not *to he*, use *to whom*. It gets tricky only when the preposition is separated from the who: *Who/whom did you give it to?* Rearrange the words in your head: 'To whom did you give it?'

### Would versus should

- 4.66. A conditional statement in the first person requires *should*, not *would*. For e.g., I should not have succeeded without his help. The equivalent of *shall* in indirect quotation after a verb in the past tense is *should*, not *would*. For e.g., He predicted that before long we should have a great surprise.

### Vernacular Words/Latin Words

- 4.67. Vernacular words like 'khul' -small open irrigation channel, 'chak' development --command area development, 'khadanja' road, 'nautor' land -- Government land allotted to villagers for cultivation, are used, such words should be shown *in italics* and explained as a footnote, if required. Similarly Latin phrases and words used in English like *viz. vide, bona-fide, ibid, suo-motu, mala-fide, de-facto, prima-facie, pro-forma, ex-gratia, ex-post-facto, in-toto, inter-se* etc should be shown in italics.

### Common Mistakes

- 4.68. Write 'officer concerned'/'department concerned' instead of 'concerned officer'/'concerned department'.

The words "balance" and "rest" (remainder) are both nouns. It is incorrect to say "The balance payment was to be withheld" or "The rest 80 per cent was to be withheld". The correct forms are either "The balance was to be withheld" or "The rest was to be withheld" or "The remaining payment was to be withheld" etc.

Except for accepted and short expression like "and/or", use of the slash (/) between the words should be made in a very restricted way. e.g. instead of saying "Short/non-payment", we should say 'short payment or non-payment'. Similarly instead of writing "any increase/decrease over/below the schedule of quantities of a contract", we should write "any increase over or decrease below the schedule quantities of a contract".



Instead of writing “The benefits of subsidy/ incentive/MSP provided by Government’ “We should write “The benefits of subsidy, incentive and MSP provided by the Government””.

## V. Words and phrases to be used with care

### 5.1. Unnecessary words

<b>Instead of</b>	<b>Write</b>	<b>Instead of</b>	<b>Write</b>
A great deal of	Much	It was found that	I found, we found etc.
A majority of	Most	Lies in the fact that	Is because
A number of	Many; few	Due to the fact that	Because
Accounted for by the fact that	Because	During the time that	While
After the conclusion of	After	For the purpose of	For; to
Along the lines of	Like	For the reason that	Because
At the present time	Now; at present	From the standpoint of	For
Based on the fact that	Because	Higher degree of	Higher; more
By reason of	Because	In consequence of	Because
Call a halt to	Stop	In addition to	Also; besides
Come to an end	End	In close proximity to	Close to
Consensus of opinion	Most	More economically viable	Cheaper
agree/consensus		One of the reasons	One reason
In connection with	About	On the part of	By
In order to	To	Owing to the fact that	Because
In respect of	About	Subsequent to	After
In relation to	About	Take steps to	Start
In the course of	During; at	The question as to whether	Whether
In the event of	If there is	There is reason to believe	I think, we think
In this connection	About; this	This is a subject that	This
In view of the fact that	Since; because	Through the use of	By; with
Is dependent upon	Depends on	With a view	So that
Is equipped with	Has	With reference to	About
Is such that	Is	With regard to	About
Is to be found	Is	With the exception of	Except for
It is known that	I know; we know etc.	Worthy of consideration	Should be considered
It may be that	If		

## 5.2. Cut out words such as

According to  
 As far as.....is concerned  
 In respect of  
 In terms of  
 Found to be  
 Having regard to  
 In a ..... condition.  
 Other things being equal

## 5.3. Words which do not require a hyphen

			<u>One word</u>	
Airfield	Handpicked	Override	Shipbuilders	Underpaid
Bypass	Lacklustre	Petrochemical	Soyabean	Wartime
Ceasefire	Machinegun	Policymaker	Stockmarket	Workforce
Comeback	Nevertheless	Postwar	Subcommittee	Worldwide
Commonsense(adj)	Nonetheless	Prewar	Subcontinent	Worthwhile
Forever	Offshore	Profitmaking	Submachinegun	
Halfhearted	Onshore	Seabed	Takeover	
Handout	Overpaid	Shipbuilding	Underdog	
<u>Two words</u>		<u>Three words</u>		
Air base	Coal miner	Capital gains tax		
Air force	Common sense(noun)	In as much		
Aircraft carrier	Under way	In so far		
At least	Well known			
Ballot box				

## 5.4. Plurals

<b>-Oes</b>	<b>-os</b>	<b>-uses</b>	<b>-ums</b>	<b>-a</b>	<b>-as</b>
Cargoes	Commandos	Buses	Crematoriums	Consortia.	Agendas
Echoes	Embryos	Circuses	Forums	Corrigenda	
Embargoes	Folios	Focuses	Memorandums	Data.	<b>-exes</b>
Manifestoes	Ghettos	Geniuses	Moratoriums	Media	Indexes (of books)
Noes	Silos	Prospectuses	Quorums	Phenomena	
Potatoes			Referendums	Strata	<b>-ae</b>
Provisoes	<b>-ies</b>	<b>-eaux</b>	Sanatoriums		Formulae
Tomatoes	Monies	Chateaux		<b>-ves</b>	
Tornadoes			<b>-i</b>	Wharves	<b>-ices</b>
Torpedoes	<b>-eus</b>	<b>-fs</b>	Termini	Lives	Indices
Vetoes	Bureaus	Dwarfs	Nuclei		(indicators/index numbers)
Volcanoes	Plateaus	Roofs	Stimuli		

## 5.5. Correct spellings of words that are commonly mis-spelt

Accommodate	Acknowledgement	Advisor
Advisory	Aeroplane	Aesthetic
Aging	Battalion	Benefited
By	law	Channelled
Connection	Defendant	Dependant(noun)
Dependent (adj)	Détente	Disk (in computer context)
Disc (other contexts)	Dispatch	Enrol
Enrolment	Ensure(make certain)	Insure(against risks)
Farther(distance)	Further(additional)	Focused
Focusing	Forbid	Forgo (do without)

Forego ( precede)	Forestall	Fulfil
Fulfilling	Fullness	Incur
Incurring	Inoculate	Inquire, Inquiry
Install	Instalment	Installation
Intransigent	Labelled	Learnt
Levelled	Licence (noun)	License (verb)
Manoeuvre	Manoeuvring	Mileage
Occur	Occurring	Paediatric
Practice (noun)	Practise (verb)	Principal (head/adj)
Principle (code of conduct)	Program (in computer context)	Programme (in other context)
Recur	Recurrent	Recurring
Sanatorium	Seize	Specialty (in context of Medicine ,Steel and chemicals)
Speciality ( in other contexts)		Strategy
Superseded	Trade unions	Trade Union Congress
Vaccinate	Withhold	Word processor

### 5.6. Official words and alternatives worth considering

<b>Instead of</b>	<b>Consider</b>	<b>Instead of</b>	<b>Consider</b>
Absence of	No; none	Disseminate	Spread
Accede to	Grant; allow; agree	Diminish	Drop; lesson; reduce
Accompanying	With	Disclose	Tell; show
Accomplish	Do	Disburse	Pay
In accordance with	Because of; under	Discrete	Separate
Is in accordance with	Agrees; follows	Discontinue	Stop; end
Accordingly	So	Dispatch	Send
According to the	The records show	Dominant	Main
Additional	Extra; more	Donate	Give
Adjustments	Changes	Due to the fact that	Because; as
Admissible	Allowed	Duration	Time
Adumbrate	Sketch; outline	Emphasise	stress
Advantageous	Useful; helpful	Enable	Allow
Aggregate	Total	Endeavour	Try
A large number of	Many; most	Enquire	Ask
Alleviate	Ease; reduce	Enquiry	Question
Alternatively	Or	Entitlement	Right
Ameliorate	Better; improve	Equivalent	Equal; the same
Annexure	Annexe	Erroneous	Wrong
Anticipate	Expect	Establish	Show; find
Apparent	Clear; plain; obvious	Evaluate	Test; check
Appreciable	Large; great	Evince	Show; display
Application	Use	Exceptionally	Only when; in this case
Apprise	Inform; tell	Excessive	Too many; too much
Ascertain	Find out	Excluding	Apart from
At an early date	Soon	Exclusively	Only
Commence	Begin; start	Exempt from	Free from
Auditee	Audited body	Expedite	Hurry; hasten
Component	Part	Expeditionously	As soon as possible; quickly
Concerning	About; on	Extend	Current; in force
In connection with	About	Fabricate	Make
As a consequence of	Because	Facilitate	Help; assist
Consequently	So	Factor	Reason; cause; feature
Constitute	Make up; form	Following	After
Customary	Usual; normal	For the duration of	During; while
Deem	Treat as; consider	For the purpose of	To
Defer	Put off; delay		

Deficiency	Lack of	Forthwith	Now; at once
Denote	Show	Forward	Send
Desire	Wish	Determine	Decide
Function(verb)	Work; operate ;act	Obtain	Get; receive
Furnish	Give	Occasioned by	Caused by
Furthermore	Then ;also	On behalf of	For
Generate	Produce; give	On the grounds that	Because
Implement	Carry out; do	Ordinarily	Normally; usually
In accordance with	As; under	Otherwise	Or
In addition to	Also	Overall	Total; supreme; generally;
Infructuous	Wasteful	Owing to	Because
In case of	If	Partially	Partly
In connection with	For; about	Participate	Take part in
In conjunction with	And; with	Particulars	Details; facts
In consequence	Because; as	Permissible	Allowed
In excess of	More than	Peruse	Read; look at
Indicate	Show	Pursuant to	Under
Inform	Tell	Practically	Almost; nearly
In isolation	By itself	Predominant	Main
Initiate	Begin; start	Prescribed	Set; fixed
Institute	Begin; start	Preserve	Keep
In lieu of	Instead of	Principal	Main
In order to	To	Prior to	Before
In receipt of	Get; have; receive	Proceed	Go
In relation to	About	Provided that	If; as long as
In respect of	About; for	Provisions	Rules; terms
In the course of	In; while; during	Purchase	Buy
In the event of	If	Regarding	About
Irrespective of	Whether or not;even if	Reimburse	Repay; pay back
Issue	Give; send	Remainder	The rest
Jeopardize	Risk	Remittance	Payment
Locate	Find	Remuneration	Pay; wages; salary
Magnitude	Size	Render	Send; make; give
Major	Main; important; big;	Report	Tell
Manufacture	Make	Represents	Shows; stands for; is
Mandatory	Compulsory	Request	Ask
Material	Relevant; significant	Require	Need
Marginal	Small; slight	Retain	Keep
Modification	Change	Reverse	Back
Necessitate	Need; make necessary	Revised	New; changed
Notify	Tell; let....know	Select	Choose
Notwithstanding	Even if; despite; still; yet	Solely	Only
Nevertheless	But; however	Submit	Send; give
Subsequently	Later	Subsequent to	After
Substantial	Large; great; a lot of	Sufficient	Enough
Supplementary	Extra; more	Terminate	Stop; end
Thereafter	Then; afterwards	Timeously	In good time
Transmit	Send; forward	To date	So far
To the extent that	If; when	Ultimately	In the end; at last
Unavailability	Lack of; absence	Uniform	Same
Utilise	Use	Undertake	Agree
Variation	Change	Virtually	Almost
Visualise	See; predict; imagine	Whereas	But
With reference to	About	With regard to	About; for
With respect to	About; for		

**Annexure 22**  
**(Paragraph 10.2)**

**Proforma on financial and other details of the LSGI**

Xt±i kibw`cW Ø m] \- nsâ t] cv :

**hchp sNehpl Ä**

hchv				sNehv			
C\w	Xpl (cqj)			C\w	Xpl (cqj)		
	hAj w 20...20....	hAj w 20...20....	hAj w 20...20....		hAj w 20...20....	hAj w 20...20....	hAj w 20...20....
{J mcw` _ m; n				dh\yq sNehv			
\nl pXn hchpl Ä							
\nl pXntbXc hchpl Ä ({Kmâpl Ä CXnÄ DÄs, Sp` cpX)							
aqe[ \ hchpl Ä							
{Kmâpl Ä				aqe[ \ sNehv			
1) hnl k \ഫണ്ട് 2) k wØ m\റവിഷ്കൃതഫണ്ട് (I mäKdnp _ n Un, mA«sâ³ dഫണ്ട്) i ) ] ifm³ i i ) t\m- ] ifm³ v					hmbv] Xncn` S` Xv		
3) P\റൽ പർപ്പസ് ഫണ്ട് 4) sabiä \ൻസ് ഫണ്ട് i ) tdmUv i i ) t\m- tdmUv							
5) കേന്ദ്രാവിഷ്കൃതപദ്ധതിഫണ്ട് 6) aäp {Kmâpl Ä							
e n hmbv] I Ä							
<b>Bsl p</b> പഞ്ചായത്ത് ഫണ്ട്/ ap\സിപ്പൽ ഫണ്ട്				<b>Bsl p</b> പഞ്ചായത്ത് ഫണ്ട്/ ap\സിപ്പൽ ഫണ്ട്			
EWi oAj i Wj v				EWi oAj i Wj v			
e n sUt, mk napl Ä				sUt, mk nav Xncn` p\ÄI nbXv			
A Uz m³ kv A UPi v sNbXXv				A Uz m³ kv \ÄI nbXv			
				\oj nbrcn, v			
<b>H«msI</b>				<b>H«msI</b>			

X\തുഫണ്ട് - വരവു ചെലവും

hchv				sNehv			
C\w	Xpl (cqJ)			C\w	Xpl (cqJ)		
	hAj w 20...20....	hAj w 20...20....	hAj w 20...20....		hAj w 20...20....	hAj w 20...20....	hAj w 20...20....
\nl pXn hchpl Ä				i ¼fw			
hk xp \nl pXn							
sXmgnÄ \nl pXn				Hm^okv sNehpl Ä			
hnt\mZ \nl pXn							
{J ZÄi \ \nl pXn				J © mb v tk h\S Äj p			
Jck y \nl pXn				വേണ്ടിയുള്ള sNehpl Ä			
K ÄÄokv \nl pXn							
B si \nl pXnhchpl A				aäpsNehpl Ä			
\nl pXntbXc hchpl Ä (X\തുഫണ്ടിൽ ഉൾപ്പെടുന്നവ)							
ssek ³ k v^okv							
cPnk t{Sj ³ ^okv							
hmSI							
aWÄ hnäphchv							
aaphchpl Ä							
B si X\തുഫണ്ടിലെ \nl pXntbXc hchpl Ä							
X\തുഫണ്ടിലേയ്ക്കുള്ള ഗ്രാന്റുകൾ							
P\dÄ J Ä, kvഫണ്ട്							
aäp {Kmäpl Ä							
I ½n				an w (an' amsW; nÄ)			
B si hchv				B si sNehv			

### (Kmaipi fna \nra pA sNehpi A

ധട്രഷറി അക്കൗണ്ടിൽ ക്രഡിറ്റ് ചെയ്യുന്ന തുക വരവും പിൻവലിപ്പം pA Xpi sNehpw B Wj  
A t{ m{ ntbj 3 i - t{SmA cPni A { } l mcw

{Kmaisa t} cv	hAj w	{} mcw _ m; n	hchv	B sl	sNehv	\oj nbnci_v
hnl k \ഫണ്ട് i ) P\da	20...20...					
	20...20...					
	20...20...					
hnl k \ഫണ്ട് i i ) Fkvk n j n	20...20...					
	20...20...					
	20...20...					
hnl k \ഫണ്ട് i i i ) Sn Fkv j n	20...20...					
	20...20...					
	20...20...					
kwØ m\mhij v കൃതഫണ്ട് (ബി-ഫണ്ട്) i ) j fm <sup>3</sup>	20...20...					
	20...20...					
	20...20...					
kwØ m\mhij v കൃതഫണ്ട് (ബി-ഫണ്ട്) i i ) t\m- j fm <sup>3</sup>	20...20...					
	20...20...					
	20...20...					
sabriã \ <sup>3</sup> kv ഫണ്ട് i ) tdmUv	20...20...					
	20...20...					
	20...20...					
sabriã \ <sup>3</sup> kv ഫണ്ട് i i ) t\m- tdmUv	20...20...					
	20...20...					
	20...20...					

### കേന്ദ്രാവിഷ്കൃത പദ്ധതി ഗ്രാന്റ് - വരവും ചെhpw

{ <sup>2</sup> XnbpsS t} cv	hAj w	{} mcw _ m; n	hchv	B sl	sNehv	\oj nbnci_v
	20...20...					
	20...20...					
	20...20...					
	20...20...					
	20...20...					
	20...20...					
	20...20...					
	20...20...					
	20...20...					
	20...20...					
	20...20...					
	20...20...					

കാഷ് ബുക്ക്, അക്കൗണ്ട്, ഓഡിറ്റ് സംബന്ധിച്ച വിവരം

tcJ			XobXn/amk w/hAj w
1.	I mj v__pi v	GXp XobXn hsc F gpXn	
2.	I mj v__pi v I vtfmk mwKv	GXp amk w A hk m\w hsc	
3.	I mj v__pi v I vtfmk vsNbXv ]mk v__pi pambn s] mcp <sup>-</sup> s, Sp <sup>-</sup> nbXv	GXp amk w A hk m\w hsc	
4.	hchp cPni A	GXp amk w A hk m\w hsc F gpXn	
5.	sNehp cPni A	GXp amk w A hk m\w hsc F gpXn	
6.	sUt, mk nãvcPni A	GXp amk w A hk m\w hsc Xç mdm; n	
7.	A Uz <sup>m3</sup> kv cPni A	GXp amk w A hk m\w hsc Xç mdm; n	
8.	പ്രതിമാസ അക്കൗണ്ട്	GXp amk w A hk m\w hsc Xç mdm; n	
9.	hmAj ni [ \ I mcy ] {Xni	GXp hAj w A hk m\w hsc Xç mdm; n	
10	A hk m\w Ab <sup>-</sup> psi mSp <sup>-</sup> hmAj ni [ \ I mcy ] {Xni		
	GXp hAj t Xv		
	] {Xni AwKof cni <sup>-</sup> {] tabw \¼cpw XobXnbpw		
	I <sup>-</sup> nsã \¼cpw XobXnbpw		
11.	A hk m\w e <sup>-</sup> ni <sup>-</sup> tem; A ഫണ്ട് ഓഡിറ്റ് റിപ്പോർട്ട് (ഡി.സി.ബി ഓഡിറ്റ്)		
	HmUnãv \S <sup>-</sup> nb A [ ni mcn		
	dnt, mA«v hAj w		
	\S <sup>-</sup> nb XobXn		
	dnt, mA«nsã \¼cpw XobXnbpw		
12	A hk m\w e <sup>-</sup> ni <sup>-</sup> s] At <sup>^</sup> ma <sup>3</sup> kv HmUnãv dnt, mA«v		
	HmUnãv \S <sup>-</sup> nb A [ ni mcn		
	dnt, mA«v hAj w/ I mebfhv		
	\S <sup>-</sup> nb XobXn		
	dnt, mA«nsã \¼cpw XobXnbpw		
13.	A hk m\w \S <sup>-</sup> nb G.Pn. HmUnãnsã XobXn		



**ഓഫീസിലെ സ്റ്റാഫ് (റഗുലറും കണ്ടിജന്റും)**

DtZymKt <sub>3</sub> cv	F ®w
sk{  «dn	
tl mÄ <sub>3</sub> tdj <sup>3</sup> F <sup>3</sup> Pn\obÄ, ap\nk n <sub>3</sub> Ä F <sup>3</sup> Po\nbÄ, ] © mb <sup>-</sup> v Un <sub>3</sub> mÄ«saäv Ak n <sub>3</sub> äv F I k n <sub>3</sub> yq«ohv F <sup>3</sup> Po\nbÄ Ak n <sub>3</sub> äv F <sup>3</sup> Po\nbÄ	
HmhÄk obÄ	
Pq\ിയർ സൂപ്രണ്ട്	
st Ut v mÄj v	
bp.Un.k n.	
F Ä.Un.k n.	
aap hl p <sub>3</sub> pl fnÄ \n  p hn\yk n <sub>3</sub> hÄ സൂപ്രണ്ട് bq.Un.k n F Ä.Un.k n	
ss{U hÄ	
aap Xk \nl T f nepÄ hÄ (J yq <sup>-</sup> )	
കണ്ടിജന്റ് സ്റ്റാഫ്	
B st	

**F Ä.F kvPn Un F<sup>3</sup> Pn\obdnwKv hn` mKw**

DtZymKt <sub>3</sub> cv	F ®w
] © mb <sup>-</sup> nsä NpaXe \ÄI nbn«pÄ hÄ	
F I k n <sub>3</sub> yq«ohv F <sup>3</sup> Po\nbÄ	
ഡിവിഷണൽ അക്കൗണ്ടന്റ്	
Ak n <sub>3</sub> äv F I k n <sub>3</sub> yq«ohv F <sup>3</sup> Pn\obÄ	
Ak n <sub>3</sub> äv F <sup>3</sup> Pn\obÄ	
HmhÄk obÄ	
aap Xk \nl T f nepÄ hÄ	
B st	

**20.... amÄ`v31p\` ക്രമീകരിക്കാൻ ബാക്കിയുണ്ടായിരുന്ന അഡ്വാൻസുകൾ**

\nÄhl W GP³ knl Äj vsUt, mk näv hÄj n\`ുവേണ്ടി \`Äl nb AUzm³ kv

\nÄhl W GP³ knl	HmtcmhÄj hpw \`Äl nb Xpl bnÄ 31.3.20...Äv _mj n\`nÄj p¶l Xpl			B sl 31.3.20... Äv _mj n\`nÄj p¶l Xpl (cqj)
	20...p20... tem A Xn\p apt¼m	20...20....	20...20....	
tl cf PeA tXmdnän				
sshZyqXn t_ mÄUv				
\`ർമ്മിതികേന്ദ്രം				
tl ml vt^ mÄUv				
`h\` \nÄ½mV t_ mÄUv				
A t{Km C³ UK {Sok v tl mÄ, tdj ³				
B sl				

KpWt`mà r l ½nän l - ho\`ÄamÄj vsam\_ issetkj ³ AUzm³ k mbn \`Äl nbXv

\`Äl nb XobXn	l - ho\`dpsS t] cv	hÄj nsä t] cv	Xpl (cqj)
			B sl

i pNol cWw XpSS nb NpaXel fpsS \nÄhl W` n\`ുവേണ്ടി ഉദ്യോഗസ്ഥർക്കു \`Äl nbXv

\`Äl nb XobXn	DtZymKØ sä t] cv	Xpl (cqj)
		B sl

20.....amÄ`v31p\`vbYmØ m\`ങ്ങളിൽ അടയ്ക്കാൻ ബാക്കിയുണ്ടായിരുന്ന/  
Xncn`p \`ൽകാൻ ബാക്കിയുണ്ടായിരുന്ന ഡെപ്ലോസിറ്റുകൾ

(DZm: i ¼f \_ nÄnÄ \n¶l pw hÄj v \_ nÄnÄ \n¶l papÄ dnj hdnl Ä, sse{ \_ dnisk kv  
sk l yqcnän sUt, mk nä)

l ncnb amk w/hÄj w	C\w	Xpl

**Annexure 23**  
**(Paragraph 10.11.1)**  
**Category of paragraphs**

<b>Category A: Fraud/misappropriation/embezzlement/losses/misutilisation detected in audit</b>		
	<b>Sub categories</b>	<b>Code</b>
i	Cases of embezzlement of cash drawn from treasury or bank	A1
ii	Non accountal /misappropriation of local body receipts ie non remittance into treasury/bank	A2
iii	Excess amounts fraudulently drawn by tampering with or manipulating figures in bills	A3
iv	Utilisation of Plan Fund by LSGIs for meeting establishment or other inadmissible expenditure	A4
v	Unauthorised retention of mobilisation advances by conveners of beneficiary committees (Government have declared that this is tantamount to utilising public money for private purposes- Govt. Circular No. 47101/DP 1/2001/LSGD dated 27.12.2001)	A5
vi	Short assessment and collection of taxes/licence fee/registration fee and inadmissible concessions by LSGIs(This is tantamount to allowing private persons to keep money which belongs to Govt)	A6
vii	Shortages due to unauthorised withdrawals from the Bank Accounts of Beneficiary Committees	A7
viii	Fraudulent drawal of GPF of employees who have not applied for loan or part final withdrawal.	A8
ix	Utilisation of LSGI receipts towards expenditure without remittance into Bank/Treasury	A9
x	Losses due to theft, pilferage and shortage of stores	A10
xi	Other items	A11
<b>Category B: Recoveries at the instance of audit &amp; overpayments detected in audit</b>		
i	Recoveries of over payments like pay & allowances, TA	B1
ii	Excess payment to contractors due to application of higher rates for work done, etc	B2
iii	Quantities of stores/works received/executed less than those paid for, resulting in overpayments	B3
iv	Overpayments on account of errors of computation	B4
v	Overpayments due to application of or allowing incorrect rates.	B5
vi	Allowing payment of charges such as carriage etc. in violation of terms of agreements	B6
vii	Overpayments on account of excess pay and allowances or payment of inadmissible allowance	B7
viii	Excess payments of pension, etc, by Treasuries/Banks	B8
ix	Non-recovery of instalments towards various loans	B9
x	Non-recovery/Non-deduction of income tax or service tax at source	B10
xi	Payment of subsidies/ assistance in excess of norms fixed	B11
xii	Payments in violation of Panchayat Raj Act/Municipality Act.(eg.Expenditure incurred on matters not entrusted to the Local Self Government Institutions as per the Acts. Payment of benefits to ineligible persons either on account of non-selection by Grama Sabhas/Ward Sabhas as envisaged in the Act or for other reasons)	B12
xiii	Payments in violation of Rules	B13
xiv	Payments in violation of Government orders and guidelines eg. Payment of subsidies for purposes which are prohibited or not envisaged in the Plan Formulation Guidelines or other applicable guidelines.	B14
xv	Other items	B15

<b><u>Category C: Violation of contractual obligations, providing undue favours to contractors</u></b>		
<b>i</b>	<b>Backing out by contractors resulting in extra expenditure</b>	<b>C1</b>
<b>ii</b>	<b>Non-imposition of penalty and recovery of extra cost from contractors involved in above cases</b>	<b>C2</b>
<b>iii</b>	<b>Payment of interest free advances in violation of agreement</b>	<b>C3</b>
<b>iv</b>	<b>Release of key material on credit basis instead of cash basis</b>	<b>C4</b>
<b>v</b>	<b>Penalties not levied for delay in execution/completion of works within stipulated time</b>	<b>C5</b>
<b>vi</b>	<b>Non-recovery of supervision charges</b>	<b>C6</b>
<b>vii</b>	<b>Non-recovery of salvaged material</b>	<b>C7</b>
<b>viii</b>	<b>Other items</b>	<b>C8</b>
<b><u>Category D: Wasteful / Infructuous expenditure</u></b>		
<b>i</b>	<b>Abandonment of works without completing for various reasons</b>	<b>D1</b>
<b>ii</b>	<b>Non-utilisation of assets created for specific purposes</b>	<b>D2</b>
<b>iii</b>	<b>Non-achievement of objective for which the expenditure was incurred</b>	<b>D3</b>
<b>iv</b>	<b>Payment of subsidies to Self Help groups which have become defunct</b>	<b>D4</b>
<b>v</b>	<b>Supplies of defective Stock/Store</b>	<b>D5</b>
<b>vi</b>	<b>Other items</b>	<b>D6</b>
<b><u>Category E: Avoidable/ excess expenditure</u></b>		
<b>i</b>	<b>Delay in execution of works resulting in time and cost overrun and consequent extra expenditure</b>	<b>E1</b>
<b>ii</b>	<b>Delay in obtaining custom clearance, etc. for imported equipment resulting in increase in cost or payment of avoidable demurrage charges</b>	<b>E2</b>
<b>iii</b>	<b>Cost escalation due to improper and inadequate planning</b>	<b>E3</b>
<b>iv</b>	<b>Other items</b>	<b>E4</b>
<b><u>Category F: Regulatory issues</u></b>		
<b>i</b>	<b>Diversions of Plan Fund for non-plan expenditure at the instance of Government or Controlling Officers Eg. for payment of instalments of loan, electricity charges, Audit fees etc.</b>	<b>F1</b>
<b>ii</b>	<b>Expenditure on projects revised/ introduced without the approval of the District Planning Committee</b>	<b>F2</b>
<b>iii</b>	<b>Expenditure incurred without sanction from competent authority</b>	<b>F3</b>
<b>iv</b>	<b>Expenditure split to avoid sanction of competent authority or calling for tenders, etc.</b>	<b>F4</b>
<b>v</b>	<b>Expenditure incurred in excess of budget provision resulting in creation of liabilities</b>	<b>F5</b>
<b>vi</b>	<b>Execution of works or procurement of supplies without adequate budgetary provision resulting in creation of liabilities to be met from next budget</b>	<b>F6</b>
<b>vii</b>	<b>Diversion of funds from one scheme to another or from one object head to another</b>	<b>F7</b>
<b>viii</b>	<b>Drawal of funds at the fag end of financial year with a view to avoid lapsing of funds</b>	<b>F8</b>
<b>ix</b>	<b>Rush of expenditure towards fag end of financial year resulting in non- exercising of financial controls/checks</b>	<b>F9</b>
<b>x</b>	<b>Drawal of funds at the fag end of year without immediate disbursement and their parking in either bank accounts, PLA or retention in cash/bank drafts</b>	<b>F10</b>
<b>xi</b>	<b>Incurring of expenditure on banned items or items of special nature without approval of competent authority</b>	<b>F11</b>
<b>xii</b>	<b>Non observance of austerity measures announced by Government from time to time</b>	<b>F12</b>
<b>xiii</b>	<b>Payment of rent of hired buildings without approval or fixation of rent by Rent Assessment committees</b>	<b>F13</b>
<b>xiv</b>	<b>Engagement of daily wagers in violation of Government orders and payment made to them without orders of competent authority</b>	<b>F14</b>
<b>xv</b>	<b>Execution of work without obtaining administrative approval/technical sanction from competent authority</b>	<b>F15</b>

xvi	Purchase of stores/stock in excess of actual requirements with a view to avoiding lapsing of funds	F16
xvi i	Payments made on hand receipts in contravention of Public Works Account Code	F17
xvi ii	Procurement of material/execution of works without observing codal provision of invitation of tenders etc.	F18
xix	Execution of work in excess of estimates/ unrealistic preparation of estimates	F19
xx	Other items	F20
<b>Category G: Idle investment/ blockade of funds</b>		
i	Expenditure incurred on purchase of stores not required for immediate use and not put to use for long periods	G1
ii	Expenditure incurred on execution of works/construction of buildings, Industrial estates etc., which could not be put to use	G2
iii	Expenditure on Projects/activities/schemes which could not be completed/implemented for various reasons.	G3
iv	Expenditure incurred on purchase of equipment including imported one's not put to use for want of trained manpower, missing spares or defective supplies or without assessing feasibility of procurement or without implementing the next stage of the project	G4
v	Funds advanced to various implementing agencies for supplies or construction works but retained unauthorisedly by such agencies- eg. for deposit works to be undertaken by Water Authority, Electricity board etc.	G5
vi	Payment of idle wages to staff which could not be utilized for the purpose for which appointed owing to either there being excess staff or there being no work for such staff	G6
vii	Release of funds for some activity without ensuring availability of adequate infrastructure	G7
viii	Other items	G8
<b>Category H: Delays in commissioning of equipment/Schemes</b>		
i	Due to non- availability of necessary infrastructure	H1
ii	Due to trained manpower not available	H2
iii	Due to non availability of spare part or accessories	H3
iv	For want of power connection	H4
v	Other items	H5
<b>Category I: Non-achievement of objectives</b>		
i	Comments on shortfall in achievement of targets	I1
ii	Tardy implementation of schemes	I2
iii	Non-fulfillment/achievement of objectives for which a programme was launched or an organisation created	I3
iv	Non-accrual of intended benefits to targeted population	I4
v	Comments on mismatch between financial and physical achievements	I5
vi	Comments on less production/yield compared to expected production/yield.	I6
vii	Other items	I7
<b>Category J: Miscellaneous observations</b>		
i	LSGI specific irregularities/ observations not covered in any of the above	J1
ii	Irregularities noticed in maintenance of cashbook and connected registers, receipt books etc.	J2
iii	Retention of heavy cash balances	J3
iv	Belated remittances of receipts into treasury/bank	J4
v	Comments/observations on maintenance of records	J5
vi	Comments on improper/non-maintenance of records	J6
vii	Comments on submission/non submission of utilization certificates	J7
viii	Non-recovery/non adjustment of Misc. Works advances from officers, other Government Departments and private parties	J8
ix	Reconciliation not being done with agencies supplying stores etc. where centralized system of purchase of stores exists.	J9
x	Non-recovery of hire charges of machinery etc.	J10

xi	Machinery beyond economic repairs	J11
xii	Non recovery of rent of building	J12
xiii	Other items	J13

**Annexure 24**  
**(Paragraph 11.4)**

**Format of certificate of cash verification**

Name of LSGI		
Date of physical		
Amount of cash balance (in figures) :Rupees		
(in words) :Rupees		
<b>Denomination</b>		
Rs 1000	x	=
Rs 500	x	=
Rs 100	x	=
Rs 50	x	=
Rs 20	x	=
Rs 10	x	=
Rs 5	x	=
Rs 2	x	=
Rs 1	x	=
Coins		=
<b>Total Rupees:</b>		
<b>Item wise details</b>		
Property tax		
Library cess		
Profession tax		
D&O license fee		
Marriage		
Penal interest		
Cost of forms		
.....		
.....		
.....		
.....		
<b>Total Rupees</b>		
<b>Certified that physical verification of cash was conducted in the presence of</b>		
<b>Signature of Officer representing audit party</b>	<b>Signature of Secretary</b>	
<b>Name:</b>	<b>Name:</b>	
<b>Designation:</b>		

**Annexure 25**  
**(Paragraph 11.22)**

**Questionnaire on internal control mechanism**

Name of the institution :

LBA Party:

Period of Audit :

Dates of audit :

Note: This form is to be filled by the Supervising Officer if present. Otherwise it should be filled up by the senior most member of the party. Give specific reply to each question. Do not leave any question unanswered or answered with dashes or dots. If any question is not relevant for an auditee institution, answer it as Not Applicable. On the basis of the questionnaire an evaluation of the internal control mechanism should be included as a paragraph in the Draft Inspection Report.

**Budgetary Control- Whether**

- i) the budget of the Organisation is prepared with due diligence and care?
- ii) expenditure conforms to the budget?
- iii) there was excess / savings?
- iv) excess/savings persistent?
- v) allotment is as per requirement?
- vi) allotment is received in time to enable fruitful expenditure?
- vii) there was rush of expenditure in March?

**Expenditure Control- Whether**

- i) the cash book is standard one with machine numbered pages?
- ii) transactions are recorded in the cash book as and when they occur?
- iii) there is a system of daily closing of cash book?
- iv) the head of office verifies cash balance periodically?
- v) the custodian of money is the writer of cash book?
- vi) system of reconciliation is effective?
- vii) recoveries to be remitted to other heads are remitted in time?
- viii) advances are adjusted in time?
- ix) more than one advance for the same purpose is pending adjustment against same officer?
- x) money is kept in the office in any form for long periods?
- xi) there is unnecessary drawing of funds?
- xii) purchases are made as per approved rules and procedures?
- xiii) purchases are as per requirements?
- xiv) rules regarding approval of estimates/acceptance of tenders/issuing purchase orders etc. strictly followed?
- xv) system of stock taking, custody and issue of store are as per rules?
- xvi) stores ledger and accounts are properly kept?
- xvii) assets are safeguarded against fraud/error?
- xviii) physical balance and book balance are compared and tallied?

**Operational Control- Whether**

- i) there is delegation of powers and division of responsibilities and they are documented and followed?
- ii) there is proper system to watch the receipt processing and disposal of correspondence?
- iii) the arrears in the disposal of correspondence is brought to the notice of the Head of Office at fixed intervals?
- iv) the system of opening new files, their movement and upkeep is satisfactory?
- v) implementation of schemes/projects are monitored satisfactorily?
- vi) the registers/records etc. to be maintained are prescribed?
- vii) various registers/records are kept up to date?
- viii) returns/reports due from lower formation are received in time?
- ix) they are compiled and analyzed and used as monitoring tools?

- x) returns due to controlling officers are sent in time?
- xi) such returns conform to the actual performance of the Organisation?

**Inspections/Conferences- Whether**

- i) the office is inspected at prescribed intervals by the controlling officers?
- ii) the lapses pointed out are rectified in time?
- iii) lower formations are inspected by the office as prescribed?
- iv) the lapses pointed out are followed up to the logical conclusions?
- v) decisions of conferences/meetings are minuted?
- vi) the decisions are implemented in time?

**Computerisation- Whether**

- i) the organization has a policy of computerisation?
- ii) the policy conforms to the objectives of the Organisation?
- iii) the requirement of hardware/software are properly assessed and documented?
- iv) purchases of hardware/software are as per requirement?
- v) trained personnel are available?
- vi) the systems are installed and put to use?
- vii) the systems are properly safeguarded against fraud/ error?
- viii) the proper controls have been defined and put in place?
- ix) there was any improvement in quality of service/ expenditure as a result of computerisation?

**Internal Audit - Whether**

- i) there is an internal audit organisation in the department?
- ii) there are codes/ manuals etc. defining and supporting audit function?
- iii) such manuals are reviewed and updated?
- iv) any standards set by the top Management?
- v) the duties and responsibilities are clearly defined?
- vi) the audit staff is properly trained?
- vii) any separate cadre of auditing staff exist or are they deployed from line staff for a specific period?
- viii) any audit plan is prepared and approved by the top executive?
- ix) there are any criteria for selecting field units for audit?
- x) the periodicity of audit is uniformly followed?
- xi) the extent of coverage is satisfactory?
- xii) there is any abnormal delay in issuing Audit Report?
- xiii) the volume of pendency of audit is justifiable?
- xiv) the quality of checks is satisfactory?
- xv) replies to audit reports are received in time?
- xvi) reports and objections are pending settlement for long?
- xvii) any persistent irregularities reported?
- xviii) any departmental action taken for non-compliance to audit observation?
- xix) the cost-effect analysis justify the system?
- xx) internal audit makes contribution for the speedy settlement of objections raised by Accountant General through his reports?

**Response to Audit- Whether**

- i) all the required files/documents were made available to audit?
- ii) from the files/ documents made available a reasonable opinion as to the functioning of the Organisation is possible?
- iii) the audit slips were properly accepted and answered?
- iv) replies were furnished to all previous Inspection Reports?

**Signature.....**

**Name.....**

**Designation.....**



**Annexure 26**  
**(Paragraph 12.4.4)**

**List of performance audit reports included in Audit Reports**

**Report for the year ended 31 March 2004**

- 1) Implementation of housing projects for BPL families
- 2) Solid waste management by Municipal Corporations
- 3) Kerala Information Network for Local Bodies(Long para)

**Report for the year ended 31 March 2005**

- 1) Assessment and collection of property tax in Kochi Corporation
- 2) Plan formulation by LSGIs in Thrissur District
- 3) Water management by PRIs in Alappuzha district
- 4) Women development under Community Development Societies in the Municipalities of Pathanamthitta District
- 5) Welfare schemes for SC community implemented by District Panchayat, Kottayam (Long para)

**Report for the year ended 31 March 2006**

- 1) Asset management by LSGIs
- 2) Assessment and collection of profession tax in LSGIs in Thrissur District
- 3) Transfer of functions and functionaries to LSGIs
- 4) Implementation of projects on deposit work basis by LSGIs

**Report for the year ended 31 March 2007**

- 1) Implementation of NREG Act
- 2) Implementation of Building Rules in Municipal Corporations
- 3) Internal Controls in ULBs in Ernakulam District
- 4) Death cum Retirement benefit scheme in ULBs(Mini review)
- 5) Implementation of RIDF schemes(Mini review)
- 6) Management of food grains in SGRY in BPs and DPs(Mini review)
- 7) Special Livestock Breeding Programme(Mini review)

**Report for the year ended 31 March 2008**

- 1) Utilisation of maintenance grant by LSGIs
- 2) Distribution of electricity and water in Thrissur Corporation
- 3) Execution of public works in LSGIs
- 4) Asraya project(Mini review)
- 5) Unemployment wage scheme (Mini review)

**Annexure 27**  
**(Paragraph 12.4.5)**

**List of paragraphs included in Audit Reports**

(Paragraphs relating to LSGIs were included in Report (Civil) from 1998-99 to 2002-03.  
Reports exclusively for LSGIs were placed from 2003-04)

Para No	Subject	Amount(Rs)	LSGI
<b>1998-99</b>			
6.13	Maithri Housing scheme (payment in excess of subsidy limit)	1.15 crore	Kottayam DP Pathanamthitta DP
6.14	Kanya Vivah scheme(Plan fund spend for insurance scheme)	28.56 lakh	Kottayam DP
<b>1999-00</b>			
7.16	Implementation of Plan schemes (various schemes)		Tvpm Corp
7.17	Photocopiers	7.79 crore	691 GPs,88 BPs (not listed in Report)
7.18	ST Housing scheme(Delay in construction by Nirmithi Kendra)	3.37 crore	Wayanad DP
7.19	2 IDSMT projects- Delay in completion. (Construction of Municipal bus stand, Improvement of Shedamony drain)		Alappuzha Mun
7.20	2 Power sector projects-non implementation (Mini hydel project at Arippara, Electrification of SC/ST colonies)	3.36 crore	Kozhikode DP
<b>2000-01</b>			
7.7.3	Purchase of unusable land at huge price for sports complex	41.65 lakh	Changanassery Mun
7.7.4	Exorbitant price paid for lands for garbage disposal plant		Kochi Corp
7.17	Blocking of plan fund due to setting up of mini industrial estate through Trust	1.33 crore	Kozhikode DP
7.18	Locking up of funds with KSEB-mini hydro electric project	40.00 lakh	Kannur DP
7.19	Blocking of capital due to delay in setting up Software Technology park	24.75 lakh	Kottayam Mun
<b>2001-02</b>			
7.7	4 projects-improper planning (Over payment of lease rent, Non starting of garment & book binding units, Failure to get refund of land acquisition, Extravagant spending on Thrikkannapuram-Mudavanmugal water supply scheme)	5.16 crore	Tvpm Corp
<b>2002-03</b>			
4.5.4	Futile expenditure on Slaughter house without ensuring title of land	92.00 lakh	Palakkad Mun
4.6.5	Avoidable liability on interest- Commercial complex	7.26 crore	Neyyatinkara Mun
4.6.6	Diversion of plan funds to repay KUDFC loans	14.26 crore	28 ULBs

**KUDFC loans**

<b>Corporations</b>	<b>Municipalities</b>			
<b>Thiruvananthapuram</b>	<b>Kayamkulam</b>	<b>Kasargod</b>	<b>Alappuzha</b>	<b>Ottappalam</b>
<b>Kollam</b>	<b>Manjeri</b>	<b>Neyyatinkara</b>	<b>Thalassery</b>	<b>Payyanur</b>
<b>Kozhikode</b>	<b>Kodungallur</b>	<b>North Paravur</b>	<b>Changanassery</b>	<b>Chavakkad</b>
	<b>Aluva</b>	<b>Malappuram</b>	<b>Irinjalakuda</b>	<b>Kanhangad</b>
	<b>Kannur</b>	<b>ChitturThathamangalam</b>	<b>Shornur</b>	
	<b>Guruvayoor</b>	<b>Tirur</b>	<b>Ponnani</b>	
	<b>Chengannur</b>	<b>Kunnamkulam</b>	<b>Palakkad</b>	

<b>2003-04(1<sup>st</sup> Report)</b>			
<b>Para No</b>	<b>Subject</b>	<b>Amount(Rs)</b>	<b>LSGI</b>
4.1	<b>Kerala information network for local bodies</b>		<b>3 LSGIs</b>
4.2	<b>Excess payment for earth filling with contractors own earth</b>	<b>40.00 lakh</b>	<b>11 LSGIs</b>
4.3	<b>Non supply and erection of incinerator</b>	<b>21.50 lakh</b>	<b>Kayamkulam Mun</b>
4.4	<b>Selection of inaccessible slaughter house site</b>	<b>36.49 lakh</b>	<b>Thrissur DP</b>
4.5	<b>Purchase of equipments and chemicals without creating infrastructure for clinical laboratories</b>	<b>22.64 lakh</b>	<b>Thrissur DP</b>
4.6	<b>Unproductive expenditure on blood banks due to failure of LSGIs to provide infrastructure</b>	<b>20.28 lakh</b>	<b>4 LSGIs</b>
4.7	<b>Unfruitful expenditure on mini industrial estates</b>	<b>2.92 crore</b>	<b>16 LSGIs</b>
4.8	<b>Agro machinery idling</b>	<b>30.51 lakh</b>	<b>8 LSGIs</b>

<u><b>Kerala information network</b></u> <b>Kochi Corp</b>  <b>Kozhikode Corp</b> <b>Vellanad GP</b>  <u><b>Earth filling</b></u> <b>Thiruvananthapuram Corpn</b> <b>Tirur Mun</b> <b>Koilandy Mun</b> <b>Kollam DP</b> <b>Alappuzha DP</b> <b>Kozhikode DP</b> <b>Veliyanad BP</b>  <b>Muthukulam GP</b> <b>Ala GP</b> <b>Valikunnam GP</b> <b>Madai GP</b>	<u><b>Blood banks</b></u> <b>Changanassery Mun</b>  <b>Vadakara Mun</b> <b>Nedumangad Mun</b> <b>Vazhoor BP</b>	<u><b>Mini industrial estates</b></u> <b>Kollam DP</b>  <b>Chalakkudy Mun</b> <b>Payyannur Mun</b> <b>Kodungalloor Mun</b> <b>Irinjalakuda Mun</b> <b>Kayamkulam Mun</b>  <b>Nedumangad Mun</b> <b>Mattannur Mun</b> <b>Punalur Mun</b> <b>Thalassery BP</b> <b>Puzhakkal BP</b> <b>Kallara GP(Vaikom)</b> <b>Lalam GP</b> <b>Kunnummel GP</b> <b>Athirappally GP</b> <b>Nattika GP</b>	<u><b>Agro machinery</b></u> <b>Malappuram Mun</b> <b>Pattambi GP</b> <b>Aymanam GP</b> <b>Nilambur GP</b> <b>Velinalloor GP</b> <b>Thirunavaya GP</b> <b>Anikkad GP</b> <b>Senapathy GP</b>
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<b>2004-05(2<sup>nd</sup> Report)</b>			
<b>Para No</b>	<b>Subject</b>	<b>Amount (Rs)</b>	<b>LSGI</b>
4.1	SC schemes implemented (long para)		Kottayam DP
4.2	Unproductive investment for a company for generating electricity	3.74 crore	Palakkad DP
4.3	Unfruitful expenditure on electric crematorium	30.58 lakh	Kollam Corp
4.4	Idle investment on modernisation of slaughter house	1.02 crore	Thrissur Corp
4.5	Blocking up of IDSMT fund on bus terminal and shopping complex	2.24 crore	Kollam Corp
4.6	Revenue loss due to non mining/short mining of sand	1.14 crore	Pattazhy GP
4.7	Loss due to unauthorised sand mining	48.60 lakh	Venmony GP
4.8	Unauthorised diversion of plan fund to own fund	30.00 lakh	Cherthala Mun
4.9	Non recovery/adjustment of advances	41.14 lakh	Tvpm Corp

<b>2005-06 (3<sup>rd</sup> Report)</b>			
<b>Para No</b>	<b>Subject</b>	<b>Amount(Rs)</b>	<b>LSGI</b>
4.1	Defalcation of public money	15.49 lakh	Tvpm Corp
4.2	Penal interest written off without approval	4.38 crore	Thrissur Corp
4.3	Loss due to failure to encash and reinvest IVP	63.65 lakh	Tvpm Corp
4.4	Misappropriation due to failure to follow internal control system	33.87 lakh	18 LSGIs
4.5	Central grants remained unutilised in treasury	1.39 crore	Tvpm Corp
4.6	Avoidable payment of surcharge and penal interest on water charges	83.78 lakh	Wayanad DP
4.7	Excess payment in VAMBAY scheme	63.65 lakh	Tvpm Corp
4.8	Unfruitful expenditure on purchase of land for solid waste plant	31.89 lakh	Mananthavady GP
4.9	Private water connections in Swajaldhara scheme	1.62 crore	Kollam & Kasargod DPs
4.10	Unfruitful expenditure on check dam	39.13 lakh	Wayanad DP
4.11	Irregular hiring of vehicles and irregular tender procedure led to undue benefit to contractor	1.61 crore	Kochi Corp
4.12	Unfruitful expenditure on building due to non procurement of machinery for employment project	11.70 lakh	Wadakanchery GP

<b>Misappropriation</b>	
<b><u>Corporations</u></b> Thiruvananthapuram Kochi	<b><u>GPs</u></b> Akathethara Anchal
<b><u>DP</u></b> Kottayam	<b><u>GPs</u></b> Chengalai Kozhuvanal
<b><u>Municipalities</u></b> Palakkad Ponnani	<b><u>GPs</u></b> Kozhinjampara Kezhallur Meenangadi
<b><u>BP</u></b> Kanhangad	<b><u>GPs</u></b> Piravom Pallikkunnu Thrikkalangode Vallappuzha Thikkodi

<b>2006-07 (4<sup>th</sup> Report)</b>			
<b>Para No</b>	<b>Subject</b>	<b>Amount(Rs)</b>	<b>LSGI</b>
<b>4.1</b>	<b>Avoidable advance to KSEB</b>	<b>3.93 crore</b>	<b>Kozhikode DP</b>
<b>4.2</b>	<b>Non-implementation of Central Schemes– due to crediting of Central funds in State Account</b>	<b>49.50 lakh</b>	<b>Thaliparambu BP</b>
<b>4.3</b>	<b>Unfruitful expenditure due to sinkage of road</b>	<b>43.26 lakh</b>	<b>Cherpu BP</b>
<b>4.4</b>	<b>Unfruitful expenditure on Rice Park</b>	<b>2.23 crore</b>	<b>Thrissur DP</b>
<b>4.5</b>	<b>Excess release of General Purpose Grant leading to diversion of plan funds for non-plan expenditure</b>	<b>1.29 crore</b>	<b>Kochi Corp</b>
<b>4.6</b>	<b>Unfruitful expenditure on construction of a bridge and approach roads</b>	<b>64.45 lakh</b>	<b>Kumarakom GP</b>
<b>4.7</b>	<b>Embezzlement of food grains</b>	<b>34.03 lakh</b>	<b>Arattupuzha GP</b>
<b>4.8</b>	<b>Excess expenditure due to wrong adoption of market rates</b>	<b>45.35 lakh</b>	<b>Kochi Corp</b>
<b>4.9</b>	<b>Loss of revenue due to non-realisation of value of sand extracted</b>	<b>12.72 lakh</b>	<b>Aruvappulam GP</b>
<b>4.10</b>	<b>Plan fund to be utilised on housing diverted for repayment of loan</b>	<b>27.87 lakh</b>	<b>Kochi Corp</b>

<b>2007-08 (5<sup>th</sup> Report)</b>			
<b>Para No</b>	<b>Subject</b>	<b>Amount(Rs )</b>	<b>LSGI</b>
<b>4.1</b>	<b>Non receipt of General Purpose Fund</b>	<b>1.83 crore</b>	<b>Tvpm Corp</b>
<b>4.2</b>	<b>Loss due to non adoption of uniform rates of property tax</b>	<b>23.42 crore</b>	<b>Tvpm Corp,Kollam Corp</b>
<b>4.3</b>	<b>Avoidable expenditure in construction of mini civil station</b>	<b>22.20 lakh</b>	<b>Thidanad GP</b>
<b>4.4</b>	<b>Unintended benefit to private parties on sand mining</b>	<b>18.00 lakh</b>	<b>New Mahi GP</b>
<b>4.5</b>	<b>Unfruitful expenditure on setting up of solid waste plant</b>	<b>72.13 lakh</b>	<b>Perinthalmanna Mun</b>
<b>4.6</b>	<b>Extra liability due to delay in handing over site</b>	<b>18.26 lakh</b>	<b>Parassala BP</b>
<b>4.7</b>	<b>Idle expenditure on purchase of land without proper approach road</b>	<b>40.29 lakh</b>	<b>Venkitang GP</b>
<b>4.8</b>	<b>Avoidable payment of interest/fine</b>	<b>4.17 crore</b>	<b>6 LSGIs</b>

<b>Interest/fine</b>
<b>Shoranur Mun</b>
<b>Vilayur GP</b>
<b>Ongallur GP</b>
<b>Kavalangad GP</b>
<b>Nellikuzhy GP</b>
<b>Pindimana GP</b>

**Annexure 28**  
**(Paragraph 12.9.2)**

**Media Policy-Holding of Press conference by the officers of IA&AD**

The Media Policy of IA & AD is intended to facilitate dissemination of the information contained in the Audit Reports of Comptroller and Auditor General of India to the Parliament and State Legislatures. The matter regarding consolidation of the instructions relating to the media policy has been under consideration for some time. In supersession of all previous instructions on the subject, following guidelines are prescribed for interface with media.

**(A) General**

- i. The press conference shall be held by the designated officers immediately after the presentation of each Audit Report in the Parliament /State legislature. All press conferences so organised shall be Report specific for Central Reports and State specific for State Reports.
- ii. The press conference may be held either within the Parliament House/State Legislature, after following the prescribed administrative procedures for holding of press conference by Government officers in the Parliament House/State Legislature, or in the offices of IA & AD
- iii. The designated officers shall announce at the outset in the media briefing that in accordance with the provision of Article 151 of the Constitution of India, Comptroller & Auditor General submits his Audit Reports to the President or Governor, as the case may be, for being laid on the Table of the Parliament/State legislatures in respect of matters arising out of the audit of Union Government and State Governments respectively.
- iv. Together with above, it shall also be stated at the beginning that as per the procedure, the Audit Reports of Comptroller and Auditor General of India to the Parliament/State Legislature relating to expenditure and revenue from the Consolidated Fund of the Union or of the States stand referred to the respective Public Accounts Committee. The reports in relation to Public Sector Undertakings stand referred to Committee on Public Undertakings. The Committees examine the Reports of Comptroller and Auditor General of India and issue recommendations for remedial action by the Government.
- v. Care shall be taken to ensure that no comments, directly or indirectly, are made during the press briefing on the functioning of the Committees of the Parliament/State Legislature, including the factual position about selection/discussion and issue of Reports which should be obtained by the press from the Secretariat of the various Parliamentary/Legislative Committees. The media may be advised to seek clarifications on these issues from the Parliament/State Legislative Secretariat.
- vi. The press conference shall be limited to conveying the contents of the tabled Audit Report. For this purpose a press brief shall be sent for prior approval by the report controlling DAI/ADAI and specific approval to the press brief obtained. The overview, to the extent possible, may be utilised for the press brief. However, where it is not intended to utilise the overview as press brief, specific approval of the Headquarters shall be obtained. Where considered necessary, the report controlling groups may send a press brief to Director General (Audit) for vetting before putting up to DAI/ADAI.
- vii. The report controlling wings shall send a copy of the approved Report to DG (Audit), as soon as Reports are placed on the Table of the Parliament/ State Legislature, indicating the date on which the Report is placed on Table of the Parliament/State Legislature.
- viii. The designated officers holding the press conference may send a copy of the approved press brief to the editors of newspapers and other sources of media along with the information regarding the date of presentation of the Report to the Parliament/State Legislature. They may also circulate copies of the press brief on the spot to media persons attending the press conference.
- ix. The designated officers may seek advice and clarifications from DG (Audit) in the Headquarters office.
- x. Care shall be taken during the press conference to ensure that the statements are factual and are confined to what has been stated in the Audit Reports. No opinion on the Government and its policies shall be given during the press conference. The press brief shall confine itself to the



issues of compliance, waste, fraud and performance of programmes/ projects/schemes etc. as brought out in the Audit Reports. The press briefing is an occasion for conveying factual information and removing ambiguity on issues/findings included in the Audit Reports.

- xi. The press brief shall be non-partisan and without any political slant or comment.
- xii. No reference to the names of the executive authorities involved in transactions in Audit Reports shall be made in the press conferences, as such authorities do not have an opportunity to defend themselves at the time.
- xiii. The matters included in Chapter I of the State Audit Reports, or the Chapters in Report No. 1 on the accounts of the Union Government containing overview of accounts shall not be discussed, except highlighting factual information in the various paragraphs. In case media persons seek clarification or elaboration on the issues discussed in these chapter it may be provided without attribution.
- xiv. These instructions apply to both print and audit-visual media. Participation in any panel discussion on the Audit Reports or on issues relating to audit practices and their effects shall require prior approval of the Headquarters.

#### **(B) Press brief on State Audit Reports**

- xv. The Principal Accountant General shall preside over the press conference for the States as the designated officer, where the senior most representative of IAAD in charge of audit of the accounts of the State Government is of the rank of Principal Accountant General. However, all other Accountants General shall be present at the state level press conference and shall independently clarify matters relating to their Audit Reports. In other States, the Accountant General in charge of audit shall hold the press conference.
- xvi. The Principal Account General and the Accountant General shall make it convenient to be present in their headquarters for a press conference on the day of the presentation of the Audit Reports relating to the State Government. Any deviation in exceptional circumstances shall have specific approval of the report controlling ADAI, who may approve an alternative arrangement.

[HQ Letter. No. LC/190/2004 dated 16-3-2006 and HQ dated 22-6-2000]–

**Annexure 29**  
**(Paragraph 13.5.8)**

**List of Forms and Registers**

**General**

- 1 Cash cum Bank Book
  - 2 Journal Book
  - 3 Ledger
  - 4 Cash/Bank Receipt Voucher
  - 5 Cash/Bank Payment Voucher
  - 6 Contra Voucher
  - 7 Journal Voucher
  - 8 Receipt
  - 9 Register of Cheques Received
  - 10 Statement on Status of Cheques Received
  - 11 Collection Register
  - 12 Memorandum of Collection
  - 13 Summary of Daily Collection
  - 14 Register of Bills for payment
  - 15 Payment Order
  - 16 Cheque Issue Register
  - 17 Register of Advance
  - 18 Register of Permanent Advance
  - 19 Deposit Received Register
  - 20 Summary Statement of Deposits Adjusted
  - 21 Demand Register
  - 22 Bill of .....Income
  - 23 Summary Statement of Bills Raised
  - 24 Register of Notice Fee, Warrant Fee, Other Fees
  - 25 Summary Statement of Notice Fee, Warrant Fee, other Fees
  - 26 Register of Refunds, Remissions and Write-offs
  - 27 Summary Statement of Refunds and Remissions
  - 28 Summary Statement of Write offs
  - 29 Statement of Outstanding Liability for Expenses
  - 30 Documents Control Register/Stock Account of Receipt/ Cheque Books
  - 31 Register of Immovable Property
  - 32 Register of Movable Property
  - 33 Register of Land
  - 34 Function-wise Income subsidiary Ledger
  - 35 Function-wise Income Subsidiary Ledger
  - 36 Asset Replacement Register
  - 37 Register of Public Lighting System
  - 38 Request for Funds
  - 39 Appropriation Control Register
  - 40 Sanction of Expenditure
  - 41 Authorisation by Mayor/Chairperson
  - 42 Letter of Allotment
  - 43 Grant in Aid Bill
  - 44 Bill for Drawal of Money From Public Account by LSGI
  - 45 Register of Implementing Officer wise Allotment and utilisation of funds
- Property Tax and other Taxes**
- 46 Summary Statement of Bills Raised
  - 47 Summary Statement of Demand Adjustment Raised
  - 48 Summary Statement of Head-wise collection of property & Other Taxes

- 49 Summary Statement of Refunds and Remissions  
 50 Summary Statement of Write-offs  
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 51 Summary Statement of Demand Raised on Assessment  
 52 Summary Statement of Head-wise Collection of Water Taxes  
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 55 Summary Statement of Demand Raised on Assessment  
 56 Summary Statement of Head-wise Collection of Water Taxes  
 57 Summary Statement of Refunds/Remissions  
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 59 Summary Statement of Demand Raised on Assessment  
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 61 Summary Statement of Refunds  
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Public Works  
 63 Summary Statement of Status of Capital Work-in- progress  
 64 Work Sheet  
 65 Deposit Works Register  
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 66 Material Receipt Note  
 67 Stores Ledger  
 68 Statement of Closing Stock  
 69 Statement of Material Issues  
Employee Related Transactions  
 70 Consolidated pay bill and acquaintance roll of the permanent/ temporary establishment  
 71 Register of Employees Loans/Advances  
 72 Register of Interest on Loans to Employees  
 73 Unpaid Salary Register  
 74 Register of Pension Payment Order  
 75 Pension Register  
Grants  
 76 Grant Register  
Borrowings  
 77 Register of Loans  
 78 Register of Debentures  
 79 Register of Sinking Fund  
Special Funds  
 80 Special Funds Register  
Investments  
 81 Investments Ledger/Register  
 82 Calculation Sheet for provision for Diminution in value of investments  
Loans granted by the Municipality  
 83 Register of Loans of Others  
Special Transactions  
 84 Register of Grants to Schools & Other Undertakings

**Annexure 30**  
**(Paragraph 13.23.1)**  
**Wholesale Price Index**

FINANCIAL	INDEX	FINANCIAL	INDE
1952-53	100.0	1979-80	493.0
1953-54	104.6	1980-81	582.9
1954-55	97.5	1981-82	637.3
1955-56	92.4	1982-83	668.5
1956-57	105.3	1983-84	718.9
1957-58	108.4	1984-85	765.4
1958-59	112.8	1985-86	799.2
1959-60	117.1	1986-87	845.7
1960-61	124.8	1987-88	914.5
1961-62	125.1	1988-89	982.7
1962-63	129.9	1989-90	1056.0
1963-64	137.9	1990-91	1164.4
1964-65	153.0	1991-92	1324.3
1965-66	164.6	1992-93	1457.5
1966-67	187.5	1993-94	1579.2
1967-68	209.3	1994-95	1778.2
1968-69	206.9	1995-96	1920.3
1969-70	214.7	1996-97	2008.8
1970-71	226.6	1997-98	2097.2
1971-72	239.2	1998-99	2222.0
1972-73	263.3	1999-00	2294.6
1973-74	316.5	2000-01	2458.9
1974-75	396.2	2001-02	2547.3
1975-76	391.9	2002-03	2634.2
1976-77	400.1	2003-04	2777.9
1977-78	420.9	2004-05	2957.9
1978-79	420.9	2005-06	3087.4

**Note:**

**Base year 1952-53 =100**

**The indices for the years later than 1961-62 were converted using the arithmetic**

**conversion method. The linking factor and the years are given in the table below:**

Years	Base year on which the indices were computed	Linking
1962-63 to 1970-71	1961-62	1.251
1971-72 to 1981-82	1970-71	2.265
1982-83 to 1993-94	1981-82	6.373
1994-95 to 2005-06	1993-94	15.792

**Annexure 31**  
**(Paragraph 13.23.2)**  
**Rates of depreciation**

SI No.	Description of Assets	Details of assets that are to be included	Estimated life (in years)	Depreciation Rate (%)
1	Land	Parks, Burial Grounds, Play grounds Roads etc. and any vacant site on which no construction available and kept as vacant site. This includes the open space donated by the layout promoters, to the council by transfer deeds		
2	Building-Class I Civil Structures (Structure with RC roof)	Office Buildings, School Buildings, Public conveniences, Hospitals, Dispensaries, Clinics, Maternity & Child Welfare centers, Swimming pool, Market places, Slaughter houses, Stadia, Shopping complexes, Zoo, Bus stand, Town hall, Community hall, Lodging Houses, Cinema theatre, Staff quarters etc.	50	2.00
3	Building-class II Civil Structures (Structure with roof other than RC or without roof)	Nutritious meal centers, Compound walls	15	6.67
4	Subways and Causeways	Cause ways, vehicular subways, pedestrian over bridges	15	6.67
5	Bridges and Flyovers	Bridges and Flyovers	40	2.50
6	Storm water Drains-open Drains& Culverts	Storm water Drains-open Drains & Culverts	15	6.67
7	Heavy Vehicles	Lorry, Tractor, Tipper, Bus, etc.	10	10.00
8	Light Vehicles	Jeeps, Cars, Power Tillers, Motor cycles, Mini lorry, Auto rickshaw etc	10	10.00
9	Other Vehicles	Single driven RC, Double Driven RC, Cart etc (RC - Rubbish Cart), Bi-cycles, Tricycles	5	20.00
10	Furniture, Fixtures, Office Equipments etc.	Steel chairs, Steel Tables, Wooden chairs, Wooden tables, Steel racks, Wooden racks, Steel cupboards, Typewriters, Duplicators, Xerox machines, Communication Equipments, Calculators, Air conditioners, Water coolers, Refrigerators, Fans, Electrical fittings, Other Office equipments, Radios, TVs, Stools, Public address systems, Wireless equipments, etc.	10	10.00
11	Plant/Machinery & Equipment(excluding office equipment)	Road rollers, Bulldozers, Mechanical Sweeper, Pay Loader, Submersible pumps, Mixing mortars, other Civil Engineering equipments, Medical equipments in Hospitals, Dispensaries & Maternity centers, School equipments public health equipments, Tower clocks, electrical equipments including generators, Motor pumps, other Plant & Machinery etc.	10	10.00
12	Roads & Pavements Concrete (including barricades)		10	10.00

13	Bituminous road over Jhama metal / Stone metal		3	33.33
14	Road with Jhama metal only		2	50.00
15	Roads & Pavements black topped(including amenities)		6	16.67
16	Roads & Pavements asphalt & WBM		3	33.33
17	Roads & Pavements concrete, black topped, sub grade		50	2.00
18	Pavements with Brick & Brick Paved Road		50	2.00
19	Amenities of parks and play grounds		5	20.00
20	Light post		10	10.00
21	Electrical installation Transformers,Cables	HT & LT	20	5.00
22	Electrical Installations	Mercury Vapour, Sodium Vapour	10	10.00
		Tube light	3	33.33
23	Computers	Computer Machinery,peripherals like printers,mouse etc.	5	20.00
24	Carts	Single & Double Bullock carts	3	33.33
25	Wheel Barrow		2	50.00
26	Water Supply pipeline	MS/GI/ CI/DI	40	2.50
		Asbestos / Plastic	10	10.00
27	Pumps and Motor		10	10.00
28	Water Reservoir		40	2.50
29	a) Deep Tubewell		10	10.00
	b) Hand Tubewell		5	20.00
30	Water Supply Source and Transmission System	1. Reservoir	33	3.03
		2. OHT/GLR	33	3.03
		3. Ground Water Wells/ Deep bore wells	20	5.00
		4. Channels	40	2.50
		5. Conduits	50	2.00
31	Water Distribution System	Pipelines		
		1. Upto 200 mm	40	2.50
		2. Above 200 mm	60	1.67
		1. MS Steel Tanks	5	20.00
		2. India Mark II Pumps	5	20.00
		3. Hand Pumps	5	20.00
4. Public Fountains	5	20.00		
32	Sewerage Collection &Transmission System	Sewerage Lines	30	3.33

33	Plant and Machinery	<b>a) Water Supply</b> <b>1. Mechanical Filters Machinery</b> <b>2. Filter Beds Plants</b> <b>3. Head works, Well points</b> <b>4. Generator of Booster Station</b>	<b>b) Sewerage</b> <b>1. Pumping</b> <b>2. Treatment</b>	10	10.00
34	Laboratory Equipments	All equipments in the Laboratories maintained for the Water Supply and Sewerage system		10	10.00