

GUJARAT LOCAL FUND AUDIT RULES, 1974

CONTENTS

1. Short title
2. Definitions
3. Audit of Accounts of local authorities by auditors
4. Requisition under section 5 to be sent by registered post or by messenger
5. Invitation to be sent in form of letter
6. Report about failure to comply with requisition
7. Notice of date of commencement of audit to be given to President or Chairman
8. Auditor to conduct audit during office hours
9. Suitable arrangements to enable auditor to hold his office
10. Auditor not to remove documents without permission
11. Auditor not to correspond directly with certain office bearers
12. Accounts to be audited annually
13. Accounts for complete financial year to be taken up for audit
14. Detailed audit or special audit when to be taken up
15. Auditor to verify cash balance etc. during audit
16. Remarks etc. to be communicated through objection statement
17. Mode of issuing objection statement
18. Auditor to issue departmentwise objection statement
19. Objection statements to be returned without available delay
20. Auditor to reissue any item for further action
21. Objection statements to be returned to Auditor within specified period preceding close of audit
22. Auditor to report fraud or embezzlement confidentially
23. Result of audit to be recorded in audit report
24. Admitted or settled objection may be mentioned in audit report
25. Auditors report to be in three parts
26. Nature of details to be reported
27. Copies of audit reports to be submitted to Government
28. Explanation to audit report to be sent in triplicate
29. Defalcation or loss of money or stores to be reported
30. Form of Accounts
31. Forms not to be varied etc. without approval of Government
32. Repeal

GUJARAT LOCAL FUND AUDIT RULES, 1974

Whereas the draft rules namely the Gujarat Local Fund Audit Rules proposed to be made under section 14 of the Gujarat Local Fund Audit Act. 1963 (Gujarat XLIX of 1963) (hereinafterreferred to as

the said "Act") were published as required under sub-section (3) of Section 14 of the said Act at pages 507 to 513 of the Gujarat Government Gazette. Part I A. dated 23rd November, 1972 under the Government Notification. Panchayats and Health Department No. KP- 72-227-CFA-1364- 7119 72-DH, dated 18th October 1972. inviting objections and suggestions from all persons likely to be affected thereby for a period of 30 days from the date of the publication of the notification in the Official Gazette i.e. from 23rd November. 1972. And Whereas the objections and suggestions which were received with respect to the said draft rules have been considered by the Government. Now, therefore, in exercise of the powers conferred by section 14 of the Gujarat Local Fund Audit Act, 1963 (Gujarat XLIX of 1963), the Government of Gujarat, hereby makes the following rules, namely:-

1. Short title :-

(1) These rules may be called the Gujarat Local Fund Audit Rules. 1974.

(2) These rules shall come into effect from the date of publication in the Government Gazette.

2. Definitions :-

In these rules unless the context otherwise requires.-

(a) "the Act" means to Gujarat Local Fund Audit Act, 1963.

(b) "Form" means a form appended to these rules:

(c) "Section" means a section of the Act:

(d) words and expression used in these rules but not defined shall have the meaning assigned to them in the Act.

3. Audit of Accounts of local authorities by auditors :-

The Accounts of the Local authorities whose accounts are subject to audit under Section 3 shall be audited by the auditors of the Local Fund Audit Department under the direction and control of the examiner:

Provided that the Examiner may carry out himself an inspection or audit of accounts of any local authority either in full or in part.

4. Requisition under section 5 to be sent by registered post or by messenger :-

The requisition referred to in clause (a) or (b) of sub-section (1) of

Section 5 shall be made by the auditor and sent to the Chief Officer or as the case may be, the administrative Officer, or in his absence, to the Secretary or other head of the ministerial establishment of the local authority by registered post or by a messenger. If the requisition is sent by a messenger an acknowledgment from the Officer concerned with the date of receipt shall be obtained in the transit book in Form I.

5. Invitation to be sent in form of letter :-

Invitation which an auditor may issue in pursuance of clause (c) of sub-section (1) of Section 5 to an honorary officer or a member of a local authority shall be in the form of a letter addressed to such officer member a copy of which shall be returned in the case file. The invitation shall be sent either by registered post or by a messenger and in the later case an acknowledgment duly signed by him and dated shall be obtained in the transit book in Form I.

6. Report about failure to comply with requisition :-

If a requisition under clause (a) or (b) of sub-section (1) of Section 5 is not complied within the period specified in the requisition the auditor shall report the failure to the Chairman. If the requisition is not complied with within three days subsequent to the receipt thereof he shall send the papers to the Collector or Director of Municipalities or Development Commissioner or any other authority appointed by the State Government in this behalf with a brief statement of facts for further action. A copy of such communication shall be forwarded simultaneously to the Examiner. If action is taken by the authority concerned within a week from the receipt of report, the Examiner may report the matter to the State Government.

7. Notice of date of commencement of audit to be given to President or Chairman :-

A notice of the date of commencement of the audit under sub-section (3) of Section 5 shall be given in Form II by the Examiner or any other officer authorised by him to the Chairman.

8. Auditor to conduct audit during office hours :-

Except in case where the Examiner, in consultation with the head of the local authority, decides otherwise the auditor shall for the purpose of conducting audit, attend at the head office of the local authority during office hours.

9. Suitable arrangements to enable auditor to hold his

office :-

The Local authority shall make suitable arrangements to enable the auditor to hold his office for conducting audit.

10. Auditor not to remove documents without permission :-

The auditor shall not, without the previous permission in writing of the office of the local authority whose accounts are being audited or of any person authorised by him in this behalf, remove from such office any books, vouchers or documents of any kind whatsoever:

Provided that where on account of any suspected fraud or any other reason the auditor thinks it necessary to keep document in his possession he may do so after acknowledging a receipt thereof and shall at once report the matter to the examiner.

11. Auditor not to correspond directly with certain office bearers :-

The Auditor shall not correspond directly with the President or Vice-President or as the case may be, Chairman or Vice-Chairman of the local authority whose accounts are being audited by him except for the purpose of reporting any embezzlement or for the purposes mentioned in sub-section (1) of Section 5 or for the purposes of Rule 7 or 16.

12. Accounts to be audited annually :-

The accounts of local authority shall as far as possible be audited in one spell or in more spells, as may be decided by the Examiner. Such audit of a local Authority should, as far as possible, be completed in all respects before the close of the succeeding year.

13. Accounts for complete financial year to be taken up for audit :-

Accounts for the complete financial year or years preceding the date of audit shall ordinarily be taken up for audit. The Examiner may however, save the accounts audited upto the date preceding the date of audit, if in his opinion such audit is necessary in any particular case.

14. Detailed audit or special audit when to be taken up :-

A detailed audit or a special audit may be taken up at the discretion of the Examiner if such a course appears to him to be necessary in any case. The Collector, the Development Commissioner, the Director of Municipalities, the District Development Officer or any other officer authorised by the State Government may, in special circumstances, request the Examiner to

arrange for a special audit or a detailed audit for any period.

15. Auditor to verify cash balance etc. during audit :-

The auditor shall during the audit verify the cash balance and securities held by a local authority or by any of the officers or servants on its behalf and also the postage stamps and the stock of printed forms kept for issue of receipt for payments received.

16. Remarks etc. to be communicated through objection statement :-

All enquiries which may be necessary or the auditor to make and all remarks made by him during audit shall be made or communicated through an objection statement in Form III.

17. Mode of issuing objection statement :-

The auditor shall issue objection statements, if any over his dated signature so far as possible day by day as the audit proceeds, and shall obtain an acknowledgment from the head of the office of the local authority with the date of receipt entered in the transit book in Form I.

18. Auditor to issue departmentwise objection statement :-

The auditor shall as far as practicable issue separate objection statements for each department of the local authority to enable the department concerned to proceed to take action as soon as the objection statement is received.

19. Objection statements to be returned without available delay :-

The objection statements shall be without avoidable delay over the dated initials of the head of the office of the local authority or any other officer authorised by him in this behalf together with either an explanation to the objection or a statement of the action taken or proposed to be taken to meet the objections raised and where necessary shall also detain replies to the enquiries made by the auditor.

20. Auditor to reissue any item for further action :-

On receipt of the replies to the objections raised by the auditor he shall where necessary reissue for further action any items on which final or sufficient action has not been taken or on which the enquiries made have not been satisfactorily answered such reissues shall be marked as further remarks in the transit book in Form I.

21. Objection statements to be returned to Auditor within

specified period preceding close of audit :-

All objection statements shall be returned to the auditor within such period not shorter than one day and longer than three days preceding the close of the audit. as he may direct, irrespective of the fact whether all the objections may have been fully answered or not.

22. Auditor to report fraud or embezzlement confidentially :-

When a fraud or an embezzlement is detected or may reasonably be inferred from any suspicious circumstances or where any irregularity is noticed in the accounts, the auditor shall forthwith report confidentially the circumstances in writing to the President or Vice President or Chairman or Vice-Chairman or as the case may be Sarpanch or Up-Sarpanch of the local authority concerned and also to the Examiner.

When a fraud or embezzlement has been fully investigated by the auditor, he shall submit a complete report on the case to the Examiner, who shall send copies thereof in the case of a school, board or a Panchayat performing the functions of a district school board to the Director of Education and in the case of any other local authority, the examiner shall send copies of the report in the following manner: (1) in the case of a municipality to the Director of Municipalities. Collector and the President or Vice-President: (2) in the case of a Gram Panchayat to the Collector and the Sarpanch or Up-Sarpanch: (3) in the case of a Nagar Panchayat to the Collector and to the Chairman or Vice Chairman; (4) in the case of Taluka or District Panchayat to the Development Commissioner, the Collector and President or Vice- President:

Provided that, where the President, Vice-president. Chairman. Vice-chairman, Sarpanch and Up-Sarpanch is involved or suspected of being involved in any fraud or embezzlement neither the preliminary report nor a copy of the complete report shall be sent to him.

23. Result of audit to be recorded in audit report :-

The result of such audit shall be recorded in the audit report under Section 7 . The report shall be as concise as possible but shall contain all the relevant facts and shall as far as possible be confined to the points mentioned in clauses (a) to (d) of Section 8 . In cases where concurrent audit is conducted the Examiner may at his discretion cause the result of such audit to be issued to the local

bodies through periodic objection statements such points shall also be suitably included in the audit report to be issued by the examiner.

24. Admitted or settled objection may be mentioned in audit report :-

Objections admitted or settled shall be suitably mentioned in the final audit report, with a view to bring out the comprehensive results of audit defects overcome and irregularities removed at the instance of audit.

25. Auditors report to be in three parts :-

The audit report shall be in three parts, part I shall include a list of outstanding objections, if any, part II shall deal with the current audit and part III shall contain minor and procedural irregularities, if any noticed during the audit which could not be settled on the spot. In the audit it shall be stated that an objection statement of minor and procedural irregularities has been sent in Form III of these rules separately to the local body for direct compliance and it shall not be necessary to enclose with the audit report a copy of the objection statement.

26. Nature of details to be reported :-

The auditor shall-

(a) state in the first paragraph of the report the date on which the audit was taken up and the date when it was completed:

(b) give in the opening paragraph of Part II of the report on the accounts of a municipality or a panchayat a statement of assets and liabilities indicating the financial position of the municipality of the Panchayat concerned with a brief resume of its financial condition fixed assets, such as land, building, plant and machinery shall be excluded from the statement and only liquid assets such as cash balance in hand or in the treasury or bank, investments, advances and outstanding rents, rates and such liabilities as unspent balances of earmarked grants or revenues, contributions, payable deposits and unpaid bills, shall be included therein:

(c) state whether money borrowed on the security of allocated received as a grant from Government or other sources for any specific purposes:

(d) state where a sinking fund is obligatory, whether it is being properly kept up:

(e) state whether all the advances and investments by the local authority are fully secured:

(f) state in detail all loans contracted by the local authority and also state whether the requisite provision has been made for the repayment of the principal and interest out of the revenues of the local authority:

(g) certify, where separate accounts for any undertaking have to be maintained, whether they have been so maintained and whether the accounts present a correct position of the result of the undertaking for the period under audit:

(h) certify about the correctness of the annual account:

(i) give at the end of the reports brief resume of the matters dealt with in the report and conclude with an opinion on the state of accounts as a whole:

(j) append to his report-

(1) a statement showing the arrears of taxes at the end of the year and two preceding years in the case of the local authorities which impose taxes:

(2) a statement of accounts for the year showing- (a) under the head "receipts"- (i) the revenue from direct taxes. (ii) the revenue from indirect taxes, (iii) income from miscellaneous sources. (iv) income from properties, (v) Government grants. (vi) extraordinary items of revenue, and (vii) debts, deposits and advances, and (b) under the head "expenditures"- (i) ordinary expenditure. (ii) capital expenditure, (iii) extraordinary expenditure, and (iv) debts, deposits and advances, and

(3) in the case of a school board or a Panchayat performing the functions of a district school board statement in such forms as may be laid down by Government from time to time- (i) showing the gross expenditure amount disallowed and the net amount admitted for grant under several heads: (ii) setting forth items disallowed for Government grants with reasons therefor: (iii) giving the figures of receipts under several heads: (iv) containing miscellaneous objections which do not affect Government grants; (v) showing the amount to be recovered from non- authorised municipality (to be appended to the audit report only in the case of panchayat performing the function of a district school board): (vi) showing the

details of the Datum lines expenditure and grant in respect of the administrative supervising. clerical and menial staff on whose account a grant is to be paid on datum line condition (to be appended to the audit reports only in the case of a panchayat performing the function of district school board).

(4) In the case of District Panchayats and Taluka Panchayats the statement of Government grants for transferred functions and functions on agency basis showing major head- wise figures of unspent balance of previous year. grant received during the year. expenditure incurred therefrom. refund to Government, total expenditure and closing balance at the end of the year. In the remarks column of statement of grants the paragraph numbers of the report disallowing the amount of expenditure for the grant shall be indicated headwise.

27. Copies of audit reports to be submitted to Government :-

Copies of audit reports on the accounts of school boards and of Panchayats performing the functions of a district school Board shall be submitted to the State Government and to the Director of Education for their information.

28. Explanation to audit report to be sent in triplicate :-

Explanations to the audit report to be furnished to the Examiner by the Chairman of a local authority under sub-section (1) of Section 9 shall be sent in triplicate:

Provided that in the case of municipal school board a copy of the explanation sent by the Chairman of the Municipal School Board to the Examiner shall be sent to the President of the municipality, who may submit his remarks if any, to the examiner within a fortnight of receipt by him of the explanation.

29. Defalcation or loss of money or stores to be reported :-

(1) Whenever any defalcation or loss of money or stores is discovered, the fact shall be promptly reported by the Chairman to the Examiner, the Collector and the Director of Municipalities or as the case may be the Development Commissioner and in the case of a school board or a panchayat performing the functions of a District School board to the Director of Education also, giving the detail the circumstances which led to such defalcation or loss. The Examiner shall thereupon consider whether such defalcation or loss was due to any fault in the accounting system and. if so, shall issue the

necessary instruction. In all such cases reported to him he shall direct that a special audit be made.

(2) Nothing in sub-rule (1) shall prevent the institution of a criminal proceeding against any person suspected of or involved in. any defalcation or loss of money or stores, should such a course be considered. advisable.

30. Form of Accounts :-

The local authorities shall maintain therein accounts in forms prescribed under the relevant law applicable to them in that behalf.

31. Forms not to be varied etc. without approval of Government :-

No local authority shall introduce without the previous approval of the State Government, any new form or make any variation or alteration In any of the sanctioned forms.

32. Repeal :-

Bombay Local Fund Audit Rules, 1931 . the Saurashtra Local Fund Audit Rules. 1952. and any other corresponding rules are hereby repealed:

Provided that such repeal shall not: (i) affect the previous operation of any rules so repealed or anything duly done or suffered thereunder: (ii) affect any right, privilege, obligation or any liability acquired, accrued or incurred under any rules so repealed: (iii) affect any investigation, legal proceedings or remedy in respect of any such right privilege obligation or liability:

Provided further that. subject to the preceding proviso, anything done or any action taken under any such rules, shall in so far as it is not inconsistent with the provisions of these rules, be deemed to have been done or taken under the corresponding provisions of these rules and shall continue in force accordingly unless and until superseded by anything done or any action taken under these rules.