

# The Orissa Gazette

EXTRAORDINARY  
PUBLISHED BY AUTHORITY

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No. 1741 CUTTACK, WEDNESDAY, JULY 27, 2011 / SRAVANA 5, 1933

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No. 32766–XIV–Aud.–4/2009–F.

GOVERNMENT OF ORISSA

**FINANCE DEPARTMENT**

**RESOLUTION**

The 23rd July 2011

SUBJECT —Entrustment of Technical Guidance and Supervision (TGS) of P.R.Is. and U.L.Bs. to C. & A.G. of India, pursuant to 13th Finance Commission Report.

As per the recommendations of the 11th Finance Commission regarding audit and accounts of P.R.Is. and U.L.Bs. and the guidelines issued by the Department of Expenditure, Ministry of Finance, Government of India thereon, the State Government decided to implement the recommendations in its true spirit to bring improvement in the Accounting and Auditing procedure by way of availing technical guidance from the C. & A.-G. of India. As such the audit of the accounts of Local Bodies (all 3-tiers of P.R.Is. and all categories of U.L.Bs.) is to be conducted by the State Audit Agency i. e. the Local Fund Audit Organisation, statutorily entrusted with audit of such Bodies under Technical Guidance and Supervision (TGS) of the C & A.-G. of India.

Accordingly, under the provisions of T. G. S. and its parameters agreed upon through periodical meetings with the Accountant-General (Civil Audit), Orissa in the matter, the State Government have already entrusted audit of accounts of 20% of the Gram Panchayats, Panchayat Samitis and Urban Local Bodies of the State with the C. & A.-G. of India vide this Department Letter No. 6879-F., dated 16th September 2003 and L. No. 2839-F., dated 18th May 2004 with due approval of His Excellency, the Governor of Orissa under Section 20 (1) of the Comptroller & Auditor-General D.P.C. Act, 1971. The C. & A.-G. of India has been providing his Technical Guidance and Supervision over the audit of P.I.Rs. and U.L.Bs. as per the request of the State Government in the aforementioned letters.

Further, in accordance with the recommendations of the 13th Finance Commission vide paragraph 10-161 (ii) of its Report and advice of the C. & A.-G. of India in this matter, the State Government, in exercise of powers conferred by Section 20 (1) of the C. & A.-G.'s–DPC Act, 1971 have been pleased to request the Comptroller and Auditor-General of India to undertake the audit of

he accounts of all the three-tiers of Panchayati Raj Institutions (PRIs.) and all categories of Urban Local Bodies (ULBs.) constituted in the State under Part-IX of the Constitution of India vide this Department L. No. 2534-F, dated 7th April 2011 with due approval of His Excellency, the Governor of Orissa.

The terms and conditions for conducting the audit of accounts of the P.R.Is. and U.L.Bs. will be as follows—

- (i) In addition to audit to be conducted by the statutory Auditor of P.R.Is. and ULBs. the C. & A.-G. of India will have the right to conduct such test check of the accounts and to comment on and supplement the report of the statutory Auditor, as he may deem fit.
- (ii) The C. & A.-G. of India or any person appointed by him in connection with the audit, shall have the same rights, privileges and authority as the C. & A.-G. has in connection with the audit of Government accounts.
- (iii) The result of audit may be communicated by C. & A.-G. or any person appointed by him to the P.R.Is. and U.L.Bs. The C. & A.-G. may also forward a copy of the report direct to the Government.
- (iv) The scope, extent and manner of conducting audit shall be as decided by the C. & A.-G.
- (v) The C. & A.-G. or his representative will have the right to report to State Legislature the results of audit at his discretion.
- (vi) The above terms and conditions will not affect, in any way, the C. & A.-G's right to access the accounts and records of the P.R.Is. and U.L.Bs. under other sections of the Comptroller and Auditor-General (Duties, Powers and Conditions of Services) Act, 1971 and under other due statutory process.

The C. & A.-G. may provide suitable Technical Guidance and Supervision to primary external Auditors of P.R.Is. and U.L.Bs. Viz D.L.F.A. or any other such designated statutory agency, for the purpose of strengthening Public Finance Management and Accountability in P.R.Is. and U.L.Bs. The parameters of such Technical Guidance and Supervision would be as indicated in Annexure 'A'.

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ORDER—Ordered that this Resolution be published in an extraordinary issue of *Orissa Gazette* and copies forwarded to the Panchayati Raj Department/Housing & Urban Development Department/Accountant-General (Civil Audit), Orissa, Bhubaneswar.

By order of the Governor  
J. K. MOHAPATRA  
Principal Secretary to Government

**Parameters of TGS prescribed by the CA-G of India at Paragraph 4.10.1 of the  
'Manual of Instructions for audit of P.R.Is.**

In paragraph 3.1 of Chapter 3 of this Manual, mention has been made of the Guidelines issued by the Government of India in June, 2001 pursuant to the recommendations of the Eleventh Finance Commission for the utilisation of Local Bodies grants. Accordingly, **parameters of technical control and supervision by the Comptroller and Auditor-General over the State Audit Agencies** have been prescribed in order to strengthen the system of audit. They are broadly as follows :

- > **The methodology and procedure of audit** of P.R.Is. by the State Audit Agency shall be as per audit guidelines prescribed by the Comptroller and Auditor-General of India ;
- > Staff of State Audit Agency would continue to work under the administrative control of the State Government ;
- > Training programme for staff of P.R.Is. for capacity building would be organized by the Accountant-General in co-ordination with Institute of Public Auditors of India (IPAI), the agency approved by Comptroller and Auditor-General to conduct training for P.R.Is. ;
- > The State Audit Agency would prepare the **audit plan** in consultation with the Accountant-General, who shall conduct test check of the accounts of P.R.Is. after deciding the percentage of the test check ;
- > **The nature, extent and scope of Audit, including, form and content of the report**, shall be as per guidelines issued by the Comptroller and Auditor General of India ;
- > Accountant -General would supervise proper certification of Accounts by the State Audit Agency with reference to initial records like cash book, asset register, bank accounts, etc ;
- > For implementing these procedures, State Audit Agency shall develop in consultation with the Accountant-General, a **system of internal control** in the State Audit Organisation ;
- > State Audit Agency shall **submit such returns/reports in such form as may be prescribed by Accountant -General** to evolve an effective system of monitoring the audit function ;
- > The Accountant-General of the State at his discretion may supervise some of the Audit Parties of the State Audit Agency during audit of P.R.Is. and **supplement the Audit to ensure quality and timely completion** of audit and certification of accounts of P.R.Is. by such agency.

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For **U.L.Bs.**, similar provision provided in **National Municipal Accounting Manual** for incorporation in the State Municipal Laws/State Municipal Accounting Manual.