



# Orientation Program on Accounts Review of Aided Colleges by Chartered Accountant firms

**Directorate of Local Fund Audit,  
Government of Odisha**

Facilitated by



**Odisha Modernizing Economy, Governance and Administration**  
A Govt. of Odisha and DFID UK initiative

# Objective of the Orientation Programme

An  
overview  
of

- Local Fund Audit
- Accounts Review Process and Procedures
- Issues of accounting in Educational Institutions
- Approach of Accounts Review
- Online Accounts Review Reporting



# **Local Fund Audit**

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# Introduction

- Local Fund Audit (LFA) examines the accounts of institutions which receive funds from the State Government in the form of Grant-in Aid or Transfers
  - Follows Orissa Local Fund Audit Act, 1948
  - Directorate of Local Fund Audit is functioning under the administrative control of the Finance Department, Government of Odisha
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# Objectives of LFA

- To ensure legality, regularity, economy, efficiency and effectiveness of financial management and administrations mainly through assessment as to Financial audit, Compliance audit and Performance audit.
  - To safe guard the Public funds and to watch financial irregularities committed-by the Local Authority.
  - To maintain transparency in expenditure of Govt. money by the Local Authority in accordance with the rules & Acts and executive instructions issued by Govt.
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# The Structure of LFA



# The Institutions covered under the scope of LFA

| Category of Institutions  | Numbers       |
|---|---------------|
| <b>A. STATUTORY</b>   |               |
| 1. Panchayat Samiti   | 314           |
| 2. U.L.B.   | 104           |
| 3. Development Authorities, Imp. Trust, Spl. Planning Authority | 20            |
| 4. Universities   | 10            |
| <b>5. Aided Colleges</b>  | <b>453</b>    |
| 6. Aided High Schools   | 2,199         |
| 7. Aided M.E Schools/ Sanskrit Tol/Madrassa                     | 6,348         |
| 8. Miscellaneous(BSE, CHSE, OKVI, WODC)                         | 04            |
| 9. Gram Panchayats  | 6,234         |
| 10. Zilla Parisad   | 30            |
| <b>TOTAL</b>  | <b>15,716</b> |
| <b>B. NON- STATUTORY</b>  |               |
| 1. Miscellaneous  | 202           |
| 2. Religious Endowments   | 398           |
| <b>TOTAL</b>  | <b>600</b>    |
| <b>GRAND TOTAL</b>  | <b>16,316</b> |

# Issues

- Large number of colleges remain un audited
  - Prescribed man days not followed
  - Time frame given not maintained
  - Addition of new aided colleges under LFA purview
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# Need

- Update the position of the audit of aided colleges
  - Experienced CA firms doing review as per Common Audit Format to cater both the aspects of quantity and quality aspect of the Audit
  - Need from the CA firms selected will fill up the Common Audit Format
  - Maintain the time frame given
  - Any objections raised by the reviewing officers is to be met within 7 days and then placed for due approval by respective DAOs.
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# Objectives of Accounts Review

- Clearing arrear accounts of all Aided Colleges across the State
  - Timely audit of accounts
  - Timely action on irregularities detected
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# Stake Holders

- Local Fund Audit Organisation
  - Department of Higher Education
  - Aided Colleges
  - DFID Funded OMEGA
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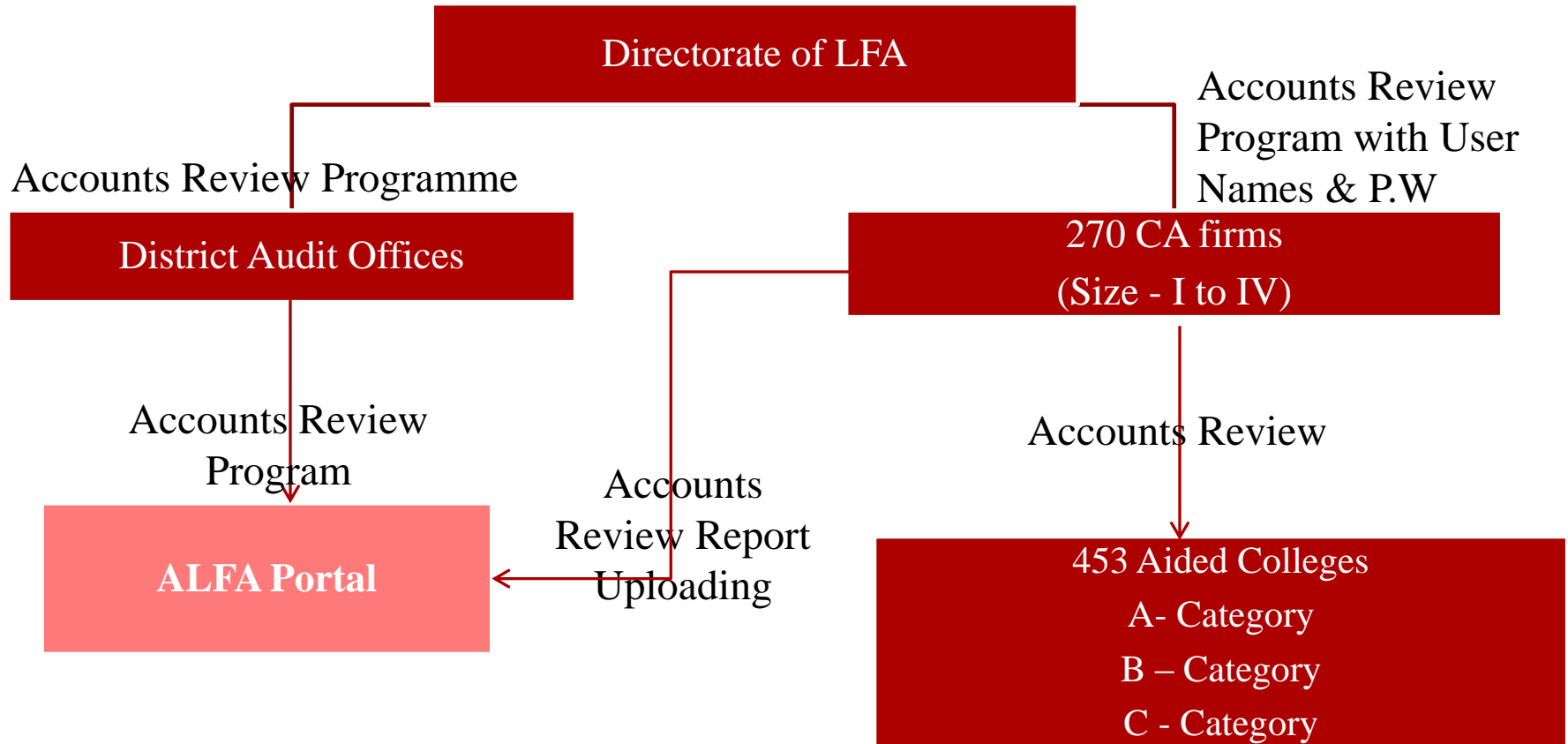
# **Accounts Review Process and Procedures**

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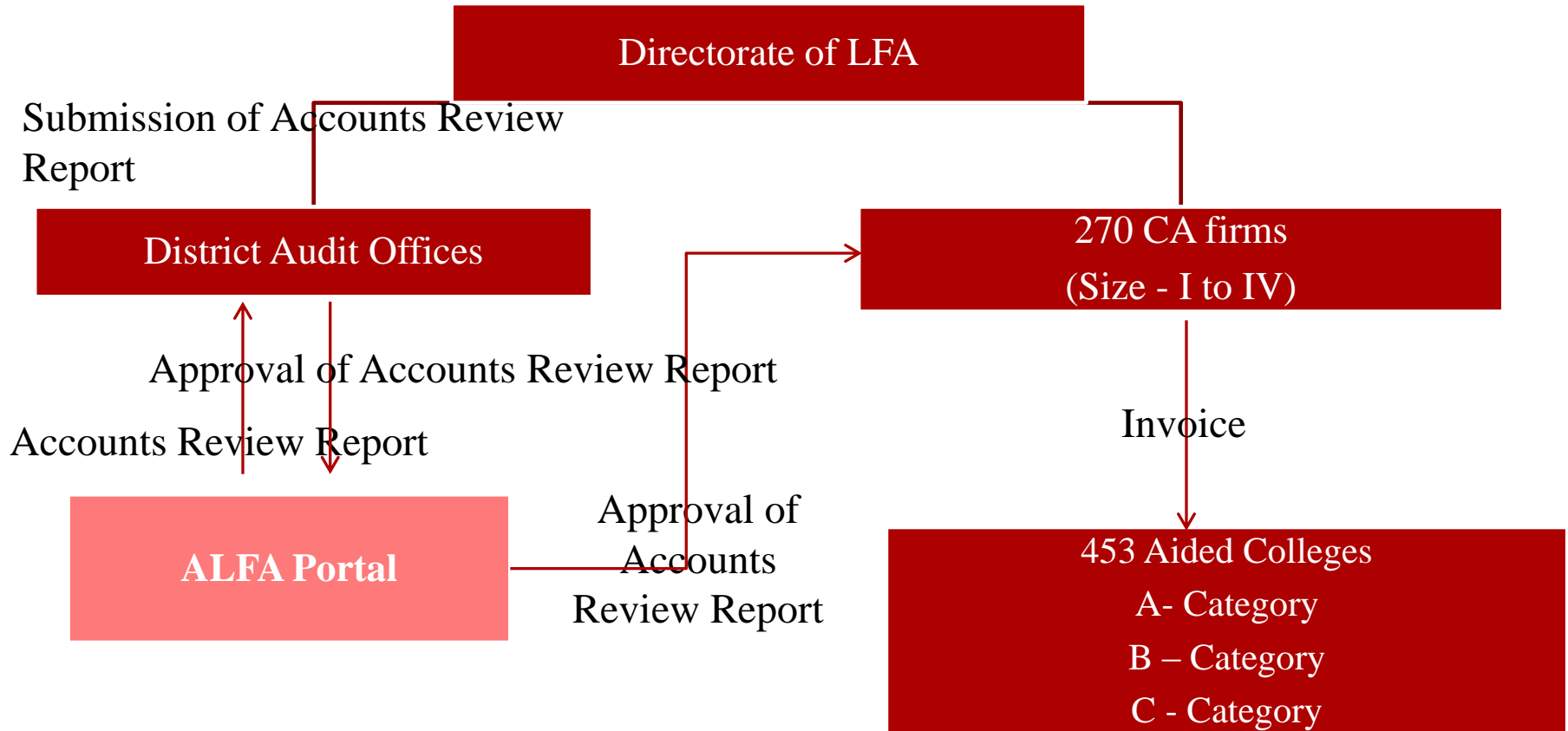
# Methodology


- Get the user ID and Pass word and see the Accounts Review plan
  - Coordinate and complete Accounts Review and submit Report to the ALFA system
  - Accounts Review needs to follow the necessary compliances
  - Get the approval certificate from respective District Audit Officer
  - On receipt of approval certificate invoices should be raised to respective colleges
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# Accounts Review and Reporting Process



# Accounts Review Report Approval Process





# **Issues of Accounting in Educational Institutions**

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# Issues

- Books of Accounts need updation
  - Receipts not accounted for
  - Deposit shown in the CB but not deposited in the Bank Account
  - Short Credit/Non Credit of the receipts
  - Analysis of Closing balances need to be provided
  - Bank Reconciliations to be made
  - Irregularity in maintenance of Stock accounts
  - Improper/Non-maintenance of Investment Registers
  - Non deposit of Fees and Fines in Govt. Treasury
  - Long outstanding advances without valid reasons
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# Issues (Contd..)

- Non maintenance of advance and outstanding advance ledger
  - Over payment, excess payment, payment contrary to Law etc
  - Grants
    - Unauthorized diversions
    - Expenditure without providing matching contribution
    - Non adherence to guidelines
    - Non maintenance of Grant-in-aid register
  - Non submission of UCs
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# Issues (Contd..)

- Other funds
    - Misappropriation of cash
    - Loss of stock and stores
    - Accrual of Interest not taken to cash books
    - Sale proceeds of land produce, old answer scripts etc. not taken into account
  - Execution of construction works without proper estimate, proper administrative technical sanction and not recording measurement in M.B.
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# Approach

- Objection memos to be issued promptly for compliance by the College Authority
  - Suggestions “for recovery” or “to keep under objection” to be clearly mentioned in Accounts Review report
  - Responsibility should be fixed on the person(s) for loss or irregularities
  - Cash Books, DCR, Vouchers and other documents should be tick-marked in token of verification
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# Approach (Contd..)

- Reference to rules, regulation, circulars etc should be supplemented in raising objections
  - Figures given in the Statements, Appendices should be tallied to the figures given in the Review report
  - Opening Balance of present year should be taken refereeing to the last year closing balance of the audit report
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# Process and Procedures

- Intimation to the College Authority in advance
  - Common Audit Format (CAF) should be followed during review of accounts
  - Reference books
    - Odisha Education Code,
    - Odisha Education Act 69 (amended up to 2002),
    - Odisha aided Educational Institutions Accounting Procedure Rule 1985,
    - Relevant Portion of Odisha Service Code, Treasury Code, OGFR, OPWD Code
    - Current Circulars
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# **Online Accounts Review Reporting**

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# **Question and Answers**

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**Thank You**

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