

DIRECTORATE OF LOCAL FUND AUDIT, ODISHA
2ND FLOOR, TREASURY & ACCOUNTS BHAWAN,
UNIT-III, KHARAVEL NAGAR, BHUBANESWAR

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No. 5137 /DLFA,
DLFA(Prog)-XIV-Aud-58/2016

Date 06.05.16

To

All the Empanelled C.A. Firms for Accounts Review of Aided Colleges.

Sub: Timely completion of Accounts Review during the year 2016-17.

Madam/Sir,

Consequent upon issue of allotment letters from DLFA for conducting accounts review of the respective aided colleges, it is once again impressed upon all the C.A firms that they are to follow basic accounting principles as adopted in Govt. accounting system and report all facts and figures in prescribed twenty point CAF. The process and procedure to cover accounts review for audit has already been imparted in Orientation Training programme arranged by DLFA on 4.5.2016 and 5.5.2016. However, for the sake of recap the following aspects are to be borne in mind in course of conduct of accounts review.

1. The allotted C.A. Firms are to be accustomed with Govt. accounting procedure and are to follow the standing instructions of DLFA issued from time to time.
2. The C.A. Firms are to give at least 10 days prior intimation to the Principal of the Aided Colleges for keeping the accounts ready in a date scheduled by him for commencement of audit.
3. After arrival of the Auditor(C.A. Firm) on the scheduled date as per intimation, he should issue a Preliminary Objection Memo (POM) / Half Margin Memo in duplicate containing the list of records / registers, vouchers and any other documents as to be requisitioned by him for audit and the requisite information are to be furnished by the College. The signature of the head of the College or of the Ministerial staff authorized by him /her should be obtained on the body of duplicate copy of the POM in token of receipt of the Memo.
4. The head of the Institution / College will provide all the records to the C.A. Firms as requisitioned for accounts review. In the event of non-compliance/ non-furnishing/ non-availability of records, the Principal has to mention the same in his reply on the body of the original Memo and return it with his signature on it.
5. The mandays for the C.A. firm for conduct of the accounts review shall be counted from the date of issue of half margin memo on which date the firm concerned should switch the button for "in progress of accounts review". The total mandays for one assignment/ College is limited to 12 days during which he

should have to complete the accounts review and submit the report online. If the accounting year is **more than one**, the total mandays is limited to **22 days** for completion of the accounts review. However, irrespective of the no. of Colleges allotted in a single phase to the C.A. firms, they are to complete the accounts review and submit the report online by the **end of that phase**. In case they fail to complete the review within the stipulated time, their allotments are liable to be cancelled. In such case, the C.A. firm not only will lose the claim for audit fees but also will not be considered for future assignment during the programme year and some other interested C.A. firm may be assigned to do the same work.

6. Submission of report online does not necessary mean acceptance of the report by the D.A.O. which may be either approved or returned to the auditor with points of objection. However, the period of retention at the **reviewer stage** is **seven days** only in between which the reviewer has to either place it for approval or return to the C.A. firm with the genuine points of objection in a single slot and the same are to be in the knowledge of the D.A.O. concerned.
7. The **C.A firm** after receipt of the returned report on-line, has to comply **within a period of 7 days** from the date of receipt to the objections raised and resubmit the same online. The online resubmitted report has to be reviewed by the reviewer within another **period of 7 days** from the date of resubmission. In between the period in course of review, if the compliance is still wanting or ancillary objection from the point of compliance further arises out of contradiction of the figures, the reviewer may also return the same to the auditor online mentioning the particular point Nos. not complied or the figure to earlier objection is still contradictory pertaining to particular Para Nos. The auditor after receipt of the online report will have to comply within same period of another **seven days**. However, the period of **retention and resubmission** is limited to **three months** only from the date of first submission of the report. In worst unavoidable circumstances if the delay has been caused by the Auditor, he may send a request letter to the Director for consideration with justified reason. DLFA preserves the right in the interest of the organization to cancel the assignment and not consider the Auditor, (the C.A. Firm) for further allotment. And the cancelled allotment will be assigned to other interested empanelled C.A. Firm in the next phases of the programme year.
8. If the auditor re-submits the returned report without effecting any rectification as per the objection raised by the Reviewing Officer or the modification is not up to the desired extent, the D.A.O. will reject the report if it occurs more than twice. Before rejecting the report on the aforesaid ground, the auditor (C.A. Firm concerned) shall be given an opportunity to explain its standpoint and the D.A.O. will have to obtain prior approval from DLFA for rejection of the report. In that case the Auditor will be deprived of any audit fee or logistic support from the Organization.

9. In the event of natural calamities where there is no possibility of the Auditee Institution to produce the books of accounts on account of wastage, the report submitted being incomplete shall never be considered for approval which will ultimately lead to rejection. The Auditor in that case shall report the matter especially to the D.A.O. who on receipt of the letter may write such matter to DLFA for information. The Auditor in that case will also be deprived of the Audit fee / Logistic support.
10. In the eventuality of rejection of the review report either due to retention of the returned report beyond 3 months (paragraph-7) or due to resubmission of un-rectified/un-complied report more than twice (paragraph-8), the Auditor (C.A. Firm concerned) will not be given further chance for accounts review and he will also be deprived of any claim towards audit fees and logistic support from DLFA.
11. The POM/Half margin Memo/ Objection statement necessary and to such by the Auditee Institution are to be mandatorily submitted by the Auditor prior to submission of Audit Report on-line to the office of the D.A.O.

The auditor is to see the following aspects in course of audit.

- i) The physical verification of the items like liquid cash, MB, Application Forms, un-used receipt books, Postage Stamp should be conducted by the Auditor on the day of commencement of audit and the result should be furnished in the report along with necessary comment in case of discrepancy. (Para No.2 of CAF)
- ii) Comments should be given in the report by the Auditor in case of non-production/non-maintenance of records basing upon the reply/compliance of the institutions as has been asked for by the Auditor through POMs. The consequential effect of such lapse may be briefly mentioned.(Para No.3)
- iii) Details of head wise receipt and expenditure of all the cash books are to be worked out and a financial statement is to be furnished in the report. Difference, if any, between the CB of cash book and CB arrived at during review shall be reconciled and discussed in the report (Para No.4).
- iv) The bank account wise details of balance in pass book and that shown in the case book shall be furnished in the report. In case of any discrepancy between the pass book and cash book figures, the reconciliation worked out by the local authority shall be checked. In case the reconciliation statement is not prepared by the local authority, effort should be made by the auditor to reconcile the difference (Para No.5).
- v) Abstract position of investment, i.e. Fixed /Term Deposits made by the College shall be furnished. The certificate wise details of the Closing Balance are to be furnished. The details shall contain certificate No., name of the Bank, date of investment, amount invested, rate of interest,

date of maturity, maturity value etc. If occurrence of losses due to premature liquidation or late renewal is noticed, the same shall be suggested for recovery.(Para No.7)

- vi) Abstract of advance position in respect of all the years under review with comments on discrepancies between cash book figure and review figure shall be given. Difference, if any, should be reconciled. The amount of advance outstanding at the end of the year (the last year under review) and year wise break up of that amount should be worked out and furnished in the report. The outstanding advance figure shall be broken up into two components i.e. (i) amount of advance outstanding for more than one year and (ii) amount of advance outstanding for less than one year. As per Govt. in Finance Department circular No.2221/F dt.08.03.2002 advance which remains outstanding for more than one year without valid reasons is a loss and should be suggested for recovery and surcharged. Responsibility should be fixed for the loss as per the provisions of the above circular read with circular read with circular No.15179/DLFA dt.28.09.2013 of the Directorate of Local Fund Audit.

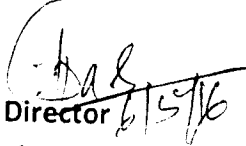
Although, the entire advance outstanding for more than one year is a loss and recoverable, while surcharging, It should be verified from previous reports whether any amount out of it has already been surcharged or not.(Para No.8)

- vii) Outstanding grants with year wise break up should be given and the Auditor should give his comments on unspent balance, diversion of grant, irregularities in utilization of different categories of grants, if any.(Para No.9)
- viii) The full name of the person surcharge-able with designation, incumbency period and the reasoning for such surcharge action should be neatly written in the report.
- ix) Loss of stock and store and the persons responsible for that should be clearly pointed out and recovery suggestion in person wise with the reasoning should be given in the report. All these things should have been asked for through POM and reply should have been obtained at the time of audit.(Para No.12)
- x) Audit of Receipts. (Para No.13)


Audit should check the Stock and Register of fees collection Receipt Books/ Miscellaneous Receipt Book, Receipt Books issued to difference officials, collection made against the Receipt Book, its posting in the DCR and deposit into the College Account.

- xi) Information on stream wise student strength (in Para No.18.2), faculty wise staff position (in Para No.18.3) are to be obtained from the local authority and should be reflected in the report.
- xii) The abstract position of fees and fine should be furnished giving the particulars such as OB, fees and fine collected during the year, fees and fine deposited in Govt. Treasury during the year and amount of fees and fine outstanding for deposit at the end of the year. The local authority should be advised to deposit the outstanding fees and fine in the Govt. Treasury under proper head of account at the earliest. (in Para No.18.1)


12. The auditor has to follow the scheme / grants guidelines, the OGFR, DFPR, OPWD code, Odisha Educational Institution Act, UGC guidelines and any other provisions as deemed fit to the institution while conducting accounts review. The PPT on guidelines for reporting in CAF by C.A. Firms available in the circular section of ALFA website may be referred to for further guidance. The Auditor is also to look into the financial propriety of the Institution Head on different heads of expenditure.


Director
Local Fund Audit,
Odisha

Memo No.....5138...../ DLFA, Date.....06.05.16...
Copy forwarded to all District Audit Officers, LFA and Audit Officer, Bhubaneswar/Principals of all aided colleges for information & necessary action.


Assistant Director

Memo No.....5139...../ DLFA, Date.....06.05.16...
Copy forwarded to Smt. Minati Sahoo, T.D, NIC , for information & necessary action. She is requested to arrange for uploading the letter in the circular section of ALFA website.


Assistant Director