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NOTIFICATION

No. G. 24011/2/2009-F. APF, the 2nd July, 2014. In exercise of the powers conferred by the provision of Article 166 of the Constitution of India, the Governor of Mizoram is pleased to notify the Mizoram Audit Manual, 2014 to be used in accordance with Sub-Rule (27) of Rule 19 of the Mizoram Local Funds (Accounts & Audit) Rules, 2012 in the State of Mizoram.

By Order, etc.

F. Vanlalruata,
Secretary to the Govt. of Mizoram,
Finance Department.

CHAPTER – 1

PRELIMINARY

1.1 AUTHORITY AND SHORT TITLE

This Manual is framed as guidance for the purpose of audit under the provisions of Mizoram Local Funds (Accounts and Audit) Act, 2006 (Act No. 8 of 2006 and shall be called the MIZORAM AUDIT MANUAL, 2014.

1.2 COMMENCEMENT AND EXTENT OF APPLICATION

This Manual shall come into force with immediate effect from its notification by the Government and shall apply to :-

- (i) The Director, Local Fund Audit, Accounts & Treasuries, Government of Mizoram;
- (ii) All Autonomous District Council in Mizoram;
- (iii) Aizawl Municipal Council;
- (iv) Shinlung Hills Development Council;
- (v) Local Councils under the administrative control of the Chief Executive Officer, Aizawl Municipal Council;
- (vi) Village Councils under the administrative control of the Director, Local Administration Department,
- (vii) Village Councils under Autonomous District Councils;
- (viii) Departments, Institutions (both Government and Non-Government) including Non-Government Organizations and other organizations which are under the purview of audit of the Director, Local Fund Audit, Accounts and Treasuries, Government of Mizoram;
- (ix) Some other departments, institutions, or organizations as will be determined and entrusted by the Government of Mizoram in the Finance Department from time to time for conducting audit or special audit or surprise

verification of cash balances by the Director, Local Fund Audit, Accounts and Treasuries.

1.3 SUBJECT MATTERS

- (i) This Manual contains the Principles, Procedures and Instructions under which audit is to be conducted by the Director, Local Fund Audit, Accounts and Treasuries, Government of Mizoram.
- (ii) Audit conducted by the Director, Local Fund Audit, Accounts and Treasuries, Government of Mizoram is not a test audit but a detailed audit covering hundred percent checking of accounts except where otherwise provided in this Manual.

Note : Audit conducted by any authority under the provision of this Manual shall be deemed to have conducted by the Director, Local Fund Audit, Accounts and Treasuries, Government of Mizoram.

1.4 DEFINITIONS

Unless the context otherwise require, the terms defined in this Chapter are used in this Manual in the sense explained herein :

- (i) **Accounting Authority** means an authority who maintained the accounts of the Funds
- (ii) **Act** means the Mizoram Local Funds (Accounts and Audit) Act, 2006.
- (iii) **Annual Audit Report** means Annual Audit Report of the Director, Local Fund Audit.
- (iv) **Assistant Auditor** means an Assistant Auditor appointed under the Government of Mizoram to assist the Audit Officer in discharging his functions as Audit Officer

- (v) **Assistant Director** means Assistant Director, Local Fund Audit appointed under the Government of Mizoram and posted in the Accounts and Treasuries.
- (vi) **Audit Note** means a note issued by an audit office containing the results of audit concerned with reference to data, information or documents available in an audit or accounts office.
- (vii) **Audit Officer** means an Audit Officer appointed under “The Mizoram Local Funds (Accounts and Audit) Act, 2006 and includes Director of Local Fund Audit/ Director of Accounts and Treasuries, Joint Director of Local Fund Audit/Joint Director of Accounts and Treasuries, Deputy Director of Local Fund Audit /Deputy Director of Accounts and Treasuries, Assistant Director of Local Fund Audit/Assistant Director of Accounts and Treasuries, only for the purpose of audit.
- (viii) **Auditor** means an Auditor appointed under the Mizoram Local Funds (Accounts and Audit) Act, 2006 or an Auditor appointed under the Government of Mizoram to assist the Audit Officer in discharging his function as Audit Officer.
- (ix) **Audit Party** means the party consisting of Audit Officer and such other officers and staff engaged to conduct audit of account.
- (x) **Audit Report** means the report of the audit of an account conducted by the Audit Officer.
- (xi) **Auditing Standards** means the prescribed norms which the Auditors are expected to follow in the conduct of audit.
- (xii) **Audit Wing/Department** means an Audit Cell or Branch functions in the Office of the Chief Controller of Accounts, Accounts and Treasuries.
- (xiii) **Camp Office** means the temporary office of the Audit Officer where he conducts Audit.
- (xiv) **Client Organization** means an organizations whose accounts is audited by the Audit Officer

- (xv) **Competent Authority** means the Government or any other authority to whom the relevant powers may be delegated by the Government.
- (xvi) **Controlling Officer** means an officer entrusted by a Department of Government of Mizoram with the responsibility of controlling the incurring of expenditure and or the collection of revenue. The term shall include Heads of Departments.
- (xvii) **Department or Audit Department** means the Office of the Chief Controller of Accounts, Accounts and Treasuries, Government of Mizoram.
- (xviii) **Deputy Director** means Deputy Director, Local Fund Audit appointed under the Government of Mizoram and posted in the Accounts and Treasuries.
- (xix) **Director** means Director, Local Fund Audit, Accounts and Treasuries, Government of Mizoram or; a person appointed as such under “The Mizoram Local Funds (Accounts and Audit) Act, 2006 and includes any person for the time being performing the duties of Director, Local Fund Audit.
- (xx) **Government** means the Government of Mizoram.
- (xxi) **Inspection Report** means a report issued by an audit office containing the result of an audit.
- (xxii) **Joint Director** means Joint Director, Local Fund Audit appointed under the Government of Mizoram and posted in the Accounts and Treasuries.
- (xxiii) **Local Accounts** means the accounts of the Local Fund and of all other property vesting in or under the control of management of any local authority other than a cantonment authority.
- (xxiv) **Local Authority or Body** means any authority or body which administered Local Funds as defined in the Act and; any other authorities or body as may be declared by the State Government as Local Authority /Body from time to time.

- (xxv) **Local Fund** means any fund vested in or under the control or management of a municipal board, town committee, local board, village authority or the local authority not being a cantonment authority and includes any fund declared by the State Government to be local fund for the purpose of “The Mizoram Local Funds (Accounts and Audit) Act, 2006”.
- (xxvi) **Non-Government Organization** means an organization duly registered under the Firms and Society Act.
- (xxvii) **Review Committee** means a Committee constituted to review the settlement of audit objections in case of long pending outstanding audit objections
- (xxviii) **Rules** means the Mizoram Local Funds (Accounts and Audit) Rules, 2012.
- (xxix) **Treasury** means any Treasury in the State of Mizoram and includes a Sub-Treasury.
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CHAPTER -2

NATURE AND SCOPE OF LOCAL FUND AUDIT

2.1 GENERAL

The Local Fund Audit Wing has been function since the inception of Directorate of Accounts and Treasuries in 1975 acting as Local Audit Department. It functions under the administrative control of the Finance Department, Government of Mizoram. The service of this Department has been utilized by the Government to conduct Special Audit, Detail Audit, Pre-Audit, Surprise Verification of Cash Balances of various Departments and Offices under Government of Mizoram from time to time and other Miscellaneous Accounts like NGOs/Societies Accounts. Apart from this important works assigned to Local Audit Wing, service matters pertaining to Non-Gazetted Officials working under the State Government are also dealt by this department like checking of Service Books, Fixation and Pay of Non-Gazetted Government Servants, Pension and Leave Salary Contribution etc.

(a) Headquarters Office :

The headquarters Office of the Local Fund Audit Wing is the Office of the Chief Controller of Accounts, Accounts & Treasuries, Government of Mizoram, Mizoram, Aizawl. The Local Fund Audit Wing functions as one Section amongst other Sections in the Office of the Directorate of Accounts & Treasuries till 2008. Now it functions under the control of the Chief Controller of Accounts, Account & Treasuries and is headed by the Director of Local Fund Audit (previously Examiner of Local Fund Accounts), who is assisted by Dy. Director/Assistant Director of Local Fund Audit, Auditors , Assistant Auditors and other supporting staff.

(b) Auditorial Jurisdiction :

Auditorial jurisdiction of the Local Fund Audit is throughout the State of Mizoram. For conducting audit of various Local Bodies/Authorities and also of Government Department/Offices as may be directed by the Finance Department, Government of Mizoram or by the Director Local Fund Audit, Accounts and Treasuries, an Audit Party is deployed under the supervision of Senior Officers viz. Deputy Director/Assistant Director comprising of an Auditor and Assistant Auditors. Likewise, the Senior Officers are also deployed for conducting the Special

Audit/Surprise Verification of Cash Balances entrusted by the Government from time to time.

In Mizoram, Local Authority or Body includes the following Authorities (as per Finance Department Letter No. G.11023/4/2008-FCC Dt. 18.6.2010 (**Annexure-III**) is shown in Table-1 below. The responsibility of certification of accounts and the statutory audit of the Local Bodies rest with the Director, Local Fund Audit, Accounts & Treasuries vide Finance Department (FC & MC) Notification No. G.11023/4/2008-FCC Dt.1.6.2011 and Corrigendum Even No. Dt. 24.6.2011 (**Annexure- IV & V**) who will continue to function under the administrative control of the Finance Department, Government of Mizoram.

TABLE-1
LIST OF LOCAL AUTHORITIES

Sl.No.	Name of Local Authority
1	2
1	All Autonomous District Councils in Mizoram
2	Aizawl Municipal Council
3	Shinlung Hills Development Council
4	All Local Councils under Aizawl Municipal Council
5	All Village Councils under Local Administration Department

The Government of Mizoram also approved the Auditors of the Accounts & Treasuries as duly qualified Auditors for the purpose of sub-section (2) of Section 16 of the Mizoram Societies Registration Act, 2005 vide Registrar, Firms and Societies, Government of Mizoram Notification No. B.14020/2/06-RFS/113 Dt. 21.11.2007 (**Annexure-I**).

The Auditors of the Accounts & Treasuries, Government of Mizoram are also empowered by the Government to inspect and verify the physical achievements of the Departments for which the accounts are examined and audited by them vide Finance Commissioner, Government of Mizoram, Office Memorandum No. G.25012/52/96-F.APF Dt. 10.7.1997 (**Annexure-II**).

(c) Technical Guidance and Supervision (TGS) for conduct of Audit

As per provision of Rule 21 of Mizoram Local Fund (Accounts & Audit) Rules, 2012, the Director Local Fund Audit is require to conduct audit on the accounts of the Local Authority in accordance with the Technical Guidance and Supervision of the Comptroller & Auditor General of India and the Annual Report of the Director Local Fund Audit on such audit must be placed duly before the State Legislative Assembly. The responsibility of certification of accounts and the statutory audit of the local authority shall rest with the Director, Local Fund Audit who will continue to function under the administrative control of the Finance Department. Further, Audit Reports on 5% of the randomly selected and audited Local Bodies shall be sent by the Director, Local Fund Audit to the Accountant General (Audit), Mizoram, for his Technical Inspection vide Finance Department (Finance Commission and Monitoring Cell), Government of Mizoram Letter No. G.11023/4/2008-FCC Dt. 7.6.2011 (**Annexure-VI**)

2.2 ESTABLISHMENT OF THE LOCAL FUND AUDIT WING/ DEPARTMENT

In pursuance to clause 9 of the Mizoram Local Funds (Accounts and Audit) (First Ammendment) Act, 2012, and as notified by the Government vide Notification No. H.12018/177/2006-LJD Dt. 25th July, 2012 (**Appendix-B**), and Government of Mizoram, Finance Department Office Memorandum No. A. 11017/1/2012-F.Est/3 Dt. 3rd August, 2012 [(**Appendix-A(i)**)] nomenclature of the following posts have been changed by the Government as shown in Table-2 below :-

**T A B L E - 2
N O M E N C L A T U R E**

Sl. No	Existing Nomenclature	New Nomenclature
1	2	3
1	Examiner of Local Fund Accounts	Director of Local Fund Audit
2	Deputy Examiner of Local Fund Accounts	Deputy Director of Local Fund Audit
3	Assistant Examiner of Local Fund Accounts	Assistant Director of Local Fund Audit

Presently, the establishment of the Local Fund Audit Wing/Department consist of the following Officers and staff as shown in Table-3 below :-

T A B L E - 3
SANCTIONED STRENGTH

Sl.No	Name of Post	Existing Incumbency
1	2	3
1	Director of Local Fund Audit	1
2	Joint Director of Local Fund Audit	-
3	Deputy Director of Local Fund Audit	1
4	Assistant Director of Local Fund Audit	1
5	Auditor	3
6	Assistant Auditor	2
7	LDC cum Typist	1
8	Peon/IV Grade	1
	TOTAL	10

As per provision of Rule 3 of Mizoram Local Fund (Accounts and Audit) Rules 2012, the Office of the Director, Local Fund Audit shall comprise of officers and staff as may be decided by the Government by a notification from time to time.

2.3 ROLE OF LOCAL AUDIT

2.3.1 Introduction

“Local Fund” as defined in the Mizoram Local Fund (Accounts and Audit) Act, 2006 means any fund vested in or under the control or management of a municipal board, town committee, local board, village authority or the local authority not being a cantonment authority and includes any fund declared by the State Government to be local fund for the purpose of “ The Mizoram Local Funds (Accounts and Audit) Act 2006”. In other words, it means any fund to the control or management of which, a local authority is legally entitled and includes the proceeds any cess, rate, duty or tax which such authority is legally entitled to impose and any property vested in such authority. Local Fund is not a part of Consolidated Fund of the State.

Audit is literally defined as an intelligent and critical scrutiny of books of accounts written on the basis of documents and vouchers to ascertain whether the results shown in the accounts like Profit and Loss Accounts/Income and Expenditure Accounts, Balance Sheet etc., are truly determined. The Audit in regard to Government Accounts, Semi-Government Institutions and Local Bodies accounts is defined as an instrument of financial control. The modern trends in administration visualizes audit in a different manner. Money and finance have been described as fuel for administrative machinery and blood stream of administration. No administration can efficiently function if it does not take care to maintain the financial health or discipline and audit is the only independent agency through which efficient maintenance of financial discipline is ensured.

The financial health or discipline concerns the entire system right from the sources from which the public money flows into the executive and again flows out in the shape of benefits and amenities to the public or society as a whole. In the democratic form of Government, people through their elected representatives authorize the Executive to collect money in the shape of taxes and other incomes for utilizing in the manner authorized by them, through budget, appropriation accounts etc., and makes Executive accountable. Similarly, Local Bodies and Semi-Government Institutions enjoying the sanction of legislation constitute democratic set up through public representatives and authorize the Executive to collect and utilize the public fund and account for the same.

The money collected from the public by way of rents, rates and taxes or grants-in-aid sanctioned by the Government to the Executive constitute public fund. Therefore, it is necessary that a systematic accounting system is prescribed for the realization of income and its usage which in turn leads to prescribing of codes/manual, rules, regulations and a procedure to account for the public fund. The legislature or the statutory bodies who have authorized the Executive to deal with the public fund are not experts in examining the accounts of the said public fund. Therefore, the job of examining the public fund account is entrusted to an independent agency called 'Audit'. The Director of Local Fund Audit, Office of the Chief Controller of Accounts, Accounts & Treasuries, conducts the audit in respect of Local Funds.

The Auditor who has to play an important role in regard to collection and utilization of public finances is viewed from different angles. The tax-payers or public

see him like a Policeman. An Executive takes as an irritant instead of recognizing him as a Friend, Philosopher and Guide. Auditing is ever a welcome word with management. It is essentially associated with statutory requirements and the role of the Auditor is not fault finding but fact-finding, reporting, helping and guiding the administration in the proper utilization of public finances just like Architects bringing a maximum living place from the available piece of land besides making the whole structure beautiful. Thus, the Auditor has to play an important role in the financial management of a body or authority. While doing so he has to be conversant fully with all the methods and systems of audit so as to perform the role in a quite technical manner within the framework of rules, regulations and procedures.

The Auditor who has got the inherent power of critical appraisal or commenting on the performance of Financial Administration of Local Bodies should behave in a highly responsible manner keeping good and pleasing relations with the Executive. He should note that the work of Executive should not be criticized. He should, therefore, exercise this difficult in such a manner that his role of functioning should not come in direct conflict with the Executive and at the same time play his role efficiently. His observations should be precise, effective, supported with facts and conform to rules and regulations all of which should be coached in a pleasing language. Frivolous objections should be avoided. Important irregularities should not be overlooked. The Audit Report should be precise and suggestive. Having produced the report in the manner, the same should be sent to the respective bodies for placing it in the respective committees of Local Bodies/Institutions for appraisal and necessary action over the observations. The compliance report over the observations has to be watched to see whether the defects pointed out have been rectified and the measures taken to guard against them.

2.3.2 Necessity of Local Fund Audit

The main purpose of Mizoram Local Fund Audit is to conduct the audit on the accounts of Local Bodies/Authorities like Autonomous District Councils in Mizoram, Aizawl Municipal Council (AMC), Shinlung Hills Development Council, Local Councils under Aizawl Municipal Council and Village Councils under Director, Local Administration Department, Government of Mizoram and other miscellaneous accounts viz., accounts of various Non-Government Organizations/Societies/Boards registered under the Mizoram Societies Registration Act, 2005. Apart from this

important assignment, the Local Fund Audit is entrusted and directed by the Finance Department, Government of Mizoram to conduct audit on the accounts of various Government Departments and Offices from time to time.

2.3.3 General Arrangement for Local Audit

The classes of accounts with which Local Audit staff deals are so varied that any general rules and instructions applicable to Local Audit could not possibly be laid down. The essential object of accounts of any institution is to present a definite financial picture and intelligent audit is impossible unless there is some consideration of the general financial picture as well as investigation of the transactions. The Local Audit staff before taking up the audit of any particular institution have, therefore, to study the system of accounts and accounting books/ledgers prescribed, Acts, Codes, Statutes, Ordinance and Manuals etc, wherever applicable. Audit staff has to ensure that instructions issued by the Government from time to time have been followed *mutatis mutandis* by the institutions wherever applicable. They have also to consult the periodical administrative reports or any other publications, where the accounts of income and expenditure of the institution appear, to obtain a correct perspective of the financial side of the institution.

Further, one of the objects of Local Audit is to conduct Efficiency-cum-Performance Audit wherever possible. “Efficiency-cum-Performance Audit” of expenditure is to conduct with a view to ascertain (i) whether the various schemes are run economically (ii) whether they are actually yielding the results expected of them and (iii) have assumed the importance Examination would focus on aspects such as inefficient handling, lack of foresight, expensive delays and wasteful expenditure due to lack of coordination.

2.4 DIFFERENT KINDS OF AUDIT

Auditing in State Local Funds generally takes two forms : “Pre-Audit” and “Post-Audit”. Pre-Audit is the examination of transactions before payment is made. It is more traditional function, in which both treasury as well as audit functions are carried out simultaneously and is accomplished generally in similar manner throughout the country. Post-Audit represents an after-the-fact examination. Along with “Pre-Audit and Post Audit”, different kinds of Audit conducted by the Local Fund Audit Wing in the Office of the Chief Controller of Accounts, Accounts & Treasuries are enumerated below :-

2.4.1 PRE-AUDIT :

The Pre-Audit, perhaps more accurately described as pre-encumbrance/pre-payment audit is pre-scrutiny of expenditure before the same are incurred. The basic objectives of pre-audit are to provide assurance that (i) expenditure are not, upon their face, unreasonable or extravagant (ii) significant funds are available to enable encumbrance of the order or payment of the voucher; and (iii) there has been compliance with budgetary, civil service, legislative and legal requirements. It may includes an examination of contracts prior to approval and encumbrance, scrutiny of all vouchers before payment, and review of payroll before payment.

Pre-Audit is conducted on need basis by the Audit Wing/Branch in the Office of the Chief Controller of Accounts , Accounts & Treasuries. It may includes pre-auditing of Government expenditure and also of Local Bodies /Board/ Agencies/ Societies.

2.4.2 POST AUDIT :

The scope of Post-Audit in State Local Funds may be grouped into three general categories : (1) Financial accountability and legality – the verification of accounting records and review of internal control concerning revenues and expenditures (2) performance efficiency – the examination of efficiency and economy with which client institution's operations are carried out and (3) program evaluation – the broad examination of the extent to which program goals are fulfilled.

2.4.3 SPECIAL AUDIT

Special Audit means an audit of accounts pertaining to a specified item or series of items which requires thorough examination. In public exigencies, Special Audits of any Government Department/Office can be assigned by the Director, Local Fund Audit to its audit staff provided that the request to conduct such audit is received from the Finance Department or Administrative Department of the concerned Department. In such cases, an audit fees of such special audit shall be determined and charged by the Director, Local Fund Audit on merit considering the nature of accounts audited and nature of additional services to be provided and it will be the discretion of the Local Audit Department i.e Accounts & Treasuries to charge or not to charge any audit fees from the Government Department for such special audits.

2.4.4 DETAILED AUDIT

Detailed Audit is an audit of income and expenditure of the institution for the whole year, which is conducted in public exigencies as assigned by the Chief Controller of Accounts/ Director, Local Fund Audit. The Auditors of the Local Audit Wing in the Office of the Chief Controller of Accounts, Accounts & Treasuries are acting as Local Audit Department and not only conducting from time to time audit on the accounts of local bodies, institutions etc., but also entrusted to conduct internal auditing of the accounts of receipts and expenditure of the Government Departments/Offices and development Schemes. In such detailed audits, the Auditors normally check the initial accounts being maintained in the executing offices to see that the system and procedure in accounting on financial matters as per the Rules and Regulation are enforced. In some cases, proper maintenance of accounts does not necessarily ensure the corresponding actual physical achievements for the purposes for which expenditure had been incurred. Government of Mizoram, thus, empowered the Local Auditors to inspect and verify the physical achievements of the Departments, for which the accounts are examined and audited, wherever necessary. The Auditors in their Audit Reports should reflect their findings of the financial and physical aspects as far as practicable for further appropriate action by the Government of Mizoram vide Finance Department Office Memorandum No.G.25012/52/96-F.APF Dt 10.7.1997 (**Annexure-II**).

2.4.5 AUDIT AGAINST REGULARITY

Audit against regularity or Audit against rules and order consists in verifying that the expenditure conforms to the relevant provisions and rules made there under and is also in accordance with the financial rules, regulations and orders issued by a competent authority. The rules, regulations and orders against which audit is conducted mainly fall under the following categories –

- (i) Rules and orders regulating the powers to incur and sanction expenditure as well as delegation of powers to incur and sanction expenditure.
- (ii) Rules and orders dealing with the mode of presentation of claims, withdrawing money and in general the financial rules prescribing the detailed procedure to be followed by Government Servant in dealing with such transactions.
- (iii) Rules and orders regulating the conditions of service and pay and allowances of employees of client organization.

Audit in relation to regularity of expenditure is of a quasi-judicial character. It involves interpretation of statutes, rules and orders. The final power of interpretation, however, resides in the authority specified in the Act/Statute or the Authority, which is the author of the rules or order. Interpretation by Audit should be based on the plain meaning of the section of statute or rule or order. In such a case the inconsistency should be referred to the competent authority for resolution or removal.

It is, however, the duty of audit to bring to the notice of the competent authority any expenditure that does not appear to be covered by the terms of the section, rule or order quoted as justifying it, and which has been incurred by placing upon the section, rule or order an interpretation which may seem to it not to be natural, plain or reasonable one. It is also an important function of audit to ensure that rules and regulations are observed not merely in their letter but also in their spirit.

In relation to audit of expenditure against regularity, it is the duty of audit to examine all financial rules and orders issued by the executive authorities affecting expenditure and other transactions subjected to audit to see that the rules and orders are themselves intra-vires and to ensure that the transactions to which they relate may be effectively audited.

In scrutinizing rules and orders, it should be seen that :-

- (a) These are not inconsistent with any provisions of any laws made thereunder.
- (b) These are consistent with the essential requirements of audit and accounts.
- (c) These do not conflict with the orders or rules made by any higher authority.
- (d) The authority issuing rules that have been separately approved by the competent authority is vested with the necessary powers to frame them.

2.4.6 AUDIT AGAINST SANCTION TO EXPENDITURE

One of the important functions of audit in relation to the audit of expenditure is to see that each item of expenditure is covered by the sanction of competent authority. While doing so, audit has not only to see that expenditure is covered by a sanction, whether general or special, but it has also to satisfy itself that –

- (i) The authority sanctioning the expenditure is competent to do so by virtue of the powers vested in it by the provisions of laws, rules or orders made thereunder or by the rules governing delegation of financial powers framed by the competent authority.
- (ii) The sanction is definite and therefore needs no reference either to the sanctioning authority itself or to any higher authority.
- (iii) Besides the question of competency of the authority sanctioning the expenditure, the scrutiny of sanctions should extend to see whether :-
- (iv) The expenditure is a legitimate charge on the provision from which it is proposed to be met.
- (v) The expenditure conforms to the statutory provisions as well as the relevant financial rules, regulations and orders.
- (vi) The expenditure is in conformity with the standards of financial propriety.
- (vii) A satisfactory procedure of accounting has been evolved by the sanctioning authority in the case of sanctions of new schemes, and the detailed cost and time schedules, physical targets and other objects of the expenditure have been duly stipulated.

Sanctions having a long period of currency, as well as sanctions of permanent nature, require to be reviewed periodically so that, if there is any reason to think that the administrative authority concerned should be requested to review the sanction, such action may be taken.

The responsibility for watching the progress of expenditure against a grant or appropriation devolves on the executive who is ultimately responsible for keeping the expenditure within the grant or appropriation. Audit should, however, render all legitimate and constructive advice to the executive in this matter and see that suitable and adequate arrangements exist in all organizations for the control of expenditure.

2.4.7 AUDIT AGAINST PROPRIETY

It is an essential and inherent function of audit to bring to light not only clear and obvious irregularities but also every matter that, in its judgment, appears to

involve improper expenditure or waste of public moneys or stores even though the accounts themselves may be in order and no obvious irregularity has been committed. Such audit, often called Propriety Audit, “extends beyond the formality of the expenditure to its wisdom, faithfulness and economy”. It is, thus, not sufficient to see that sundry rules or orders of a competent authority have been observed. It is of equal importance to see that the broad principles of orthodox finance are borne in mind not only by disbursing officers but also by sanctioning authorities.

No precise rules can, however, be laid down for regulating the course of audit against propriety. Its objective is to support a reasonably high standard of public financial morality and sound financial administration and devotion to Government’s financial interest. In any case, audit staff in the performance of their duties should apply the following general principles that have long been recognized as standards of financial propriety :-

- (i) The expenditure should not prima facie be more than the occasion demands. Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys, as a person of ordinary prudence would exercise in respect of expenditure of his own money.
- (ii) No authority should exercise its power of sanctioning expenditure to pass an order that will be directly or indirectly, to its own advantage.
- (iii) Public moneys should not be utilized for the benefit of a particular individual or section of the community unless :-
 - (a) The expenditure involved is insignificant; or
 - (b) A claim for the amount could be enforced in a court of law; or
 - (c) The expenditure is in pursuance of a recognized policy or custom; or
 - (d) The amount of allowance, such as travelling allowances granted to meet expenditure of a particular type, should be so regulated that the allowance are not, on the whole, source of profit to the recipient.

The proper discharge of duties by audit staff in this field is a very delicate matter and requires much wisdom. Audit observations against expenditure should not be expressed as based on “canons of financial propriety” but as transgressing a universally accepted standard of official conduct or financial administration.

2.4.8 AUDIT OF RECEIPTS

Audit of Receipts embraces the audit of all taxes and non-tax receipts. It requires that audit staff should satisfy themselves that the rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenues and are being duly observed and for this purpose to make such examination of the accounts as audit think fit and report thereon.

It is the primary responsibility of the client organization' authorities to see that all receipts due to it are correctly and properly assessed, realized and credited in the accounts. The most important functions of audit are (i) to see that adequate regulations and procedures have been framed by the client organization to secure an effective check on assessment, collection and proper allocation of taxes and (ii) to satisfy itself by adequate test check that such regulations and procedures are actually being adhered to. Audit should also make such examination as it thinks fit with respect to the correctness of the sums brought to account.

Audit of receipts will be regulated mainly, with reference to the statutory provisions or rules or orders applicable to collection of receipts involved. If the test check reveals any defects, lacunae or loopholes in the provisions, rules or orders, the department's attention should be drawn to the advisability of these being suitably amended.

Audit should carefully review any outstanding dues and suggest to the client organization's authorities any feasible means for their recovery. Audit will see that the internal procedures adequately secure correct and regular accounting of demands, collections and refunds and no amount due to the client organization remain outstanding in its books without sufficient reason and the claims are pursued with due diligence and are not abandoned or reduced except with adequate justification and with proper justification. Whenever any dues appears to be irrecoverable, orders for their waiver and adjustment should be taken by client organization from competent authority.

To sum up, the most important function of audit and the area of audit concern in relation to assessments and refunds are to satisfy itself, by such test checks, as it may consider necessary that the internal procedures adequately provide for and actually ensure :-

- (i) The collection and utilization of data necessary for the computation of the demand or refund are in order.

- (ii) That the computation and realization of various taxes, fees, rents, royalty, etc are in accordance with the rules and regulations.
- (iii) The raising of demands on tax payers in the manner provided under statutory provisions.
- (iv) The regular accounting demands, collections and refunds.
- (v) The correct accounting and allocation of collections and their credits in the accounts.
- (vi) That the relevant and requisite records are being maintained properly.
- (vii) That proper arrangements are in place to safeguard against negligence or omission to levy or collect taxes or to authorized refunds.
- (viii) That adequate control and monitoring mechanisms have been devised to prevent loss or leakage of revenue.
- (ix) That there has not been any loss or leakage of revenue on account of lacunae or loopholes in the rules framed for the purpose or on account of avoidable delays in the issue of the necessary notifications and orders.
- (x) That the machinery for detection of cases of evasion is adequate.
- (xi) That the cases pending in courts of law or before appellate authorities have been pursued adequately and appeals, wherever justified or considered necessary, have been filed within the period of limitation.
- (xii) That a proper receipt is issued by the Local Body/Authority to the person from whom the amount is received on behalf the Local Body/Authority and record of all the receipt books used is properly kept and maintained by the Local Body/Authority.

2.4.9 SURPRISE VERIFICATION OF CASH BOOK AND CASH BALANCES

Notwithstanding anything contained under Section 5 and 6 of the Act, the Director of Local Funds Audit shall conduct audit including verification of cash balances of various State Government Departments/Bodies/Boards/Public Sector Undertakings/ Societies etc not included in 'local funds' in consultation with the Government/Finance Department. The report pertaining to surprise verification of

cash balance shall be reported separately and directly to the Finance Department and shall not be included in the Audit Report. The Director of Local Funds Audit shall exercise general supervision and control over the discharge by the Auditors of their duties under the Act. In conducting Surprise Verification, **Form No. 25** – Specimen Form for conducting Surprise Verification of Cash and Book Balances may be used as a guide by the Auditor.

CHAPTER -3

DUTIES AND FUNCTIONS OF OFFICERS

3.1 GENERAL DUTIES

- (i) Audit Officer, the passing authority and issuing authority of Audit Report, Audit Certificate and Utilization Certificate and the authority to authorized to settle the audit objections are required to see that unnecessary friction between the audit staff and the accounting authority are avoided.
- (ii) Notwithstanding anything contained in the provision of this Manual, the following instructions are laid down for the guidance of all members employed on audit duty to avoid unnecessary friction :-
 - (a) The language of all documents for correspondence should be neatly and legibly written.
 - (b) Except under special order of the Director, Local Fund Audit no objection should be raised which cannot be supported by the existing provision of the rules or orders or established practice.
 - (c) Unless specially ordered by the Director, Local Fund Audit, changes in procedure should not be made in audit notes and objection statements. Nor should new interpretations of rules or orders be enforced through these documents.
 - (d) In case of objections or audit remarks in the audit notes and its other documents which are for information of the accounting authority and final settlement thereof does not rest with the audit office in any manner or form, it should be made clear in the audit notes and in objection statements that the same is brought to their notice for such action as they may deem fit.
 - (e) Paragraphs dealing with the matters which are only brought to the notice should appear together in a separate section of the audit note under a suitable heading.

- (f) Audit Officers and other entrusted with the job of audit, should clearly understand that their capacity will not be judged merely on the number of objections in the objection statement or on the volume of audit report but by the quality of the objections raised and by the results of review of their works.

3.2 DUTIES AND FUNCTIONS

3.2.1 DIRECTOR, LOCAL FUND AUDIT

The main duties and functions of Director, Local Fund Audit are :-

- (i) General Administration of the Department
- (ii) Programming and Planning of audit works of the Department
- (iii) Inspection of Subordinate offices
- (iv) Inspection and Supervision of field works
- (v) Approval of draft Audit Report/Inspection Report
- (vi) Settlement of Audit Objections
- (vii) Preparation and Submission of Annual Audit Report
- (viii) To prescribe and modify, when necessary, the prescribed procedure of checking to be applied to audit
- (ix) To bring to the notice of the respective Heads of Departments and Administrative Department all cases in which loss of money and other property worth **Rs. 2000.00** or more due to embezzlement otherwise detected in the course of audit.
- (x) To bring to the notice of Finance Department any financial irregularity of serious nature which is detected in the course of audit. The following irregularities should also be brought to the notice of Finance Department.

- (a) attempts to evade financial rules by manipulation of accounts and vouchers;
 - (b) avoidance of lapse of grants by withdrawing funds from Treasury/Bank before the money is actually required for disbursement;
 - (c) avoidance of necessity of higher sanction by splitting up one scheme into a number of schemes;
 - (d) persistent neglect to comply with audit requirements ;
 - (e) attempts to avoid audit or deliberate non-compliance of audit requirements.
- (xi) To conduct examination of the employees of educational institution on “Accounts” as and when entrusted by Government.
- (xii) To issue certificate of admissibility for payment of Gratuity (DCRG) as per provision of rules of “Mizoram Aided Schools Employees” (Death –cum- Retirement Gratuity) Rules, 1990. (*This power shall not be delegated to his Sub-ordinate Officers*)
- (xiii) To inspect the accounts of Local Funds.
- (xiv) To inspect Progress Register

3.2.2 JOINT DIRECTOR OF LOCAL FUND AUDIT

Duties and functions of Joint Director of Local Fund Audit are :-

- (i) To assist the Director in discharge of his duties
- (ii) Scrutiny and passing of draft audit report/inspection report of Major Accounts and of Special Audit with approval of the Director, Local Fund Audit
- (iii) Issue of audit report/inspection report and audit certificate with the approval of Director, Local Fund Audit

- (iv) Supervision of the work of Audit Wing/Department
- (v) Any other works allotted by the Director, Local Fund Audit from time to time

3.2.3 DEPUTY DIRECTOR, LOCAL FUND AUDIT

Duties and functions of Deputy Director, Local Fund Audit are :-

- (i) To assist the Director in discharge of his duties
- (ii) Scrutiny and passing of draft audit report/inspection report of Major Accounts and of Special Audit with approval of the Director, Local Fund Audit
- (iii) Issue of audit report/inspection report and audit certificate with the approval of Director, Local Fund Audit
- (iv) Supervision of the work of Audit Wing/Department
- (v) Any other works allotted by the Director, Local Fund Audit from time to time.

3.2.4 ASSISTANT DIRECTOR, LOCAL FUND AUDIT

Duties and functions of Assistant Director, Local Fund Audit are :-

- (i) To assist the Director in discharge of his duties
- (ii) Scrutiny and passing of draft audit report/inspection report of Major Accounts and of Special Audit with approval of the Director, Local Fund Audit
- (iii) Issue of audit report/inspection report and audit certificate with the approval of Director, Local Fund Audit
- (iv) Supervision of the work of Audit Wing/Department
- (v) Any other works allotted by the Director, Local Fund Audit from time to time.
- (vi) To maintain Progress Register.

CHAPTER – 4

POWERS OF DIRECTOR AND OTHER OFFICER

4.1 POWERS OF THE DIRECTOR, LOCAL FUND AUDIT

- (i) The Director being the Head of Department will exercise the powers delegated in Schedule-II of the Delegation of Financial Power Rules, 1972, and will also exercise the powers delegated under Subsidiary Orders.
- (ii) He will exercise the powers delegated to him under the Mizoram Local Fund (Accounts and Audit) Act, 2006 which is reproduced in **Appendix A**.
- (iii) He will exercise the powers delegated to him under the Mizoram Local Fund (Accounts and Audit) Rules, 2012 which is reproduced in **Appendix C**.
- (iv) He will exercise the powers delegated to him under the provisions of the Mizoram Audit Manual, 2014.
- (v) He will have full powers to inspect, examine and audit the accounts of accounting authorities which are under his jurisdiction and control.

4.2 POWERS OF THE JOINT DIRECTOR, LOCAL FUND AUDIT

- (i) He will exercise such powers as are delegated to him by the Government and the Director, Local Fund Audit from time to time.
- (ii) He will conduct audit, inspect the accounts of accounting authorities, inspect and supervise the work of Audit Officer and his staff as and when directed by the Director, Local Fund Audit.
- (iii) He will pass Audit Reports/Inspection Reports/Annual Audit Report and issue Audit Certificates and Utilization Certificates with the approval of the Director, Local Fund audit.

4.3 POWERS OF THE DEPUTY DIRECTOR, LOCAL FUND AUDIT

- (i) He will exercise such powers as are delegated to him by the Government and the Director, Local Fund Audit from time to time.

- (ii) He will exercise the powers delegated to him under the provisions of the Mizoram Audit Manual, 2014.
- (iii) He will conduct audit, inspect the accounts of accounting authorities, inspect and supervise the work of Audit Officer and his staff as and when directed by the Director, Local Fund Audit.

4.4 POWERS OF THE ASSISTANT DIRECTOR, LOCAL FUND AUDIT

- (i) He will exercise such powers as are delegated to him by the Government and the Director, Local Fund Audit from time to time.
- (ii) He will conduct audit, inspect the accounts of accounting authorities, inspect and supervise the work of Audit Officer and his staff as and when directed by the Director, Local Fund Audit.
- (iii) He will exercise the powers delegated to him under the Mizoram Local Fund (Accounts and Audit) Act, 2006
- (iv) He will exercise the powers delegated to him under the Mizoram Local Fund (Accounts and Audit) Rules, 2012.
- (v) He will exercise the powers delegated to him under the provisions of the Mizoram Audit Manual, 2014.

CHAPTER – 5

GENERAL INSTRUCTIONS

5.1 SPECIAL PRIVILEGES TO AUDIT PARTY

(i) Audit Officer when engaged on audit work are allowed to occupy Circuit House/Inspection Bungalows, Tourist Lodges etc subject to the conditions laid down in the rules for the occupation of Circuit House, Inspection Bungalows and Tourist Lodges etc.

They are also allowed to occupy subordinate quarters attached to Circuit House, or Inspection Bungalow on the understanding that the Audit Officer will vacate the quarter when they are required for the staff of a touring officer.

- (ii) Audit Officer and other audit staff may purchase office box (brief case) with the sanction of the Director, Local Fund Audit.
- (iii) Audit Officer may recover the actual cost of the carriage of Government records by furnishing a detailed bill to the headquarter office. In the case of such claims in respect of railway or steamer freight they must furnish payees' receipts in support of the charges. As regards others, they must certify that they actually paid the amounts when vouchers cannot be obtained.

5.2 LEAVE

- (i) Application for leave by the Audit Officers on tour should be addressed to the Director, Local Fund Audit. The application for leave of other staff attached to the Audit Officer should also be addressed to the Director, Local Fund Audit and submitted through the Audit Officer. While forwarding leave application, the Audit Officer shall also suggest the arrangement to be made for carrying on the applicant's work.
- (ii) Audit Officers and other staff who are granted leave while on tour, should not come up to headquarters unless specially called upon to do so, but should ordinarily relinquish charge at the station where they are conducting audit.

Members of the establishment are warned that if they overstay the leave granted to them, they are liable to be dealt with under Fundamental Rule 17.

5.3 CASUAL LEAVE

- (i) Audit Officer is authorized to sanction casual leave as admissible while on tour subject to the following limitation shown in Table – 4 below.

T A B L E - 4
CASUAL LEAVE WHILE ON TOUR

Sl.No	Name of Sanctioning Authority	To whom Casual Leave can be sanctioned	Limitation of Casual Leave
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
1	Audit Officer	Assistant Auditor, Driver and Peon attached to Audit Officer	Upto 1 (one) day at a time
2	Director, Local Fund Audit	Audit Officer, Auditor, Assistant Auditor, Driver and Peon attached to Audit Officer	Upto 3 (three) days at a time

Application for Casual Leave above 1 day at a time should be forwarded through proper channel along with the recommendation of Audit Officer to the Director well in advance for consideration.

The application for Casual Leave with proper order of the Audit Officer should be sent to the Director for record.

The Audit Officer will maintain a Casual Leave account of Auditor, Assistant Auditor, Driver, and Peon working under him.

Casual Leave can be sanctioned up to a maximum of 8 days in a calendar year.

- (ii) Audit Officer and his staff are strictly forbidden to leave without permission the station in which they are working. Infraction of this rule renders them liable to be treated as absent without leave.

5.4 COMPENSATORY LEAVE

Audit Officer and his staff who are required to attend office during holidays may be granted compensatory leave of one day for every whole day thus spent, provided that an audit is completed owing to their having worked on the holidays.

5.5 HOLIDAYS

The Audit Officer and his staff may avail gazetted holidays and local holidays on the condition that :-

- (a) if on any of the gazette holidays and local holidays the office of the institution where audit is going on remains open, the Audit Officer and his staff shall not avail that days as holidays, but that day shall be treated as working day.
- (b) if on any day not covered by the gazette holidays or local holidays, the officer of the institution where audit is going on remains closed, the Audit Officer and his staff may avail that day as holiday.

5.6 INFORMATION TO OUTSIDER

- (i) Except the Director, Local Fund Audit no other or staff is permitted to give to outsiders any information connected with audit or office matters. They are also not permitted to communicate or to make correspondence or to give any information either in writing or verbally to Press, Radio, Doordarshan or any other Media.
- (ii) Official papers or documents or copies thereof shall not be given to outsiders without written permission of the Director, Local Fund Audit.

5.7 AUDIT PARTY

An Audit Party consists of one Audit Officer, one or more Auditors, Assistant Auditors, Driver , and one Peon. Audit Officer is the leader of the Party.

CHAPTER – 6

PROFESSIONAL CONDUCT AND DISCIPLINE

6.1 INTRODUCTION

Local Audit Wing in Accounts & Treasuries of Mizoram act as an Local Audit Department. It is an independent agency reporting to State Finance Department. It is vested with the authority to conduct audits on any matter within its jurisdiction. This audit manual describes and provides an overview of the roles and responsibilities of the audit staff vis-à-vis professional discipline required in the conduct of audits.

6.2 APPLICATION

This Manual applies to all Auditors within the Local Audit Wing/Department and to those Officers/Employees of the Office of the Chief Controller of Accounts, Accounts & Treasuries who may be involved in the conduct of an Audit. Within the Audit Branch, Auditors include all Officers/Employees of the Audit Parties and those Officers/Employees of the Department who may be involved in the conduct of an Audit. The Audit Branch encourages all of its Auditors to view themselves as professionals in the sense that they aspire to high standards in the fulfillment of their employment duties and take pride in their accomplishments.

This document sets out the Local Audit Department's requirements for audit arrangements and gives the broad framework in which they should operate. The Manual describes minimum audit requirements and those that is consider to be good practice or worthy of consideration. This Manual is the Local Audit Department's view on how effective audit coverage can be achieved. The Manual also provides an overview of the roles and responsibilities of the Audit staff of Local Audit Wing/Department.

The Manual is primarily for use by the Auditors and Audit Parties. It should be read with the relevant publications, circulars and other guidelines issued from time to time. More detailed advice on any aspect of the Manual may be sought from the Local Audit Wing/Department. From time to time the Manual will be up-dated. The Department welcomes comments on the Manual and its operation at any time.

The rest of this Manual deals with the separate elements of audit arrangements and sets out guidance on general principles of audit.

6.3 RESPONSIBILITIES

The Local Audit Department will undertake a programme of work over a cycle to achieve the following objectives :-

- (a) To appraise the soundness, adequacy and application of financial and other control.
- (b) To ascertain the extent of compliance with established policies and procedures.
- (c) To ascertain the extent to which assets and interests of funds provided to or by the Local Bodies/Authorities/Societies/Boards etc are properly controlled and safeguarded from losses of all kinds.
- (d) To ascertain that accounting and other information is reliable as a basis for the production of accounts and other returns.
- (e) To identify, and test where appropriate, the controls established to ensure the integrity and reliability of information used.
- (f) To ascertain that the system of control are laid down correctly and operate to promote the most effective, efficient and economic use of resources.

6.4 ROLE AND SCOPE

The primary role of Audit is to ensure that a body/an authority must establish that it has sound systems of control which help to ensure the following parameters :-

- (a) The Body's/Authority's objectives are achieved as far as possible.
- (b) The efficient, effective and economical, use of resources is promoted.
- (c) Adherence to management's policies, directives and established procedures, and compliance with any relevant laws or regulations.

- (d) The Body's/Authority's assets and interests are safeguarded – particularly from losses arising from fraud, irregularity or corruption.
- (e) As far as reasonably practicable, the integrity and reliability of accounting records and other information are established.

While it is the responsibility of management to promote value of money, auditors can specifically assist with this process as they have a responsibility to consider the value of money in their routine audit work.

Auditors should question policy objectives but should consider the effects of policy, the arrangements by which policy objectives have been determined and the means for delivering those objectives.

Auditors may also assess the adequacy of the arrangements in place to prevent and detect irregularities, fraud and corruption. However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with management, who should institute adequate systems of internal control, including clear objectives, segregation of duties and authorization procedures.

The audit service should have formal terms of reference, agreed by the governing body of the Body/Authority and the audit department.

6.5 INDEPENDENT AND STATUS

Independence is fundamental to the effectiveness of an audit. Therefore, while the auditor may consult with senior management on audit plans, these plans should be submitted to, and be approved by the Director, Local Fund Audit. Auditors may also carry out additional work at the request of management, including investigations, provided such work does not compromise the objectivity and independence of audit service or the achievement of the audit plan and should invariably be approved beforehand by the Director, Local Fund Audit. Accordingly, each local body /authority should satisfy itself that the independence of the audit service has not been affected by the extend and nature of other work carried out.

Audit services should not have any management responsibilities other than for conduct of audit. The reporting arrangement should take account of the nature of audit work undertaken.

Audit should be seen to have sufficient status, respect and support within the Local body/authority. To be effective, the head of audit staff or equivalent, must have direct access to the Local body/authority's designated officer and if necessary, to the Chairman of the governing body. Auditors must also have unrestricted access to all records, assets, which is necessary for smooth conduct of audit.

6.6 AUDIT PLANNING PROCESS

All plans should be achievable and promote the efficient use of resources. The work of the audit should be planned at each level of operation. The head of audit wing should prepare plans to carry out the responsibilities of the audit unit. Systematic planning helps an audit unit to achieve its objectives, and helps those with responsibility for reviewing the plans. Plans should cover all system and should :-

- (a) Established a schedule of systems assessed as requiring review and a period within which it is desirable that each of these system should be examined.
- (b) Define the tasks to be performed.
- (c) Assist in the direction and control of work, identifying critical areas, setting target dates and allocating resources.

In order to plan adequately the head of an audit unit should :-

- (i) Define audit needs based on the terms of reference.
- (ii) Identify the staff and other resources needed and reconcile these with available resources.
- (iii) Agree the time period of audit plans.
- (iv) Records all plans in writing.
- (v) Monitor works against the plans and revise them accordingly.

Plans should be sufficiently flexible and have adequate provision for contingencies to allow prompt response to unscheduled work. Audit plans should be

based upon a comprehensive understanding of the accounting authority/ institution/ organization and the way it operates.

6.7 DEVELOPMENT OF OVERALL PLAN

The Audit Officer should consider the following matters in developing his overall plan for the expected scope and conduct of the Audit.

- (a) The terms of his engagement and any statutory responsibilities.
- (b) The nature and timing of reports or other communication.
- (c) The applicable legal and statutory requirements.
- (d) The accounting policies adopted by the client and changes in those policies.
- (e) The effect of new accounting and auditing pronouncements on the audit.
- (f) The identification of significant audit areas.
- (g) The setting of materiality level for audit purposes.
- (h) Conditions requiring special attention, such as the possibility of material error or fraud.
- (i) The degree of reliance he expects to place on accounting system and internal control.
- (j) Possible rotation of emphasis on specific audit areas.
- (k) The nature and extent of audit evidence to be obtained.
- (l) The works of internal auditors and the extent of their involvement, if any, in the audit.
- (m) The involvement of experts.
- (n) Establishing and coordinating staffing requirements.

6.8 REPORTING

The Audit Officer shall report whether :-

- (a) The Financial Statements give true and fair view of the state of affairs of the authority/institution/organization's affairs and of its income and expenditure, recognized gains and losses and statement of cash flow for the year.
- (b) Funds from whatever source administered by the authority/ institution/ organization for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation.

The department should determine arrangements after consideration of significant audit recommendations, which the audit considers has not received adequate management attention. It is important that the reporting arrangements do not compromise the independence or objectivity of the internal audit service.

At the end of each audit assignment, the Audit Officer should provide a written report, which sets out the findings, conclusions and recommendation arising. At least for all systems based audits, it should also give an opinion on the adequacy and effectiveness of the system.

CHAPTER -7

GENERAL PRINCIPLES OF AUDIT

7.1 INTRODUCTION

The Government or the Local Bodies/Authority is to depend on the executive and staff employed by them for running the day to day business of the organization. To get correct position of the affairs of the organization, an independent authority having expertise in maintenance of accounts is employed to examine the accounts records and to report to the Government or Local Body/Authority whether in his opinion those accounts are correct, and fully and fairly disclose the position of affairs, or in what respects they fail to do so.

The fundamental Principles of Audit is that it should be conducted by an Agency independent of the authority entrusted with the duty of carrying on the business and keeping of accounts of transactions which pass through his hands so that the Audit Officer can without fear or favour, point out any irregularities or improprieties in financial transactions. Audit will see that :-

- (a) Whether the broad principles of public finance are observed.
- (b) Whether there is necessity for expenditure which has been incurred.
- (c) Whether the same result could have been obtained otherwise with greater economy.
- (d) Whether rates and scale of expenditure are justified, and
- (e) Whether the accounts maintained correctly and truly portrays the exact state of affairs.

7.2 AIMS AND OBJECTIVES OF AUDIT

Audit is an indispensable instrument of financial control. Its main aim is to safeguard the interest of tax-payers against any extravagance, carelessness or fraud on the part of the Officials or Management in realization and utilization of public moneys or other assets, and to ensure on tax payers' behalf that the accounts maintained truly and accurately represents facts, that the expenditure has been incurred with due

regularity and propriety and that the rules and orders framed by competent authority in regard to financial matters have been truly obeyed. Audit must bring to the notice of the competent authority any irregularity or impropriety in connection with financial transactions or matter relating thereto.

7.3 INDEPENDENT AND STATUS OF AUDIT OFFICERS/AUDITORS

In the interest of honest and sound finance, the business transaction should be subjected to the audit scrutiny of agency independent of that charged with the duty of keeping the accounts of those transactions. The same principles shall apply equally to Government transactions or Semi Government transactions or Local Bodies/ Authorities.

The theory that audit should be independent of the authorities responsible for transactions is based on the proposition that the conditions of the Audit Officer should be enable him to discharge, without fear or favour, his duty of scrutinizing the financial transactions of various authorities. If the Auditors is not free to do so or if he is dependent on the authority whose financial transactions hi is to scrutinize, the fundamental principle of reporting to the Executives, the irregularities and improprieties in financial transactions without fear or favour will be totally frustrated. Independent of Audit undoubtedly strengthens the hands of Government as well as the executive authority in-charge of the affairs of administration in the sense that the executive authority under such conditions will get the correct position of the affairs of his financial transactions.

7.4 PURPOSE OF AUDIT

The main purpose of Audit is to ascertain whether the accounts maintained by the Executive is correct and truly portrays the exact state of affairs of the Organization.

7.5 FUNCTION OF AUDIT

The primary function of audit is to verify the accuracy and completeness of accounts maintained to secure :-

- (a) That all revenues and receipts are collected and are brought to account under proper head.

- (b) That all expenditure and disbursements are authorized, vouched and correctly classified.
- (c) That the Final Accounts represents a complete and true statement of financial transactions it purports to exhibit, and
- (d) That the prescribed rules and regulations including prescribed procedures are observed.

7.6 SUGGESTION TO PROMOTE ECONOMY

The Executive Authority and not the Audit Department (Audit Officer/Auditor) is responsible for enforcing economy in expenditure of public money. The duty of Audit is to bring to notice wastefulness and infructuous expenditure in public administration. The Government or the Executive Authority will generally welcome the suggestion from Audit in promoting economy in the administration.

7.7 SPIRIT OF CHECKS

The prescribed checks should be observed in spirit and not in letters as opposed to spirit. Trifling matters which are of little consequence to the finance of Government or of Local Bodies need not be given much attention. Auditor should devote more time and energy to unearth fraud, defalcation and misuse of public money. If the objection be the such nature that it cannot be overlooked, it will be the duty of Auditor to press it firmly but courteous language. The more important the objection, the more necessary it is couch it in language courteous and impersonal.

7.8 AUDIT TO ASSIST GOVERNMENT AND LOCAL AUTHORITY

Audit is an instrument of financial control. For better financial administration the Government and the Local Authorities will fruitfully utilize the result of Audit to avoid misuse of public funds. Simultaneously it is the duty of an Auditor to provide Government or the Local Authorities with all possible assistance within the sphere of his functions in financial matters. General functions of an Audit Officer is to analyze critically mal-functioning of the Executives in financial administration, but his duty to criticism must not be developed to exclude the constructive faculty of constructive help. For example, when an Audit Officer inspects an Office he should not only point out the mistakes but also indicate how mistakes can be rectified and can be avoided in

future. He should also suggest improvement in system. He must investigate as well as educate.

7.9 LIMITATION OF AUDIT ENQUIRY

Although the Auditor has the technical training in checking the accounts, the Executive Officers have an intimate knowledge of the details of the work done and are in a better position to explain the actual position. To find out the correct position, the Auditor, therefore, has the right of enquiring or further information from the Executive Officers. In the meantime, Auditor is, however, not entitled to make independent enquiries among the tax-payers or the general public as such action will amount to encroachment on the functions of the Executive.

7.10 SPIRIT OF AUDIT

An Auditor is bound to ascertain that the prescribed rules and orders are strictly followed by the Executives. But is not to be understood that the mere application of those rules and orders in their minutes details serves the purpose of audit. Such a view does not envisage the fundamental object of Audit Department whose main object is to secure value for the tax-payer's money by seeing that expenditure is not irregularly and wastefully incurred. If the rules and orders are strictly regarded as ends in themselves and not as means to an end, the inevitable tendency of Auditor will be to assist rigidly on relatively petty matters and thus frustrate the real object of Audit. Such steps will consume much time and energy on expenditure of trifling character leaving little time for really important and substantial irregularities. Undue insistence on trifling errors and technical irregularities should whenever possible be avoided and more time and energy be devoted to the investigation of really important and substantial irregularities. At the same time it must be borne in mind that failure to appreciate the significance of what is trifling irregularity may lead to failure to discover an importance of an individual irregularity.

7.11 SOCIAL RESPONSIBILITY OF AUDIT

Audit is to play a bigger role in the sphere of financial administration by printing out the defects and bringing to the notice of the Executives any wasteful and in fructuous expenditure in the public administration. Constructive criticism of audit will help the Executives to be prudent while spending public money, to remain clear, to maintain integrity and uprightness in financial transactions. Such constructive criticism in the field of financial administration will also develop awareness among

the public regarding management of Tax-payers money by the Government or by the Local Bodies. The Executive should not treat the audit as a fault finding machinery but should accept the Audit as their guide, friend and philosopher in the matter of financial administration.

7.12 CLASSIFICATION OF AUDIT

Audit may be broadly classified as :-

- (a) Commercial Audit (Profit earning Organization/Non-Profit Organization)
- (b) Government Audit

7.12.1 COMMERCIAL AUDIT

A Non-Government Commercial concern deals primarily with the utilization of capital for the purpose of making profit. The Commercial concern is interested to see at intervals how it stands in relation to its debtors or creditors, whether it is gaining or losing, what are the sources of its gain or loss and whether it is solvent or insolvent. To ascertain this, the job of auditing is entrusted to an agency independent of the authority charged with the duty of carrying on the business and keeping accounts of transactions. In such case the main object of audit is to present before the proprietor of share-holders of the business an accurate statement of the position of affairs together with the Profit and Loss Accounts showing how his position has been reached and to report to them whether in his opinion those accounts are correct, and fully and fairly disclose the position of affairs or in what respect they fail to do so.

In the meantime, there are Non-Profit Organization following Commercial Accounting System which primarily deals with utilization of capital for the welfare of the public as a whole. Unlike Commercial concern, an uniform format of financial statements consisting of (i) Receipts and Payments Accounts (ii) Income and Expenditure Accounts and (iii) the Balance Sheet is prescribed by the Government of India to be used by the Non-Profit Organizations. The job of Auditor is to report to the Government/Authority concerned whether in his opinion the accounts maintained are correct and fully and fairly disclose the position of affairs or in what respects they fail to do so.

7.12.2 GOVERNMENT AUDIT

The activities of Government in any country are determined by the needs of the country. Government activities are normally centered round the welfare of the society and not on profit earnings. Once the activities are determined it becomes necessary for the Government to take decision how to raise sufficient fund by way of taxation to meet the expenditure for that purpose. As such, the main object of audit is to ascertain whether the tax-payers interest is fully safeguarded or not. Unlike Commercial Audit, the audit of the Government transactions are entirely performed by Indian Audit and Accounts Department which is independent of the spending departments. In the case of transactions of Local Bodies and certain Semi-Government Organizations, the job of auditing is entrusted to the state audit machinery which is independent of the Local Bodies or Semi-Government Organizations. The job of Auditor is to report to the authority concerned whether in his opinion the accounts maintained are correct and fully and fairly disclose the position of affairs or in what respects they fail to do so.

Objectives of Government Audit are :-

- (a) To see whether there is a provision of fund for the expenditure and whether such a fund has been duly authorized by competent authority.
- (b) To see that the expenditure has been properly sanctioned according to the rules and regulations.
- (c) To see whether the sanctioned expenditure has been incurred by an Officer competent to incur such an expenditure.
- (d) To see that the amount has been paid to the proper person, the relative receipt has been obtained and the payment has been correctly recorded in the books of account so that a second claim on the same account is not possible.
- (e) To see that the payment has been properly and correctly classified.
- (f) To see whether the payment is to be debited to the personal account of a contractor or an employee or any other individual and whether such a payment is recoverable from such a person under any rule or order. If such an amount is recoverable, it is to be recorded in the prescribed account.

- (g) To see, while auditing the receipts – (i) that money due from others is regularly recovered and checked against payment already made, and (ii) that the amount received is duly credited to the account concerned,
- (h) To see, while auditing the stores and stocks, whether they are properly and accurately valued, if price accounts are maintained. It should also be seen that the rates for such goods and articles fixed initially are reviewed from time to time in reclaim to the marker rate.
- (i) To see that the expenditure conforms to the General Principles of Standard of Financial Propriety as provided in General Financial Rules.

CHAPTER – 8

COMPENDIUM OF AUDITING STANDARDS

8.1. DEFINITION

Auditing standards prescribe the norms which the auditors are expected to follow in conduct of audit. These provide guidance to the auditor to help determine the auditing steps and procedures that should be applied in audit and constitute the criteria or the yardstick against which quality of audit results is evaluated.

8.2 RELEVANCE AND APPLICATION

- (1) Auditing standards provide the framework for performing high quality audit. Compliance with these standards is expected to ensure that a high quality of audit is performed for achieving the audit objectives.
- (2) Auditing standards shall apply both to the individual auditor and the audit department.
- (3) Auditing standards shall apply to all types of audit including financial audit, compliance audit and performance audit.
- (4) Auditing standards shall be consistent with the guiding principles of audit as contained in this Manual.

8.3 BASIC PRINCIPLES GOVERNING AN AUDIT

Compliance with the basic principles requires the application of auditing procedures and reporting practices appropriate to particular circumstances. An audit is the independent examination of financial information of an organization, whether profit oriented or not, and irrespective of its size and legal form, when such an examination is conducted with a view to expressing an opinion thereon. It describes the basic principles which governs the Auditor's professional responsibilities and which should be complied with whenever an audit is carried out.

8.3.1 INTEGRITY, OBJECTIVITY AND INDEPENDENCE

The Auditor should be straightforward, honest and sincere in his approach to his professional work. He must be fair and must not allow prejudice or bias to override his objectivity. He should maintain an impartial attitude and both be and appear to free of any interest which might be regarded, whatever its actual effect, as being incompatible with integrity and objectivity.

8.3.2 CONFIDENTIALITY

The Auditor should respect the confidentiality of information acquired in the course of his work and should not disclose any such information to a third party without specific authority or unless there is a legal or professional duty to disclose.

8.3.3 SKILLS AND COMPETENCE

The audit should be performed and the report prepared with due professional care by persons who have adequate training, experience and competence in auditing.

The Auditor requires specialized skills and competence which are acquired through a combination of general education, technical knowledge obtained through study and formal courses concluded by a qualifying examination recognized for this purpose and practical experience under proper supervision. In addition, The Auditor requires a continuing awareness of developments including pronouncements on accounting and auditing matters and relevant regulations and statutory requirements.

8.3.4 WORK PERFORMED BY OTHERS

When the Auditor delegates work to assistants or uses work performed by other Auditors, he will continue to be responsible for forming and expressing his opinion on the financial information. However, he will be entitled to rely on work performed by others provided he exercises adequate skill and care and is not aware of any reason to believe that he should not have so relied.

The Auditor should carefully direct, supervise and review work delegated to assistants. The Auditor should obtain reasonable assurance that work performed by other Auditor is adequate for his purpose.

8.3.5 DOCUMENTATION

The Auditor should document matters, which are important in providing evidence that the audit was carried out in accordance with the basic principles.

8.3.6 PLANNING

The Audit Officer/Auditor-in-charge should plan his work to enable him to conduct an effective audit in an efficient and timely manner. Plans should be based on knowledge of the client's business. Plans should be made to cover, among other things :

- (i) Acquiring knowledge of the client's accounting system, policies and internal control procedures.
- (ii) Establishing the expected degree of reliance to be placed on internal control.
- (iii) Determining and programming the nature, timing and extent of the audit procedure to be performed; and
- (iv) Coordinating the work to be performed.

Plans should be further developed and revised as necessary during the course of audit.

8.3.7 AUDIT EVIDENCE

The Auditor should obtain sufficient appropriate audit evidence through the performance of compliance and substantive procedures to enable him to draw reasonable conclusion therefrom on which to base his opinion on the financial information.

The evidence used by the audit officer shall normally and as far as possible be documentary including electronic records, photographs, results of any study or survey, etc. The audit officers may rely upon evidence from internal sources of the auditable entity as well as from external sources. Where required by the audit officer, the auditable entity shall attest the data, information and documents forming the evidence.

8.3.8 ACCOUNTING SYSTEM AND INTERNAL CONTROL

Management is responsible for maintaining an adequate accounting system incorporating various internal controls to the extent appropriate to the size and nature of the business. The Auditor should reasonably assure himself that the accounting system is adequate and that all the accounting information, which should be recorded, has in fact been recorded. Internal controls normally contribute to such assurance.

8.3.9 AUDIT CONCLUSIONS AND REPORTING

The Audit Officer/Auditor-in-Charge should review and assess the conclusions drawn from the audit evidence obtained from his knowledge of business of the entity as the basis for the expression of his opinion on the financial information. This review and assessment involves forming an overall conclusion as to whether :-

- (i) The financial information has been prepared using acceptable accounting policies, which have been consistently applied.
- (ii) The financial information complies with relevant regulations and statutory requirements.
- (iii) There is adequate disclosure of all matters relevant to the proper presentation of the financial information, subject to statutory requirements, wherever applicable.

The Audit Report should contain a clear written expression of opinion on the financial information. When a qualified opinion, adverse opinion or a disclaimer of opinion is to be given or reservation of opinion on any matter is to be made, the Audit Report should state the reasons thereof.

8.4 INITIAL ENGAGEMENTS

8.4.1 OPENING BALANCES

“Opening Balances” means those account balances, which exist at the beginning of the period. Opening Balances are the Closing Balances of the preceding period brought forward to the current period and reflect the effect of :-

- (a) Transactions and other events of the preceding period; and
- (b) Accounting policies applied in the preceding period.

For initial audit engagements, the Audit Officer should obtain sufficient appropriate audit evidence that :-

- (a) The Closing Balances of the preceding period have been correctly brought forward to the current period.
- (b) The Opening Balances do not contain misstatements that materially affect the financial statements of the current period; and
- (c) Appropriate accounting policies are consistently applied.

8.4.2 AUDIT PROCEDURES

- (i) For the purpose of appropriateness, the Auditor shall obtain audit evidence, which would depend on the following matters :-
 - (a) The accounting policies followed by the Organization.
 - (b) Whether the Auditor's report contained an unqualified opinion, a qualified opinion, adverse opinion or disclaimer of opinion where the financial statements for the preceding period were audited.
 - (c) The nature of opening balances, including the risk of their misstatement in the financial statement for the current period.
 - (d) The materiality of the opening balances relative to the financial statements for the current period.
- (ii) The Auditor shall consider whether the accounting policies followed in the preceding period, as per which opening balances have been arrived at, were appropriate and that those policies are consistently applied for the current period and where such accounting policies are inappropriate, the same have been changed in the current period and adequately disclosed.

- (iii) For current assets and liabilities, some audit evidence can ordinarily be obtained as part of audit procedures performed during the current period. For example, the collection/payment of opening accounts receivable/accounts payable during the current period will provide some audit evidence as to their existence, rights and obligations, completeness and valuation at the beginning of the period.
- (iv) For other assets and liabilities, such as fixed assets, investments, long-term debt, the Auditor will ordinarily examine the records underlying the opening balances.

8.5 AUDIT OF FINANCIAL STATEMENTS

8.5.1 OBJECTIVE OF AN AUDIT

The objectives of an audit of financial statements, prepared within a framework of recognized accounting policies and practices and relevant statutory requirements, if any, is to enable an Audit Officer to express an opinion on such financial statements.

The Auditor's opinion helps to determine of the true and fair view of the financial position and operating results of an organization. The user, however, should not assume that the Auditor's opinion is an assurance as to the future viability of the organization or the efficiency or effectiveness with which management has conducted the affairs of the organization.

8.5.2 RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

While the Audit Officer is responsible for forming and expressing his opinion on the financial statements, the responsibility for their preparation is that of the management of the organization/enterprise. Management's responsibilities include the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies and the safeguarding of the assets of the organization/enterprise. The audit of the financial statements does not relieve management of its responsibilities.

8.5.3 SCOPE OF AN AUDIT OF FINANCIAL STATEMENTS

- (i) The Auditor having regard to the terms of the engagement, the requirements of relevant legislation and the pronouncements of the organization will determine the scope of an audit of financial statements.

- (ii) The audit should be organized to cover adequately all aspects of the enterprise as far as they are relevant to the financial statements being audited. To form an opinion on the financial statements, the Auditor should be reasonably satisfied as to whether the information contained in the underlying accounting records and other sources data is reliable and sufficient as the basis for preparation of the financial statements. In forming his opinion, the Auditor should also decide whether the relevant information is properly disclosed in the financial statements subject to statutory requirements, wherever applicable.
- (iii) The Auditor assesses the reliability of the information contained in the underlying accounting records by carrying out such other tests, enquiries and other verification procedures of accounting transaction and account balances as he considers appropriate in the particular circumstances.
- (iv) The Auditor's work involves exercise of judgments, for example, in deciding the extent of audit procedures and in assessing the reasonableness of the judgments and estimates made by the management in preparing the financial statements.
- (v) In forming his opinion on the financial statements, the Auditor follows procedures designed to satisfy himself that the financial statements reflect a true and fair view of the financial position and operating results of the enterprise. The Auditor recognizes that because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any system of internal control, there is an unavoidable risk that some material misstatement may remain undiscovered. While in many situations the discovery of a material misstatement by management may often arise during the conduct of the audit, such discovery is not the main objective of audit nor is the Auditor's programme of work specifically designed for such discovery. The audit cannot, therefore, be relied upon to ensure the discovery of all frauds or errors but where the Auditor has any indication that some fraud or error may have occurred which could result in material misstatement, the Auditor should extend his procedures to confirm or dispel his suspicions.
- (vi) The Auditor is not expected to perform duties, which fall outside the scope of his competence. For example, the professional skill required of an Auditor does not include that of a technical expert for determining physical condition of certain assets.

8.6 DOCUMENTATION

Documentation for purposes of this standard refers to the working papers prepared or obtained by the Auditor and retained by him for further submission to the Headquarters' Office in connection with the performance of his audit.

8.6.1 WORKING PAPERS

- (a) Aid in the planning and performance of the audit.
- (b) Aid in the supervision and review of the audit work; or
- (c) Provide evidence of the audit work performed to support the Audit Officer's opinion.

8.6.2 FORM AND CONTENT

- (i) Working papers should record the audit plan, the nature, timing and extent of auditing procedures performed, and conclusions drawn from the evidence obtained.
- (ii) Working papers should be designed and properly organized to meet the circumstances of each audit and the Auditor's needs in respect thereof. The standardization or working papers (For example – Check Lists, Specimen letters, etc) improve the efficiency with which they are prepared and reviewed. It also facilitates the delegation of work while providing a means to control its quality.
- (iii) Working papers should be sufficiently complete and detailed for an Audit Officer to obtain an overall understanding of the audit. The extent of documentation is a matter of professional judgment since it is neither necessary nor practical that the Auditor in the working paper documents every observation, consideration and conclusion.
- (iv) All significant matters, which require the exercise of judgment, together with the Auditor's conclusion thereon, should be included in the working papers.
- (v) To improve audit efficiency, the Auditor normally obtains and utilizes, schedules, analysis and other working papers prepared by the client. In such

circumstances, the Auditor should satisfy himself that these working papers have been properly prepared. Example of such working papers are detailed analysis of important revenue accounts, receivables etc.

8.6.3 FILE CONTAINING WORKING PAPERS NORMALLY INCLUDES

- (a) Copies of audited financial statements for previous/current year
- (b) Copies of letters or notes concerning audit matters communicated to or discussed with the client.
- (c) Copies of management letter issued to the Audit Officer, if any.
- (d) Notes regarding significant accounting policies.
- (e) Significant audit observations of earlier year.
- (f) Copies of the financial information being reported on and the related audit reports.

8.7 AUDIT OF ACCOUNTING ESTIMATES AND SUBSEQUENT EVENTS

- (i) The Auditor should obtain sufficient appropriate audit evidence regarding accounting estimates.
- (ii) **Accounting Estimates means an approximation and accounts receivable to their estimated realizable precise means of measurement.**
 - (a) Allowances to reduce inventory and accounts receivable to their estimated realizable value.
 - (b) Provision to allocate the cost of fixed assets over their estimated useful lives.
 - (c) Accrued Revenue

- (d) Provision for taxation
- (e) Provision for a loss from a lawsuit.
- (f) Provision for retirement benefits in the financial statements of employees.

8.7.1 NATURE OF ACCOUNTING ESTIMATES

The determination of an accounting estimate may be simple or complex, depending upon the nature of the item. For example, accruing a charge for rent may be simple calculation whereas estimating a provision for slow moving or surplus inventory may involve considerable analysis of current data and a forecast of future sales. In complex estimates, a high degree of special knowledge and judgment may be required.

8.7.2 TESTING OF CALCULATION

The Auditor would test the calculation procedures used by management. The nature, timing, and extent of the Auditor's testing will depend on such factors as the complexity involved in calculating the accounting estimate.

8.7.3 COMPARISON OF PREVIOUS ESTIMATES WITH ACTUAL RESULTS

When possible, the Auditor would compare accounting estimates made for prior periods with actual results of those period to assist in evaluating whether differences between actual results and previous estimates have been quantified and that, where necessary, appropriate adjustments or disclosures have been made.

Note :- The terms "Subsequent Events" is used to refer to significant events occurring between the balance sheet date and the date of the Auditor's report. The Auditor should consider the effect of subsequent events on the financial statements and on the Auditor's Report.

8.8 QUALITY CONTROL FOR AUDIT WORK

The Local Audit Department should implement quality control policies and procedures designed to ensure that all audits are conducted in accordance with auditing

standards. Compliance with auditing standard is essential whenever an audit is carried out and requires the application of auditing procedures and reporting practices appropriate to the particular circumstances. Local Audit Department needs to implement appropriate quality control out in accordance with auditing standards. Compliance with auditing standard is essential whenever an audit is carried out and requires the application of auditing procedures and reporting practices appropriate to the particular circumstances. Audit department needs to implement appropriate quality control carried out in accordance with auditing standards.

The objectives of the quality control policies to be adopted by audit department will ordinarily incorporate the following:

(a) Professional Requirement

Personnel in the audit department are to adhere to the principles of independence, integrity, objectivity, confidentiality and professional behavior.

(b) Skill and Competence

Personnel in the audit department should have attained and maintain the technical standards and professional competence required to enable them to fulfill their responsibilities with due care.

(c) Assignment

Audit work to be assigned preferably to personnel who have the degree of technical knowledge and proficiency required in the circumstances of each and individual audit.

(d) Consultation

Whenever necessary, consultation within or outside the audit department is to occur with those who have appropriate expertise on the subject.

(e) Monitoring

The continued adequacy and operational effectiveness of quality control policies and procedures is to be monitored.

(f) Communication

The audit department's general quality control policies and procedures should be communicated to its personnel in a manner that provides reasonable assurance that the policies and procedures are understood and implemented.

(g) Implementation

The auditor should implement those quality control procedures, which are, in the context of the policies and procedure of the audit department, appropriate to the individual audit.

(h) Assessment of Professional Competence of Assistants

The auditor with supervisory responsibilities will consider the professional competence of assistants performing work delegated to them when deciding the extent of direction, supervision and review appropriate for each assistant.

(i) Delegation

Any delegation of work to assistant would be in a manner that provides reasonable assurance that such work will be performed with due care by persons having degree of professional competence required in a particular circumstances.

(j) Direction

Assistants to whom work is delegated need appropriate direction. Direction involves informing assistants of their responsibilities and the objectives of the procedures they are to perform. It also involves informing them of matters, such as the nature of client's organization's business and possible accounting or auditing problems that may affect the nature, timing and extent of audit procedures with which they are involved.

(k) Supervision

Supervision is closely related to both direction and review and may involve elements of both personnel carrying supervisory responsibilities to perform the following functions during the audit.

Monitor the progress of the audit to consider whether:

- (i) Assistants have the necessary skills and competence to carry out their assigned tasks.
- (ii) Assistants understand the audit directions ; and
- (iii) The work is being carried out in accordance with the overall audit plan and audit programme.

(I) Review

The work performed by each assistant needs to be reviewed by personnel of at least one step higher to consider whether :—

- (i) The work has been performed in accordance with audit program.
- (ii) The work performed and result obtained has been adequately documented.
- (iii) All significant audit matters have been resolved or are reflected in audit conclusions.
- (iv) The objectives of the audit procedures have been achieved.
- (v) The conclusions expressed are consistent with the results of the work performed and audit opinion.

8.9 KNOWLEDGE OF THE CLIENT'S ORGANIZATION'S OPERATIONAL ACTIVITIES

In performing the audit of an organization, the auditor should have or obtain knowledge of the organization's operational activities sufficient to enable the Auditor to identify and understand events, transactions and practices that, in the Auditor's judgment, may have significant effect on the examination of documents.

Obtaining the Knowledge

Prior to conduct to audit, the Auditor would obtain a preliminary knowledge of the client's organization activities, specific accounting practices and problems, legislation and regulatory framework, capital structure, sources and methods of

financing, financial performance, management and operations of the organizations to be audited.

To the extent practicable, the Auditor would obtain the required knowledge at the start of the audit. As the audit progresses, that information would be assessed and updated and more information would be obtained.

Obtaining the required knowledge of the activities of the organization is a continuous and cumulative process of gathering, for example, although information is gathered at the planning stage, it is ordinarily refined and added to in a later stage of the audit as the Auditor and other members of the audit staff learn more about the business. For continuing audit, the auditor would update and re-evaluate information gathered previously, including in the prior year's working paper. The Auditor would also perform procedures designed to identify significant changes that have taken place since last audit.

The auditor can obtain knowledge of operations of the client organization from a number of sources. For example :—

- (a) Previous experience of the organization.
- (b) Discussion with the people of the organization.
- (c) Publication related to client organization.
- (d) Legislation and regulations that significantly affect the organization.
- (e) Visits to the organization's premises.
- (f) Documents produced by the organization for example, minutes of meetings, prior year's annual and financial reports, management policy manual, manuals of accounting and internal control system, charts of accounts, job descriptions etc.

8.10 CONSIDERATION OF RULES AND REGULATIONS IN AN AUDIT

When planning and performing audit procedures and in evaluating and reporting the results thereof, the auditor should recognize that non compliance by the client organization with rules and regulations may materially affect the operation of organization.

The term non-compliance refers to acts of omission and commission by the organization being audited, either intentional or unintentional, which are contrary to prevailing laws and regulations. Such acts include transactions entered into by, or in the name of, the organization or on its behalf by its management or employees.

The Auditor's training, experience and understanding of the organization may provide a basis for recognition that some acts coming to the Auditor's attention may constitute non-compliance with rules and regulations.

In order to plan the audit, the Auditor should obtain a general understanding of the legal and regulatory framework applicable to the client organization and how the organization is complying with that framework.

The Auditor should plan and perform the audit recognizing that the audit may reveal conditions or events that would lead to questioning whether an entity is complying with rules and regulations.

Further, the Auditor should obtain sufficient appropriate audit evidence about compliance with those rules and regulations generally recognized by the auditor to have an effect on the determination of material amounts and disclosures in the financial statements. The Auditor should have a sufficient understanding of these rules and regulations in order to consider them when auditing the assertions related to determination of amounts to be recorded and the disclosures to be made.

The Auditor may be specifically required to report as part of the audit of financial statements whether the organization complies with certain provisions of rules and regulations. In such circumstances, the Auditor would plan to test for compliance with these provisions of the laws and regulations.

8.11 CIRCULARS TO AUDITORS

Copies of all the Government Notification, Office Memorandum, Orders, Circulars, and important rulings should be supplied to all Auditors.

CHAPTER-9

CONDUCT OF AUDIT

9.1 GENERAL PRINCIPLES FOR THE AUDIT OFFICERS/AUDITORS

These general principles for auditors are intended to supplement, not to replace, those issued by the Government/Department from time to time. This is necessary because the audit of Public Funds is different from those in the private commercial sector, since auditors are also concerned with the Department's requirement.

While carrying out audit, Audit Officer and others associated with the job or audit shall see that broad principles of legitimate public finance are observed. They shall investigate the necessity of expenditure which has been individual item of expenditure were in furtherance of the scheme for which fund has been provided, whether the same results could have been obtained otherwise with greater economy; and whether the rate and scale of expenditure were justified in the circumstances. Briefly they shall ask every question that might be expected from an intelligent taxpayer bent on getting the best value for his money; and are responsible to that audit is conducted with reference to the following principles, namely:-

- (a) Every Officer or other member of a local authority should exercise the same vigilance in respect of expenditure incurred from the local authority's fund as a person of ordinary prudence would exercise in respect of expenditure of his own money.
- (b) No person should exercise his power of sanctioning expenditure to pass an order which will directly or indirectly to his own advantage.

Note :- If, however, an order is perfectly meant for general application, it does not breach of this principle even if the particular authority that passes the order is also benefited thereby.

- (c) The Local Authority's revenue should not be utilized for the benefit of a particular person or section of the community unless:-
 - (i) The amount of expenditure involved is insignificant, or
 - (ii) A claim for the amount could be enforced in a court of law, or
 - (iii) The expenditure is in pursuance of a recognized policy or custom.

- (d) The amount of allowance, such as Travelling allowances granted to meet the expenditure of a particular type, should be so regulated that the allowance are not on the whole a source of profit to the recipient.

However, Auditors should avoid the following :

- (a) Official, professional and personal relationships which might cause the auditor to limit the extent or character of the audit
- (b) Any responsibility for the executive management of the Local Body/Authority.
- (c) Any interest, financial or non-financial, direct or indirect, in the Local Body/Authority.

Note 1 :- *The Deputy/Assistant Director of Local Fund Audit is the in charge of audit party and the Auditor(s) works under him. In special cases, the Director Local Fund Audit may at his discretion appoints an Auditor to supervise the conduct of Audit. The Supervising Officer is commonly known as an 'Audit Officer'.*

Note 2 :- *The Audit Officer in charge should ensure that an Auditor as well as Assistant Auditors carry out the processes of audit. If any process is omitted, the Officer- in-charge will be held responsible for the omission. But for detail scrutiny, the responsibility for the omission/irregularity would be that of Auditor(s) or Assistant Auditor(s) who conducted the Audit. In case higher authorities subsequently detect any omission/irregularity which should have been detected in the audit, the Audit Officer would not be allowed to shift the responsibility to their assistants.*

Note 3 :- *The Audit Officer should review the work of Auditor(s) and Assistant Auditors. The defects notified during review should be explained to the Auditor/Assistant Auditor to avoid its recurrence.*

Note 4 :- *The Audit Officer while occupied with the audit of one concept should not depute their auditors to take up simultaneously any other account without previous approval of the Director, Local Fund Audit.*

9.2 DUE PROFESSIONAL CARE

In exercising due professional care, Auditors should :-

- (a) Take reasonable steps to obtain information relevant to the audit. Auditors should take into account information from the client organization, any changes in Legislation, and the results of previous audit work.
- (b) Keep up-to-date with developments in professional matters.
- (c) Look out for and take into account any unusual circumstances.
- (d) Consider audit objectives and plan work to adhere to them.
- (e) Document the conclusions arising from the planning process, and detail a budget for staff and time.
- (f) Discuss the main features of the audit with the client organization.
- (g) Ensure that as far as possible, audits are staffed with suitable qualified and experienced personnel, and that work is properly controlled and reviewed.
- (h) Ensure that conclusions are adequately supported by reliable evidence. This evidence should be sufficient for an experienced auditor with no previous connection with the audit to ascertain what work was done and how the conclusions were reached.
- (i) Maintain objectivity at all times.
- (j) Preserve confidentiality where appropriate.

9.3 APPROACH TO AN AUDIT

The essential features of an audit are :-

- (a) To make a critical review of the system of book keeping, accounting and internal control.
- (b) To make such tests and enquiries as the Auditors consider necessary to form an opinion as to the reliability of the records as a basis for the preparation of accounts.
- (c) To compare the financial statements, profit & loss account/income and expenditure account and balance sheet with the underlying records in order to verify whether they in accordance with law, wherever applicable.
- (d) To make a critical review of the financial statements, in order to make a report thereupon, stating whether, in the opinion of the auditors, the accounts are presented and the items are described in such a way that they show true and fair view of the organization.

In recent years the size and complexity of organizations have increased enormously with a corresponding effect on accounting system wherein fairly simple books of accounts provide all the necessary, far more sophisticated methods of record

keeping are now in use. Computers have become integral part of accounting system of many organizations. For an intelligent efficient audit or inspection of accounts, it is necessary that Auditor should concentrate on the following aspects.

Auditor should have an intimate acquaintance with various Acts, Codes, Statutes and Manual relating thereto, and he should also be conversant with the subsidiary rules and orders issued from time to time. It should be ensured that rules are strictly enforced.

Sometimes some informality, some irregular payment, or some slight discrepancy is detected in the course of audit. The general tendency is to embody this in a formal objection statement which in course of time is replied to, the requirements of audit department are complied within a particular case in question, and then the matter ends. But the case should not be winded up at this stage. Small circumstances like cited above may lead to the detection of large irregularities, or a defect in the system liable to lead to fraud, and their value and importance must be borne in mind.

If the Auditor avoids frivolous objections, and convince the officers by the manner in which they go about. If they consider that they are working there not to complicate the procedure but to simplify it, not merely to criticize, but also to assist, they will meet with little difficulty in this direction. They should assist the client organization with advice and show, by means of practical examples, how the account registers should be posted/maintained and thus endeavor to eliminate the possibility of mistake in procedure due to ignorance. It is better to prevent mistakes in procedure than to discover after they have been committed. Auditors should use courteous language in drafting objections.

Audit Officer should devote his time chiefly to the broader and more important aspects of client organization's finances. Checking of classification of various accounts, seeing whether the budget allotment has not been exceeded, etc., have no doubt their importance but the real important work of Audit Officer/ Auditor-in-charge personally should be in the direction of suggesting fresh sources of revenue to the client organization, and even more important, perhaps, should be directed to apply the routine checks like checking totals, service postage stamps accounts, stock entries, checking of APRs, arithmetical checking of payments etc., and the Supervising Officer should review their work. Audit Officer should not treat himself as auditor but as a financial advisor to the client organization. The tendency of finding few points for the Audit Report and as soon as that is achieved, to slack off thereafter is the most dangerous. The real aim should be the proper appraisal of the results of audit by going at the root of things and suggesting effective measures to prevent the recurrence of

irregularities detected during the course of Audit. It is of no use wasting time in pointing out 500 technical mistakes, but if that time is utilized in ensuring that only one really important or serious irregularity has been stopped for all the times to come by personal discussion with the Head of Department/Office concerned and explaining him and to his staff the implications of the irregularity and by practically showing the way to stop it, he should have done some real work of abiding nature.

Auditors should not merely audit the payment vouchers as a mechanical check seeing that a proper acquaintance is attached with the voucher in support of the payment and that the amount has been paid to the actual payee or that the rates etc., charged are arithmetically correct and are in accordance with the standard schedule of rates. In order to apply the higher functions of audit, it is necessary to see that the charges in the bill are not extravagant. In such cases, however, no hard and fast rules can be laid down, as it demands the exercise of great intelligence and due care of the Auditor.

***Note 1 :-** No Auditor is competent to undertake any investigation, which is not strictly within the scope of audit. If anything important is noticed during the course of audit, it should specifically be brought to the notice of Director of Local Fund Audit. In no case can Auditors undertake any special investigation work of any kind at the instance of Administrative Authorities without the sanction of Director of Local Fund Audit.*

***Note 2 :-** Auditors should confine themselves to the facts, which have a bearing on the accounts. They should not touch finances and matters not falling strictly within the scope of audit.*

9.4 ASSISTANCE TO CLIENT ORGANIZATIONS

Recently there is an increasing demand from the client organizations under auditorial purview to provide something more than a critical review of the past, and the modern approach to the audit is such that the auditor is better able to provide the client organization with advice for the future.

Audit staff is encouraged to make suggestions to the organization concerned for improvements in the accounting system where they think such changes are appropriate.

At present the main method of providing such advice is overview of the major irregularities and audit reports sent to the client organization, usually at the end of

audit, informing them of weaknesses in the system which have been found in the course of audit. The essential point of such overview/report is to provide constructive advice for the future.

Another method of providing assistance to the client organization is by making constructive suggestions about administration of the accounting system. Such suggestions enhance the benefits of the examination of the client organization by new ideas, which improve the efficiency of the organization. The method of presentation of these suggestions calls for considerable care and tact suggestions should be soundly based. Unless desired by the client organization, and audit staff should not extend enquiries beyond required for forming an opinion as to whether the accounts show a true and fair view.

9.5 AUDIT PROGRAMME

(i) The Director, Local Fund Audit shall conduct audit on the accounts of the Local Authority in accordance with the Technical Guidance and Supervision (TGS) of the Comptroller and Auditor General of India. Instructions issued by the Finance Department, Government of Mizoram vide Notification No. G.11023/4/2008-FCC Dt. 1st June, 2011 (**Annexure-IV**) shall be observed and complied with by the Director, Local Fund Audit.

(ii) Generally, audit shall be conducted under the direction of the Director, Local Fund audit. At the beginning of January each year, Audit Programmes are to be prepared by the Assistant Director, Local Fund Audit showing the work to be done during the ensuing financial year. The Director, Local Fund Audit will convey his approval with such modification, as he deems necessary. The Audit Programmes are to be sent to the respective propose Audit Offices for conducting audit accordingly.

If there is any subsequent modification, the modified programme shall be sent to the respective offices.

(ii) No Audit Officer is ordinarily allowed to conduct the same audit on two consecutive occasions.

(iii) No extension of Audit Programme is permissible without prior approval of the Director, Local Fund Audit.

- (iv) All programmes for special audit/surprise verification of cash balances shall be chalked out by the Director, Local Fund Audit after the consultation with the Finance Department.

Note 1 :- Time limit of three weeks shall not apply where the Director, Local fund Audit himself conducts any audit.

Note 2 :- Before commencement of audit on an account, the Audit Officer/Auditor-in-charge should call upon the Deputy Commissioner in his Office and on the Sub-Divisional Officer in the case of Audit of funds in a Sub-Division, in order that the Deputy Commissioner or Sub-Divisional Officer may bring to his notice any matter which may appear to him to require special attention in connection with the accounts to be audited. Upon the completion of audit, the Audit Officer/Auditor-in-charge should also call upon him before his departure. He should enquire previously of him when it will be convenient to receive him, and should record briefly the substance of his interview for the information of the Director, Local Fund Audit.

9.6 ADVANCE INTIMATION FOR TAKING AUDIT / INSPECTION

The audit office shall as far as possible give advance intimation of a minimum period of three weeks to the officer in charge of the office to be audited so as to consider and permit the organization/authority for the preponement/postponement of audit, if any, representation is received before the audit party proceeds for taking the audit. The intimation for audit shall state the likely duration of audit and also provide a list of the basic records that should be kept ready before the arrival of the audit team. In cases where the audit involves an element of surprise check, no advance intimation need be given. Intimation may be made to the Accounting authority in **Form No.1- 'Intimation to Audit'** appended to this Manual.

Acknowledgement of intimation by the auditable entity

The officer in charge of the office shall acknowledge the receipt of such intimation and shall make best efforts to be available in headquarters during the period of audit. The officer in charge shall also ensure that the basic records as stated in the list sent to him by the audit office are kept ready before the arrival of the audit team

9.7 ATTENDANCE

For the purpose of conduct of audit, the Audit Officer shall attend the office of the concerned Local Authority during the regular Office hours except in cases where

the Director of Local Fund Audit decides otherwise. The Local Authority shall provide suitable accommodation and furniture in his office to enable the Audit Officer to discharge his duties without undue interruption and shall render him all possible assistance in carrying out the audit.

9.8 CONTACTING THE ADMINISTRATIVE AUTHORITIES

The first duty of the Audit Officer on visiting the station should be to call upon the highest administrative authority of the fund, the account of which is to be audited. He should, if necessary, call upon the administrator of the funds as often as is necessary to ensure smooth conduct of audit and to apprise him of the matter of importance.

9.9 DUTIES OF AUDIT OFFICER IN CHECKING ACCOUNTS

- (i) While auditing the accounts, the Audit Officer shall see that the accounts are kept and are presented in proper form; that the particular items of receipts or expenditure are stated in sufficient details; and that the payments are supported by adequate vouchers and authority. He shall examine whether all sums received or which ought to have been received have been brought into account; whether the expenditure is in all cases lawfully made and whether any loss has been incurred due to negligence or misconduct of any person. He shall also scrutinize the financial position of the local authority. He shall also satisfy himself that property of the local authority is duly accounted for in the books and regularly checked.
- (ii) Verification of Cash Balance being an essential part of the audit, the Audit Officer shall verify them by actual counting of cash balance shown to be at the office or in the hands of any of the employee.
- (iii) In addition to the power of Audit Officer to conduct a regular audit under Section 5 of the Mizoram Local Fund (Accounts and Audit) Act, 2006, the Audit Officer may make a partial examination of the accounts of an Accounting Authority or make a local enquiry into any matter relevant to Audit at any time, or depute suitable officer to do so.
- (iv) The Audit Officer while inspecting shall make a brief examination of the various accounts books, registers etc, and a brief audit of scattered items. If he has reason to suspect that the accounts are not properly kept or if the last audit report was unsatisfactory, he will, if he considers it necessary, carry out a test

audit of a complete month, even though this may necessitate an alteration in the dates of his tour. He will also examine the pending objection statements and the last audit note and generally review the work done by previous audit.

9.10 PRODUCTION OF RECORDS FOR AUDIT

Auditors must ensure that all the registers, accounts, files and other record required for audit are produced in Audit. Requisition for supply of information/record should be issued in the beginning of Audit of the Organization, the accounts of which are to be audited. The Audit Officer may correspond with the Accounting authority whose accounts are being audited for the purpose of -

- (a) production of records
- (b) reporting embezzlement
- (c) making an enquiry in connection with the audit; or for any other purpose relating to Audit.

Omission on the part of the client organization to put up necessary accounts, if not asked for sufficiently in advance of the conclusion of audit is not an adequate ground for failure to conduct the audit. If an Auditor states that he asked for particular record, but that was produced, he must be able to prove it from the requisitions. Specimen for Audit Requisition **Form No.23** may be used as a guide by the Audit Officer.

Note-1 :- *If in any case, complete accounts records of an individual item or head of accounts are not made available and incompleteness of the records and information supplied are not sufficient to conduct the audit smoothly, the matter should be promptly brought to the notice of the head of the organization and in the event of failure on the part of head of the organization for production of record, the matter should be brought to the notice of the Headquarter Office setting forth the full facts for deciding if the audit should be suspended. Till orders are passed, the Auditor should continue to check the items for which papers are available.*

Note-2 :- *The Audit Officer should not omit to exercise the prescribed checks if a part of the record is not available. He should exercise all the prescribed checks and specifically raise objections.*

Note 3 :- *Subject to the provision of **para 9.13, 9.35, and 9.36** of this Manual, the Audit Officer shall not, except with the written permission of the head of the office of the Accounting Authority whose accounts are being audited, remove from such office any book, voucher, record or document of any kind whatsoever.*

9.11 NON-PRODUCTION OF RECORDS

When any documents is not produced after commons or letter issued by Audit Officer under Section 5(3) of the Act, the Audit Officer shall send a written report of the failure to produce such documents to the Head of Department/ Chairman, or Vice-Chairman, or other Accounting Authority concerned. If the required document is not produced in spite of this written report, the matter shall be referred to the Director, Local Fund Audit together with any communications received from the Head of Department/Chairman, or Vice Chairman, or other Accounting Authority. No document shall be left unaudited without the written order of the Director, Local Fund Audit.

Note-1 :- If an Accounting Authority fails to produce the records a particular period or produces only a portion of records or fails to appear before the Audit Officer in spite of written request from him, the Audit Officer shall immediately report the matter to the Director, Local Fund Audit who in turn shall take up the matter with the Secretary of the Department concerned and the Finance Department, Government of Mizoram.

Note-2 :- The Secretary of the concerned Department shall cause submission of the required records to the Audit Officer within 30 (Thirty) days.

9.12 AUDIT MARKS

- (i) In auditing the accounts, the Audit Officer shall tick or cross tick all entries checked by him and initial all vouchers with the special audit pencil (special green chalk pencil).
- (ii) Audit Officer shall not make notes, corrections or remarks in any of the registers or in any of the documents of the office, which he is auditing. These should be as clean and tidy after audit as before.
- (iii) Tick marks, cross tick marks, question marks, circle marks, or such other marks, initial of audit Officer on vouchers or other records, remarks, such as “Seen”, “Checked”, “Verified”, “Verified and found correct”, in course of audit which are mandatory under the Manual, recorded in audit pencil shall not be treated as defacing of official records.

9.13 EMBEZZLEMENT

Notwithstanding anything contained in Note-3 below para 9.10 of this manual when an embezzlement is detected, or may reasonable to inferred from any suspicious circumstance or irregularity in the accounts, the Audit Officer shall take personal charge of the relevant records, and shall at once forward a list of such records to the head of the office. Any such record may be inspected by the head of the office in the presence of the Audit Officer. The Audit Officer shall report the circumstances immediately in writing to the Chairman/Head of Department or other Accounting Authority concerned, and also (by telegram, if necessary) to the Director, Local Fund Audit. When the fraud or embezzlement has been fully investigated by the Audit Officer, he shall submit a complete report on the case to the Director, Local Fund Audit who may order a further examination of and report on, all or any accounts, if he considers such an examination and report justified, and shall determined when any records seized by the Audit Officer shall be returned to the Accounting Authority. The Audit Officer may, if required, take the help of Civil Authority in case of taking personal charge of the relevant records.

Audit Officers while reporting irregularities or defalcations direct to the head of the Office, must confine themselves to a plain statement of facts. On no account may these reports contain adverse criticism regarding superior officers. The Audit Officer's report to the Director, Local Fund Audit should state clearly how the fraud or embezzlement was committed and whether he has reason to suspect that a detailed examination of the accounts will bring to light further instances. The Director, Local Fund Audit may order a detailed examination of all or any particular accounts, if he considers such an examination justified by the suspicion of fraud or embezzlement.

(iii) As per Finance Department, Government of Mizoram Notification No.G.11023/4/2008-FCC Dt. 1st June, 2011 (Copy appended in Annexure-IV), the Director, Local Fund Audit is required to any serious irregularities noticed such as system defects, serious violation of rules, frauds noticed by him to the Accountant General (Audit), Mizoram.

(iv) The Director, Local Fund Audit shall maintained "Embezzlement Register" in **Form- 7** appended to this Manual.

9.14 PRELIMINARY OBJECTION STATEMENT (POS)

During the course of Audit, the Audit Officer shall issue Preliminary Objection Statement (POS) in **Form No-4**.

The Accounting Authority shall return the Preliminary Objection Statement along with reply to the Audit Officer within three days from the date of issue but not later than the day of closing audit.

9.15 MATTERS TO BE INCLUDED IN THE PRELIMINARY OBJECTION STATEMENT

The Preliminary Objection Statements shall include not only objections raised on payment vouchers but every sort of objection and remark which the Audit Officer raises or makes or proposes to include in his report.

One of the main objects is to inform the head of the office and to give him opportunity to reply to every point which will appear in the Audit Report. Audit Officer should not make any suggestions or finally embody any criticisms in their Audit Reports without giving the Officers of the Accounting Authority full opportunity for explanation and considering as fully as possible their views and agreement.

9.16 APPEARANCE IN PERSON BEFORE AUDIT

- (i) Every person to whom a summon is issued under sub-section (2) or (3) of Section 5 of the Act, shall be bound to be present before the audit.
- (ii) For the purpose of audit an Audit Officer may require any such person as provided under sub-section 3 (b) of Section 5 of the Act, to make and sign a declaration with respect to such document or to answer any question or prepare and submit any statement relating thereto.
- (iii) Any person who is assessed to any tax, rate, or fee the proceeds of which are required to be credited to the Local Fund may be present at any of the Local Accounts provided that :-

- (iv) He has obtained the previous permission of the Audit Officer or of the Director, Local Fund Audit on a written application stating the grounds on which he desires to be present ; and
- (v) He shall be permitted to be present only during that part of the audit with which the grounds disclosed in his application are concerned. In every such case, the authority granting permission shall forthwith forward copy of the application and of the order passed thereon to the Chairman or other Principal Executive Officer of the Local Authority concerned.

9.17 AUDIT WORKING PAPERS/ROUGH SHEETS

The main objects of preparing audit working papers are –

- (a) To clarify the thinking of those by whom they are compiled-exposition in writing often reveals points, which have been overlooked or not fully understood.
- (b) To enable the accounts and audit to be independently reviewed and evaluated.
- (c) To provide for future reference a record of all material features of the accounts, of the audit tests applied to them, and of the information and explanation received.

To fulfill the objectives, the working papers/rough sheets should provide in a clear and convenient form all the information needed for the decisions to be taken in regard to audit, these decisions add to the adequacy of the audit, the scope of improvement whether in effectiveness or economy, the validity of the accounts, any recommendation which should be made to the client organization or any point which should be further taken up with them, and the opinion which Auditor's Report on the accounts should express. In providing this information the working papers/rough sheets not only enable these decisions to be taken properly but also provide, the means of justifying them in the event of any subsequent challenge or enquiry and for guidance and saving of time for those coming new to the job on subsequent occasions.

Working papers/rough sheets should be prepared in such a manner that on conclusion of audit they could if necessary be reviewed without the presence of audit

staff that prepared them. They should, therefore, give full details of the sources of the information shown, the work done should be in conformity with them and notes of the conclusions reached as a result of the examination.

Audit Officer/Auditor-in-charge should maintain a note book in which they should keep notes of all important points relating to the accounts in District-wise/Department-wise and any other instructions which may from time to time be issued by the Local Audit Wing/Department in connection with audit of accounts etc. If any of the accounts are at a later stage allotted to some other Auditor/Assistant Auditor, it will be the duty of the Audit Officer/Auditor-in-charge to refer to his note-book and intimate the connected points to the Auditor/Assistant Auditor concerned.

9.18 DISPOSAL OF PREVIOUS AUDIT REPORTS

The first duty of an Auditor should be to see that deficiencies pointed out in the previous Audit Reports or Inspection Reports and objection statement have been remedied as promised in the annotated replies either by the production of the required documents, by recovery of over-payments, or by adoption of the procedure suggested. The further correspondence, if any, on the replies should also be pursued, with a view to ensuring how the several matters referred to were eventually settled. In all cases, where the promised action has not been taken, attention should be drawn to the matter, and in cases of recoveries or missing documents, the client office should be given every opportunity of repairing its previous omissions, before the completion of audit. If, however, the conclusion of audit, the fact should be clearly mentioned in the Audit Report or Inspection Report with additional remarks as are called for. Auditors should particularly see that in case of serious irregularities as pointed out in the previous audit, the actions should have been taken by the client organization. If no action or partial action has been taken and the results are unsatisfactory, he should report the matter separately to the notice of the Director, Local Fund Audit for taking up the matter with the Administrative Department i.e Finance Department.

***Note-1 :-** Audit Officer should at the commencement of the audit, inform the highest administrative authority of the client organization concerned that he is going to devote so many hours each day or full days, as the case may be, solely for the disposal of old objections and suggest that suitable arrangements should be made for collection and production of record along with annotated replies to the old objections during the course of audit.*

***Note-2 :-** The job of disposal of old outstanding audit objections should not be left till the current audit is over.*

Note-3 :- *Audit Officer should appreciate the true significance of the various objections. It is duty of every Audit Officer to review the old objections statements thoroughly and necessary to recast frequent nature of audit objections in the current report with up-to-date position. In such a case, the Audit Officer in his own handwriting should give a cross reference across the old objection. The Audit Officer should record his reasons in clear terms, in the margin of the Draft Audit Note in the case of such transfer of objections.*

Note-4 :- *It is not sufficient to see that an annotated copy has been prepared and submitted. It has also to be verified that it was submitted within the prescribed period failing which the Auditors should clearly state in Part-I of their Draft Audit Report or Inspection Report, the date on which the Audit Report or Inspection Report was received in the Office of the client organization and the date on which the copy of the annotated replies was forwarded to the Director, Local Fund Audit. The delay should be objected to and references to the Government Orders, if any, prescribing the period for this purpose should invariably be mentioned. Where the annotated copy is not submitted even till the commencement or conclusion of the next audit, it is not sufficient merely to point out this omission in Part-I of the Audit Report or Inspection Report. The lapse on the part of client organization should specifically be brought to the notice of the Directorate/Administrative Department of the client organization as well as Director, Local Fund Audit in such cases.*

Note-5 :- *Audit Officer should issue requisition calling from the Head of Department/Office of the client organization concerned and study the observation of Government, if any, in respect of the last Audit Report and see whether any action as desired by the Government has been taken. If no action has been taken on the observations of the Government, they should in their Audit Report or Inspection Report incorporate suitable comments containing these observations.*

Note-6 :- *Auditors should see that if an objection in its original form has been met, fresh observation on the system relating thereto, record or document, if any, should appear in Part-II of the current Audit Report or Inspection Report. An old objection should under no circumstances be kept alive if it has met in its original form.*

Note-7 :- *At the commencement of the audit, Audit Officer should issue a requisition (Form No.23) to the Head of Department/ Office of the client organization concerned whose accounts are to be audited requesting him to arrange for the production of record which was not produced in the last audit and the details of which are noted in the last Audit Report or Inspection Report. The record should be checked with*

requirements of audit and defects, if any, should be incorporated in the current Audit Report or Inspection Report.

Note-8 :- *All objections which remain outstanding for over five years should be examined with particular care and if the Audit Officer feels that he is not competent to withdraw them after verifying the connected record, they should refer all such objections along with replies thereof to the Headquarter Office for consideration.*

Note-9 :- *Removal of objections during the course of audit is an important job and should not ordinarily be entrusted to the Assistant Auditors.*

Note-10 :- *Audit Officer should ascertain whether the Director, Local Fund Audit or any other Officer of Local Audit wing/Department has issued any Inspection Note on the inspection of any accounts carried out by him and sees that the defects have been remedied. The unsettled points should be taken in Part-I of the Audit Report or Inspection Report.*

9.19 WRITING OF AUDIT REPORT/INSPECTION REPORT

(i) In order to achieve effective control and monitoring in writing and issuing of Audit Reports or Inspection Reports, the Headquarter and Office/District Offices, if any, should maintained monthly statements showing - Statement of Draft Audit Reports or Inspection Reports issued during the month in **Form No. 11**; Statement of Draft Audit Reports or Inspection Reports pending at the end of the month in **Form No.12** ; the Audit Reports or Inspection Reports issued in **Form No.16**; Statement of time taken in Audit of various Authorities in **Form No. 20**; appended in this Manual.

(ii) The Audit Officer shall write his Audit Report or Inspection Report including all Schedules and Statements during the allotted time of Audit and in all cases shall complete his Report in all respects immediately after the close of audit. No extra time for writing Audit Report or Inspection Report shall be allowed.

9.19.1 ARRANGEMENTS FOR WRITING AUDIT REPORT/INSPECTION REPORT

(a) The Audit Officer himself, leaving one third of the page for corrections, should draft Audit Report or Inspection Report. The Audit Report or Inspection Report should be drafted on one side of the paper. If the Draft Audit Report or

Inspection Report is typed it should be on double. The Audit Report or Inspection Report should ordinarily be divided into two Parts.

(b) Audit Report or Inspection Report : The results of the Audit shall be communicated through Audit Report or Inspection Report, which may be drawn in two parts as below :-

(i) Part-I – It includes :-

- (a) Introduction
- (b) Incumbency
- (c) Financial Analysis data

(d) Outstanding objections from previous reports, (in this part, all outstanding objections shall be reproduced in full, every alternate year along with up to date position). This is done to bring the outstanding paras, pointedly to the notice of all concerned for facility of watch and expeditious disposal. The old outstanding objections are to be replied separately through the respective old inspection reports, which should not be treated as closed till all the objections are settled.

- (e) Schedule of persistent irregularities
- (f) Disclaimer Statement

(ii) Part-II – Contains two sections “A” & “B”. Section ‘A’ shall include all important irregularities, i.e, irregularities involving recoveries, questions of violation of principles, misappropriation and losses, etc. Section ‘B’ shall contains irregularities, though not major, which the Audit wants to bring to the notice of higher authorities. Irregularities in payments and adjustment vouchers may be shown in **Form No. 2** and Irregularities and Omissions in accounts and Registers may be shown in **Form No. 3**. For reporting defalcation/misappropriation of Government Grants/Other Funds, report form in **Form No. 9** should be enclosed in the Report.

9.19.2 MATTERS TO BE INCLUDED IN THE AUDIT REPORT/INSPECTION REPORT

Objections admitted or questions settled during the course of an Audit shall be recorded in the Report only if the irregularity is a serious one, or if a defect of system or error in principle has been brought to light and has not been permanently removed.

Apart from any matters of a general nature which cannot be disposed of by the Audit Officer. The following points should invariably be recorded in a separate para in the Report :-

- (i) Attempts to evade financial rules by manipulation of accounts and vouchers.
- (ii) Avoidance of lapse by withdrawing funds from the Treasury or from Bank before the money is actually required for expenditure.
- (iii) Avoidance of necessity of higher sanction by splitting up one scheme or expenditure into a number of component details.
- (iv) Persistent neglect to comply with audit requirements.
- (v) All unsettled objections relating to previous audit shall be specifically brought to notice. A list of such items shall be appended to the Report in **Form – 5**.
- (vi) Attempts to avoid audit or deliberate non-compliance of audit requirement.
- (vii) Attention should be drawn to the matter in the Audit Report or Inspection Report, if the balance of a local fund is too low or is without reason being allowed to accumulate unduly. If there is any reason why an accounting authority should keep a large balance, the fact should be stated in the Audit Report or Inspection Report. Large variation in the receipts and expenditure of the year as compared with the figures of the previous year should also be briefly explained in the report.

9.19.3 FINANCIAL ANALYSIS DATA

Financial Analysis Report of the local authority/client organizations must be submitted in the form of comparative chart containing the following data.

- (i) Head-wise and Sub-head-wise expenditure of the organization/body/authority for the past three years.
- (ii) Head-wise and Sub-head wise income of the organization/body/authority for the past three years.
- (iii) Detail of Fixed Assets of the organization/body/authority for the past three years with break-up of individual item of Fixed Asset.
- (iv) Detail of Current Assets of the organization/body/authority for the past three years with break-up of individual item of Current Asset.

- (v) Detail of Long-term Liabilities of the organization/body/authority for the past three years with break-up of individual item of Long-term Liability.
- (vi) Detail of Short-term Liabilities of the organization/body/authority for the past three years with break-up of individual item of Short-term Liability.
- (vii) Detail and amount of Corpus/General Fund/Accumulated Fund of the organization/body/authority for the past three years.

Financial position of the organization/body/authority as on date of audit as per Cash Book, Bank Pass Book/Bank Statement etc., along with interest allowed/credited may be indicated separately at the end of the Financial Analysis Data.

In case of major variation in any of items or sub items mentioned in the foregoing paragraph (i) to (vii) above, in a particular year as compared to previous or other years, reasons for the same may be clearly be depicted in respect of each para pertaining to expenditure on establishment and other matters in the financial analysis report of the organization/body/authority. This analysis should be incorporated in Part-I of the Audit Report or Inspection Report.

The Audit Officer, apart from brief note on financial position, shall make a statement showing :-

- (a) cash recoveries on audit objections
- (b) money capable of being saved by the detection of embezzlements in audit ; and
- (c) possible reduction in expenditure due to audit suggestions.

At the end of his note, he shall give a very brief resume of the matters dealt with therein, and an opinion on the state of the accounts as a whole.

9.19.4 OTHER IMPORTANT INSTRUCTIONS IN WRITING AUDIT REPORT/ INSPECTION REPORT

The instructions contained in the following paragraphs should be kept in view while drafting the Audit Report or Inspection Report:-

- (i) Audit Report or Inspection Report should be written in a clear and concise manner. It does not judge the value of Audit Report or Inspection Report. Every point must be clearly expressed so that there can be no doubt as to the meaning of the point at 'issue'. It should be clearly and neatly written. Abbreviations should on no account be used and dates should be given in full. Auditor should take particular care to use courteous language and charge of explicit or implicit

dishonesty or misrepresentation, which is usually so hard to substantiate, and which the officers of Funds audited resent should be avoided. A tactful drafting and use of phrases as 'it appears', 'it seems', 'possibly', 'it may be likely that' often dilutes the unpleasantness in such cases and at any rate leaves the way open for reasonable answer.

- (ii) Serious notice will be taken if any important defects or irregularities omitted are subsequently discovered.
- (iii) Audit is concerned with facts only. Irregularities should be commented upon without specifying the names of the individuals responsible for the same. Only in cases of very serious dereliction of duty or embezzlement, should the designation of the officer(s) be mentioned. Such cases, however, not be very frequent. The Auditors should state facts with utmost accuracy. There is room for difference of opinion but the fact must be unassailable.
- (iv) Care should be taken to see that every paragraph comprises of three distinct parts: first, a statement of facts, next the rules or orders infringed and the nature of irregularity and then the action required for removing it.
- (v) Auditors should be prepared to defend fully against a potential challenge of any and all audit findings, conclusions, and observations they recorded in the audit reports. Auditors should ensure that the evidence supporting an audit report is appropriate in quality and quantity and are supported with document, rules and regulations, which are infringed by the body/authority to make a convincing case for the conclusions reached.
- (vi) Where higher sanction is called for the rule under which the authority sanctioning in the instance is not competent must be distinctly stated and the authority whose sanction is necessary be specifically named. Terms like "*This appears to require higher sanction or the sanction of the competent authority is needed*" should not be used.
- (vii) The Auditors should discuss the objections with the Head of Office concerned. Minor points which can be settled by personal discussions, should be settled without bringing them in the Draft Audit Report or Inspection Report, the reason for doing so being recorded on the requisition concerned. In case, however, an Auditor is of the opinion that explanation rendered is not satisfactory, the administrative view point with its rejoinder should be incorporated in the Audit Report or Inspection Report in a faithful manner.

- (viii) Auditors should draw attention in Audit Reports or Inspection Reports to cases where the balance of any Local Fund is too low or is without any reason being allowed to accumulate unduly. Auditors should also review any substantial variations in the receipts and expenditure of the year as compare with the figures for the previous year and as far as possible give the main causes which have contributed to such variation.
- (ix) Auditors should comment in the Audit Report or Inspection Report on the excesses over Budget allotments and should call for the sanction of the competent authority to any excess instead of merely bringing excesses to the notice without asking for any sanction.
- (x) Audit Officer should attach a copy of the 'Audit Fee' requisition issued by them to the Administrative head of the Fund concerned.
- (xi) Audit Officer should not merely attached the various Appendices, e.g., Appendices relating to grants, taxes, arrears etc., as handed over to them by the Officer of the client organization, but should also verify the accuracy of the statements before incorporating them in the Audit Report or Inspection Report.
- (xii) Auditors while raising objections or commenting upon the action taken by the client organization, should not trench upon administrative matters not falling within the scope of audit. Their business is to deal with facts as disclosed in audit and to suggest remedies connected with the audit and accounts matters according to Rules and Orders and not to meddle with administrative affairs.
- (xiii) The Audit should present only those findings that are soundly based on facts and they can stand up to rigorous scrutiny. All Audit Reports or Inspection Reports must meet the highest attainable standards for content and presentation. They should be written in accordance with audit policies, in clear, precise and plain language and have gone through an editing/vetting process.
- (xiv) The Auditors must keep in mind that the objection raised in the Audit Report or Inspection Report should be fully based/supported with relevant rules, orders and instructions, unless an objection is raised from an angle where accepted Cannons of Financial Propriety have been infringed.

9.20 TIME FOR WRITING AND SUBMISSION OF AUDIT REPORTS or INSPECTION REPORTS

(i) The Audit Officer shall submit his Report in complete state to the Director, Local Fund Audit as per time schedule specified below :-

T A B L E - 5
TIME SCHEDULE FOR WRITING AUDIT REPORT

Sl.No	Name of Accounts	Time allowed for submission
1	2	3
1	Minor Accounts	Twenty days from the date of completion of Audit
2	Major Accounts	Forty Five days from the date of completion of Audit

(ii) Time Schedule for submission of Audit Reports or Inspection Report as specified in this para shall be strictly adhered to. Any lapse on the part of the Audit Officer in submission of the Audit Report or Inspection Report in time will be treated as dereliction of duty. In case of belated submission of Audit Reports or Inspection Reports, the Director, Local Fund Audit can convey the displeasure whenever the explanation to late submission is found unsatisfactory or where the approval for doing so has not been obtained and further action for issue of warning or other suitable action may be taken against the defaulting Officer/Official according to the circumstances of the case.

(iii) As per Finance Department, Government of Mizoram Notification No.G.11023/4/2008-FCC Dt 1st June, 2011 (Copy appended in Annexure-IV), the Director, Local Fund Audit is required to submit copies of issued Audit Reports in respect of 5% of Local Bodies to the Accountant General (Audit), Mizoram for advice on system improvements and the Accountant General would make suggestions for improvement of existing manuals etc, followed by the State Audit Department.

9.21 PREPARATION AND SUBMISSION OF ANNUAL AUDIT REPORT OF THE DIRECTOR LOCAL FUND AUDIT

(i) A Report on the working of the Local Audit Department in audit works during the previous financial year shall be submitted to the Finance Department of Government of Mizoram on or before the 30th September each year with a copy to the Accountant General (Audit), Mizoram.

(ii) **ANNUAL AUDIT REPORT** : Specimen Form for preparation of Draft Annual Audit Report is appended in **Form No. 24** of this Manual. All the outstanding audit objections and the replies of which are considered and need for further probe shall be included in the Audit Report. The Annual Audit Report shall be prepared by the Director of Local Funds Audit to be published annually. The Report shall contain all those outstanding objections which could not be settled during the previous year Audit's Inspection Report. It shall then be submitted by the Director of Local Funds Audit to the Finance Department/Vigilance Department of the State Government for further discussion and recommendations with the concerned departments/local authority within six months from the date of beginning of next financial year.

In case any discrepancy is noticed in the facts and figures mentioned in the Annual Audit Reports, the same should be reported to the Director of Local Funds Audit/Audit Officer immediately and should not be held up for discussion in the Finance Department/Vigilance Department meeting. It shall be ensured by the departmental authority/local authority prior to appearing before the meeting that the discrepancy pointed out to Audit have been duly taken notice of by the Audit, so that a complete picture is available in the meeting as regards the facts.

(iii) **LAYING OF ANNUAL AUDIT REPORT BEFORE THE STATE LEGISLATURE**

As per recommendation of 13th Finance Commission in its report at paragraph 10:121 and 10:161 and as provided in Rule 21 of Mizoram Local Fund (Accounts and Audit) Rule 2012, the Annual Report of the Director, Local Fund Audit shall be laid before the State Legislative Assembly.

In order to comply with this sub-para, Annual Audit Report of the Director of Local Fund Audit, shall be submitted to the Finance Department by the Director, Local Fund Audit as per provision of sub-para –(i) of this para.

9.22 AUDIT CONDUCTED BY THE DIRECTOR, LOCAL FUND AUDIT

When the Director, Local Fund Audit himself undertakes an audit of the accounts of Local Body/Authority, he may cause a preliminary scrutiny of the accounts to be made by an Audit Officer.

9.23 LIABILITY FOR ILLEGAL PAYMENT

When a Surcharge Certificate (*Appendix –XXVII of the Mizoram Local Fund (Accounts & Audit) Rules,2012*) is issued on the members of a Local Body/Authority who have voted for a particular resolution authorizing an illegal payment, all such members shall be made jointly or severally liable for the whole of the amount suggested. Procedures for serving charge proceedings, Charge Notice and Charge Certificate shall be as per provision of Rule 20 and 22 of Mizoram Local Fund (Accounts and Audit) Rules, 2012.

9.24 CONFIDENTIALITY OF AUDIT INFORMATION

Auditors are require by this Manual to respect the confidentiality of information acquired from the client organization. Auditors shall not disclose any official information or use it for personal reasons without authorization. Information collected in the course of an audit may only be used for the purpose for which it was collected and may not be disclosed other than for audit purposes.

The Audit has certain practices and procedures for reporting audit findings. Disclosures of such official information by Auditors shall be only with the authorization of Finance Department, Government of Mizoram. In addition. Auditors must ensure the security and confidentiality of all files, whether in the offices of Audit Department or on the premises of the client organization. Auditee has an interest and a right to know audit findings and conclusions. Out of fairness to those entities and to ensure proper verification of conclusions. Out of fairness to those entities and to ensure proper verification of conclusions, it is necessary that all audit findings and conclusions be kept confidential until they have been completely substantiated, processed through an authorized clearance procedure with the audit entity., and approved for release by the authorities. Improper or pre-mature external disclosure of audit findings can harm the audited entity and cause embarrassment to the Department. The principle of confidentiality also dictates that all those working in the Audit Department must be cautious in discussing, with friends, relatives, and colleagues outside the Audit Department.

9.25 CHANGE OF AUDIT OFFICER DURING AN AUDIT

If an Officer is relieved by another Audit Officer during the currency of an audit, the former shall deliver to the later an exact statement of the audit completed up-to-date. This statement shall be filed in the Office of the Director, Local Fund Audit. The Audit Officer relieved shall also draft the paragraphs for the Audit Report

regarding the audit done by him before he makes over charge, and deliver them to the relieving Audit Officer taking the acknowledgement thereof, both the respective portion.

9.26 EMBEZZLEMENT DETECTED BY THE LOCAL AUTHORITY

Whenever any loss of money or other property due to embezzlement, theft or to facts indicating misconduct, neglect or dishonesty on the part of any Officer or staff is discovered, the fact shall promptly be reported by the Accounting Authority/Local Authority to the Director, Local Fund Audit and the Deputy Commissioner concerned. When the matter has been fully investigated, the Accounting Authority shall submit a further and complete report showing the total sum of money or property lost., the matter in which was lost, and the steps taken to recover the amount and punishment afflicted, if any. The fact that such a report has been made to the Director, Local Fund Audit or the Deputy Commissioner shall not prevent the institution of proceedings by a Local Authority should such a course be considered advisable.

9.27 QUANTUM OF AUDIT

The accounts of Local Bodies/Authorities, subject to the Mizoram Local Fund (Accounts and Audit) Act, 2006, shall be audited not less than once in twelve months unless the Director, Local Fund Audit directs otherwise.

9.28 RE-EXAMINATION OF RECORDS

- (i) If the Director, Local Fund Audit is of the opinion that the Audit Report or Inspection Report submitted by the Audit Officer does not reflect full or correct picture or if he has reason to believe that some records for the relating period were not examined or examined but detected misappropriation or any other financial irregularity could not be detected, the Director, Local Fund Audit may issue order for re-checking of such document or documents before issue of final Audit Report/Inspection Report.
- (ii) In such event as mentioned in the above para, the Accounting Authority shall be bound to produce all records or such records as will be demanded by the Audit Officer.
- (iii) The Audit Officer engaged for examination of such portion of the records will re-examined the same and submit his report to the Director, Local Fund Audit who will take into consideration of this additional report in addition to the previous report already submitted for finalization of the Audit Report.

9.29 RE-AUDIT OF ACCOUNTS

- (i) If the Director, Local Fund Audit is of the opinion that the Audit Report submitted by the Audit Officer does not reflect full or correct picture or if he has reason to believe that some records for the relating period were not examined or examined but defalcation, misappropriation or any other financial irregularities could not be detected, the Director, Local Fund Audit may issue order to re-audit the entire accounts of the period even if the final Audit Report is issued.
- (ii) In such event as mentioned in sub-para (i) of this para, the Accounting Authority shall be bound to produce all records or such records as will be demanded by the Audit Officer.
- (iii) The Audit Officer so engaged for the re-audit of such portion or whole of the accounts will re-audit the same and submit hi report to the Director, Local Fund Audit who will deal with the matter accordingly.
- (iv) The Director, Local Fund Audit will issue the Audit Report :-
 - (a) after cancelling the previous Audit Report or Inspection Report already issued if the present Audit Report or Inspection Report is on the basis of complete re-audit of the accounts; or
 - (b) in addition to the previous Audit Report or Inspection Report and or in submission of such paragraphs of the Audit Report or Inspection Report already submitted, if the present Audit Report or Inspection Report is on the basis of partial re-audit of the accounts.

9.30 AUDIT OF BROKEN PERIOD

Generally audit shall be conducted for one full account year. Audit for fraction of the year is not permissible unless otherwise provided. When a defalcation is detected and reported to the Director, Local Fund Audit as per provision of para 9.13, the Director, Local Fund Audit may order up-to-date detailed examination of all or any particular accounts, if in his opinion such examination is necessary.

9.31 SPECIAL AUDIT

In case and if there is any such special requests for audit of such accounts, special order from the Government (in the Finance Department) shall be required to audit such accounts. The Accounting Authority or his higher authority shall move Government in the Finance Department for according sanction to such Special Audit.

9.32 EXEMPTION FROM AUDIT

- (i) No accounts of a particular financial year or years or part thereof be left unaudited.
- (ii) In extra –ordinary special cases where the accounting authority fails to produce the accounts of a particular year or years or part thereof, for any reason whatsoever, the Audit Officer shall not audit the accounts of subsequent period unless the Secretary of the Administrative Department concerned exempts from audit the accounts of such period with concurrence of the Finance Department.
- (iii) In such circumstances the Audit Officer shall immediately report the matter to the Director, Local Fund Audit who in turn shall examine the case and report the matter to the Secretary of the concerned Administrative Department and the Finance Department for necessary action.

9.33 SEIZURE

- (i) In course of audit when a fraud or embezzlement is detected or the Audit Officer or other officers authorized to conduct audit has sufficient reason to suspect fraud or embezzlement in the accounts, he may seize such records as he thinks necessary.
- (ii) Subject to provision of sub para (i) of this para, the Audit Officer also shall seize such records as will be directed by the Director, Local Fund Audit.

9.34 PROCEDURE OF SEIZURE

While seizing any record required formalities shall be observed and seized records shall be kept in safe custody (Reference Para 11.1.4).

The Director, Local Fund Audit shall maintained “Register of Seized Records” in **Form No. 6** appended to this Manual.

9.35 TRANSPORTATION OF SEIZED RECORDS

- (i) The Officer who has seized the records is authorized to incur the required expenditure for transportation of seized records from the place of seizure up to the place of keeping the same in safe custody. The expenditure so incurred will be reimbursed by the Director, Local Fund Audit.
- (ii) If the Officer who has seized the records is of the opinion that the seized materials are likely to be damaged or destroyed or snatched away or if he thinks that there is risk in carrying such records without escort, he may take help from the Civil Authority and Police.

9.36 INTIMATION OF SEIZURE TO DIRECTOR, LOCAL FUND AUDIT

The Audit Officer authorized to seize any record shall inform the Director, Local Fund Audit regarding the seizure made by him on the very day of seizure by way of Fax/Telephone and any other means of communication when the place of seizure is away from Headquarter, such intimation may be sent through sent through special messenger on the day of seizure.

9.37 RELEASED OF SEIZED RECORDS

- (i) The records seized under the provision of para 9.33 of this Manual, can be released only under the specific written order of the Director, Local Fund Audit.
- (ii) If there is a court case or likelihood of filing a suit, the seized records may be released only after the final disposal (including appeal) of the case.
- (iii) If in any case there is specific recommendation to release the seized records from the concerned Head of the Department, the Director, Local Fund Audit may after due consideration of the merit of the case pass such orders as he thinks necessary in the interest of public services.
- (iv) Seized records may be released either in full or in part as will be determined by the Director, Local Fund Audit.
- (v) The Accounting Authority claiming for release of the seized records should come through the concerned Heads of Departments.

9.38 TEMPORARY RELEASE OF SEIZED RECORDS

- (i) The Director, Local Fund Audit, if he is satisfied, may issue order to release the seized records temporarily for special period for the purpose of :-
 - (a) audit
 - (b) inspection by Police Authority or any other Investigating Agency (authorized) of the State Government or Central Government when it is so required.
 - (c) examination of records by the concerned Accounting Authority or Controlling Authority.
- (ii) For the purpose of temporary release of the seized records formal request for such release should come through :-
 - (a) in the case specified in sub para (i)(b) of this para – Superintendent of Police.
 - (b) in the case specified in sub para (i)(c) of this concerned – Heads of Department.
- (iii) In case of temporary release of seized records, the authority mentioned in (b) and (c) of sub-para (i) of this para may examine the required records in presence of the Officer authorized by the Director, Local fund Audit. Such Authority shall not remove, deface, tamper, or destroy records in any manner whatsoever and shall keep the records as it was.
- (iv) The records so temporarily released under provision of sub-para (i) of this para should be properly released and kept in safe custody as specified in para 9.34.

Note :- Temporary release means release of seized documents temporarily from the custody of Treasury Officer or such other Officer at whose custody the seized records were kept only for the purposes mentioned in (a), (b) and (c) of sub-para (i) of para 9.38.

9.39 EMBEZZLEMENT REGISTER (Reference Para 9.13)

- (i) The Embezzlement Register should contain particulars of each report of embezzlement and should frequently be referred to in order to ascertain whether the final reports have been submitted as required by the rules.
- (ii) The Embezzlement Register shall be maintained in the Director, Local Fund Audit Office. The relevant data can be collected from the passed Audit Reports

of both Major and Minor Accounts. The Director, Local Fund Audit Office shall record all embezzlements of all accounts of the entire state pertaining to irrespective of Major Accounts or Minor Accounts.

- (iii) During the course of audit if any embezzlement is reported by the Office conducting audit, the same shall also be recorded in the Embezzlement Register both in the Head Office as well as in the Embezzlement Register after the Audit Report or Inspection Report is passed and issued. Similar procedure shall be adopted in case of embezzlement reported by the accounting authority.
- (iv) Embezzlement Register shall be maintained in **Form-7**.

9.40 AUDIT FEE

(i) Whenever any audit of the accounts of Private Institution/Local Authority/ Board/Society or Government Undertakings is required to be done at the request of the Executive Head of such Institution/Local Authority/ Board/Society/Government Undertakings - the following Audit Fees, as shown in Table - 6, shall be charged by the Director, Local Fund Audit unless and until the Finance Department, Government fixed Audit Fees for this purpose :-

T A B L E - 6
R A T E S O F A U D I T F E E

Sl.No	Audit Party	Daily rate of Audit Fee
<i>1</i>	<i>2</i>	<i>3</i>
(a) Outstation i.e outside Aizawl		
1	One Audit Officer, One Auditor, two Assistant Auditors and Driver/Peon	Rs 3000.00
2	One Audit Officer, one Assistant Auditors and Driver/Peon	Rs 1500.00
(b) Within the Station i.e., Aizawl		
1	0.3 per cent of the audited amount or part thereof subject to a maximum of Rs. 2,00,000.00 per Audit.	

- (ii) The Audit Fees should be realized in advance according to Audit Programme and shall be credited to revenue of the State Government under the head – 0070 – Other Administrative Service, 800 – Other Receipt. The Director, Local Fund Audit is empowered to order such audit. In special case Government may consider to waive a part or full amount of audit fee.

- (iii) A demand Note for Audit Fees as mentioned in sub-para (i) and (ii) shall be sent by the Director, Local Fund Audit to the Accounting authority in **Form No. 14** and detail calculation of Audit Fees in **Form No. 15**, for realization of Audit Fees in advance.
- (iv) The Director, Local Fund Audit shall maintain a Register of Audit Fee realized as per **Form No. 19**.

9.41 PROGRESS REGISTER (Reference Para 11.1.5)

The Director, Local Fund Audit Office shall maintain a Progress Register in **Form No. 10** and shall be maintained by the Section Officer of an audit unit/branch. Progress Register shall be reviewed to ascertain the progress of audit at the end of each month.

9.42 INCLUSION OF NEW ACCOUNTS IN THE PROGRESS REGISTER

No new account shall be included in the Progress Register except under the order of the Director, Local Fund Audit. As soon as the Director, Local fund Audit received an order from the competent authority sanctioning budget/grants-in-aid to a Department/ an Institution which has not been included in the Progress Register, the Director, Local Fund Audit after considering all aspects may pass order to allow inclusion of the name of such institution in the Progress Register.

9.43 DELETION OF ACCOUNTS FROM THE PROGRESS REGISTER

No accounts shall be deleted from the Progress Register without the specific order of the Director, Local Fund Audit. Where the Director, Local Fund Audit is of the opinion, which is to be recorded in writing, that no useful purpose will be served in maintaining the particular account in the Progress Register, he may after considering all aspects order for deletion of such account from the Progress Register.

9.44 ANNUAL REVIEW OF PROGRESS REGISTER

- (i) The Director, Local Fund Audit shall review the respective Progress Register in the 1st week of April each year and take necessary action as to make the Progress Register up-to-date.

- (ii) Review of Progress Register shall clearly indicate the position of progress of audit and arrears position.
- (iii) The Director, Local Fund Audit shall see that each account is audited once in every year.

9.45 MONTHLY REPORT ON PROGRESS OF WORK

- (i) The Assistant Director, Local Fund Audit shall submit a report every month to the Director, Local Fund Audit showing the progress of work done during the previous month.
- (ii) The Director, Local Fund Audit shall examine the monthly report on progress of work done and shall take such steps as he deems necessary to ensure satisfactory progress of audit work.
- (iii) During Monthly review of progress of work, various statements mentioned in Para 9.19(i) of this Manual should be enclosed along with the Monthly Progress Report.

9.46 TENTATIVE PROGRAMME

The Deputy Director of Local Fund Audit /Assistant Director of Local Fund Audit shall submit a statement showing the tentative programme of the audit to be undertaken in the next month as per **Form-13**.

9.47 CLASSIFICATION OF ACCOUNTS

- (i) The Accounts which are required to be audited by the Director, Local Fund Audit are classified as follows :-
 - (a) Major Accounts; and
 - (b) Minor Accounts
- (ii) If a new account or a class of new accounts is required to be incorporated in the Progress Register the same shall first be classified by the Director, Local Fund Audit as either Major Accounts or Minor Accounts according to importance and volume of transactions.

9.48 PUBLICATION OF AUDIT REPORT

- (i) The Director, Local Fund audit shall examine the draft Audit Reports or Inspection Reports and Audit Certificates of all the major accounts and the draft Report of Special Audit and after being satisfied will and publish the Audit Reports or Inspection Reports and Audit Certificates under his signature or under the signature of any officer (not below the rank of Assistant Director, Local Fund Audit) working under him.

Note :- The Director, Local Fund Audit may authorize any Gazetted Officer (not below the rank of Assistant Director, Local Fund Audit) working under him to examine the draft Audit Reports or Inspection Reports and Audit Certificates on his behalf.

- (ii) The Audit Reports or Inspection Reports and the Audit Certificates as mentioned in sub para (i) of this para shall be issued and published within 30 (thirty) days from the date of receipt of such Audit Reports or Inspection Reports and Audit Certificates from the Audit Officer.
- (iii) The Director, Local Fund Audit shall see that the instructions or suggestions issued to the Audit Officer are properly reflected in the Audit Reports or Inspection Reports.

9.49 CONDONATION OF IRREGULAR PAYMENT

- (i) The Director, Local Fund Audit may condone irregularity in a particular payment made from a Local Fund which appears to him to be contrary to law or rules provided that :
 - (a) in his opinion, there was no negligence or mis-conduct on the part of the person making or authorizing such payment ;
 - (b) such payment was bona-fide and a similar irregularity in payment from the same local fund had not been condoned earlier and ;
 - (c) such payment does not exceed rupees two thousand.
- (ii) The Director, Local Fund Audit shall submit to the Government a report of all such condonations with the reasons for each condonation.

9.50 RECORDS OF EVIDENCE

The Director, Local Fund Audit may record evidence taken under Section 5(2) or Section 5(3) of the Act as the case may be.

9.51 DIET AND ROAD MONEY TO WITNESSES

The Director, Local Fund Audit may pay diet and road money to witness out of his contingency on the scale laid down to Audit Party.

9.52 SETTLEMENT OF AUDIT OBJECTIONS

Replies to audit objections for settlement shall be sent in duplicate within three months by the Accounting Authority to the Director, Local Fund Audit irrespective of Major and Minor Accounts.

If the replies to the audit objections are considered satisfactory by the Director of Local Funds Audit, the objections included in the audit report/inspection reports shall, after careful examination, be dropped by the Director of Local Funds Audit himself. If these are not considered satisfactory and need further probe, it shall be included in the Annual Audit Report as explained in Rule 8 of Mizoram Local Fund (Accounts & Audit) Rules, 2013.

9.53 REMOVAL OF OBJECTIONS

- (i) Once the transaction has been challenged by the Audit, the responsibility for having the objection removed and their prompt settlement, will primarily devolve upon the department/ local authority concerned. An audit objection is usually removed by obtaining the requisite sanction, by making the necessary recovery, by correcting or completing the relevant account or voucher, or by furnishing the necessary documents or information, or by otherwise securing compliance with the provisions of a specified Rules/Regulations.
- (ii) Audit Inspection Reports/Audit Reports should be promptly dealt with by the concerned Department Officer/Local authority at the initial stage so that the contingency of reporting of any point or para to the State Government (Finance Department/ Vigilance Department) does not arise due to negligence or delay in reply. First reply should invariably be sent to the Director of Local Funds Audit within one months of the date of the receipt of printed reports.

9.54 REMINDERS

If reply to an audit report is not received within the prescribed period, a reminder should be issued to the client organization. If this action does not bring the required reply, a second reminder should be sent. If even the second reminder fails to produce the desired result, the Director, Local Fund Audit should send a demi-official letter to the Head of the Office/Accounting Authority of the fund as the case may be. In important cases reminders to the Government should be issued in the form of special letter, U.O or Demi- Official letter and should be signed by the Director, Local Fund Audit.

9.55 AUDIT CELL OR AUDIT BRANCH

(i) In order to settle the objections raised in course of audit, there shall be an Audit Cell/Audit Branch in the Office of the Chief Controller of Accounts, Accounts & Treasuries.

9.56 REVIEW COMMITTEE

There shall be a **Review Committee** to review the settlement of audit objections in case of long pending outstanding audit objections with the following members as shown in Table – 7 below :-

T A B L E - 7
REVIEW COMMITTEE ON LONG OUTSTANDING AUDIT OBJECTIONS

Sl.No	Members	
<i>1</i>	<i>2</i>	<i>3</i>
1	Director, Local Fund Audit	Chairman
2	Head of Department concerned	Member
3	Head of the Local Authority, if any, in case of sanctioned Grants-in-Aids	Member
4	Representative of Finance Department, Government of Mizoram	Member
5	Deputy Director, Local Fund Audit	Member
6	Assistant Director, Local Fund Audit	Member & Secretary

The Review Committee shall sit once in a year. The Director, Local Fund Audit shall thereafter submit an Annual Report to the Finance Department by 30th September incorporating major outstanding audit objections relating to local bodies which are pending for settlement for further action by the Finance Department.

CHAPTER – 10

GUIDANCE NOTES ON PROCESS OF AUDIT

10.1 INTRODUCTION

In this Chapter, instructions as to the audit procedure to be followed are given for the guidance of the Audit Officers. It must be clearly understood that these instructions only represent the minimum that is necessary for an effective audit. The true value of an audit will be found, over and above this, in the personal zeal and interest of the Audit Officer in his work and in the application of his own personality and experience to the constantly changing facts presented before him. It should be borne in mind that as the Audit Officer has access to the basic facts and to the men who deal with them, he is far better position to get at realities. It is by his skill and success in doing so, and by exposing fraud and mismanagement, if any, rather than by his mere compliance with rules and orders that he will be judge.

10.2 SPECIAL PROVISIONS FOR CERTAIN ACCOUNTS

Subsequent para of this Chapter deal in detail with the process of audit relating to various subject matters common to all Local Funds whether profit earning organization or non-profit earning organization. Process of audit for certain accounts with certain peculiarities are dealt in the next Chapter.

10.3 ANNUAL AUDIT REPORT AND INSPECTION REPORTS

The audit Officer shall go through the Annual Audit Report of the Director, Local Fund Audit for the year covering the period of audit and also go through all Audit Reports or Inspection Reports recorded by the Director, Local Fund Audit or other Officers covering the period of audit. Valuable hints may sometimes be obtained from these sources as to points which require special attention in audit.

10.4 PREVIOUS AUDIT REPORTS

The Audit Officer shall take up the previous Audit Report, the explanation furnished by the Local Authority and the Director, Local Fund Audit's orders thereon and see that necessary action has been taken on the objections noted therein. He shall examine also the Schedule in **Form No. 2** and **Form No. 3** containing technical irregularities, defects and omissions in accounts and registers and shall see if the

defects have been remedied. He shall dispose of as many objections as possible and the matter of such settlement be specifically mentioned in a separate para in Part-I of his Audit Report or Inspection Report drawing particular attention to points raised in more than one previous report, and audit will generally begin with this check.

10.5 GUIDANCE NOTE ON AUDIT OF RECEIPTS

The audit of receipts will ordinarily start with the Cash Book and in checking the receipts, the entries will be traced from the various registers, Receipt Books etc., each description of receipt being completely checked for the entire period covered by Audit before check of the receipt of any other description is taken up. A complete list of all kinds of demands duly certified by the executive of the Local Authority should be obtained before the audit of receipts is commenced; in case of non-compliance with the above requisition, the fact should be reported to the Director, Local Fund Audit and noted in the Audit Report or Inspection Report as well.

10.5.1 CHECKING OF RECEIPTS

In dealing with receipts the following points should be observed :-

- (a) that the totals in the several registers and receipts are correct;
- (b) that credits are traced in the Cash Book for all amounts shown as realized in the Subsidiary Registers, Receipt Books etc.;
- (c) that the demands are punctually and fully realized;
- (d) that the levy of rents, fees, tax etc is duly authorized;
- (e) that remissions are duly supported by proper sanction;
- (f) that collections are not necessarily retained in the hands of the collecting staff;
- (g) that the Stock Account of receipt books has been maintained properly.

Audit Officer must pay special attention to unusual delays in the remittance of collections to the Treasury or Bank as the case may be. If such delay is casual and relates only to small amounts, it may be merely noted as an irregularity. If, however,

the delays are systematic and relate to large amounts, the matter should be specially dealt with in the Audit Report/Inspection Report.

10.5.2 CHECKING OF STOCK ACCOUNTS OF RECEIPT BOOKS

In checking the Stock Account of Receipt Books, the following points should be observed :-

- (i) that the opening balance tallies with the last closing balance;
- (ii) that the number of books shown to have been received from the printing press tallies with the bill of the printing press and the number of Receipt Book so printed, has the specific sanction of the Managing Committee, Governing Body, Council or such other appropriate authority in every individual case.
- (iii) that all the used and unused books are produced to audit;
- (iv) that the books are serially numbered and they contain all the pages as certified in the fly-leaf;
- (v) that one Receipt Book is issued to and used by one person at a time and a fresh Receipt Book is issued on return of the used Receipt Book issued earlier;
- (vi) that the annual physical verification of the stock of the Receipt Books has been done and a certificate to that effect recorded in the Stock Book under the signature of the proper authority.

10.6 GUIDANCE NOTE ON AUDIT OF REVENUE

10.6.1 INTRODUCTION :

Revenue is the gross inflow of cash, receivables or other consideration arising in the course of ordinary activities of an organization like market fees, fees and funds in educational institutions, rent receipts, yielding interest, royalties and other misc. income etc. The revenue is measured by the charges made to customers for services rendered to them and by the charges and rewards arising from the use of resources by them. The term 'revenue' covers only the gross inflow of cash, receivables or other

consideration, as aforesaid, received or receivable by the organization on its own account. Amounts collected on behalf of third parties are excluded from revenues.

This Guidance Note deals with the audit of the following types of revenue arising in the course of ordinary activities of an organization:-

- (i) Collection of Various fees/funds under the authority of Govt.
- (ii) Rendering of services.
- (iii) Use by others organization's resources like rent receipts, yielding interest, royalties and other misc. income etc.

In carrying out an audit of revenue, the auditor is particularly concerned with obtaining sufficient appropriate audit evidence to corroborate the management's assertions regarding the following :

- (a) **Occurrence** - that recorded revenue arose from transactions, which took place during the relevant period and pertain to the organization.
- (b) **Completeness** - that there is no unrecorded revenue.
- (c) **Measurement** - that revenue is recorded in the proper amounts and is allocated, to the proper period.
- (d) **Presentation and Discloser** - that revenue is disclosed, classified, and described in proper head of accounts in accordance with recognized policies and practices and relevant statutory requirements, if any.

The auditor should study and evaluate the system of internal control relating to revenue, to determine the nature, timing and extent of his other audit procedures. He should particularly review the following aspects of internal control relating to the revenue:-

- (i) The systems and procedures relating to generation of revenue including authority to fix process.
- (ii) Accounting procedures relating to recognition of revenue.
- (iii) Existence of periodic reports on actual performance vis-à-vis budgets.

10.6.2 VERIFICATION

Verification of revenue may be carried out by applying the following procedures.

- (a) Examination of records.
- (b) Analytical review procedures.

The nature, timing and extent of substantive procedures to be performed is, however, a matter of professional judgment of the auditor which is based, inter alia, on the auditor's evaluation of effectiveness of the related internal controls.

10.6.3 EXAMINATION OF RECORDS

The auditor should examine whether the basis of recognition of revenue by the organization is in accordance with the recognized accounting principles.

Where the consideration is receivable in installments and includes an element of interest, the auditor should examine that the revenue attributable to the consideration excludes the interest element.

In respect of revenue arising from services rendered, the Auditor should examine the related agreements and other documents. Similarly revenue in the form of interest, royalties and rent receipts etc., the Auditor should examine the related documents such as loan agreements, lease agreements and rent agreements etc. They may seek confirmation certificates from the parties concerned.

The auditor should also verify realizations subsequent to the date of the audit period to identify items of unrecorded revenue.

10.6.4 ANALYTICAL PROCEDURES

In addition to the audit procedures discussed above, the following analytical procedures may often be helpful as a means of obtaining audit evidence regarding the various assertions relating to revenue.

- (i) Comparison of revenue for the current year with the corresponding period of the previous year.
- (ii) Comparison of interest, royalties and rent receipts etc. for the current year with the corresponding of the previous year.

- (iii) Comparison of different ratios relating to revenue for the current year with the corresponding of the previous year.

It may be clarified that foregoing is only an illustrative list of analytical procedures, which an auditor may apply in carrying out an audit of revenue. The exact nature of analytical procedures to be applied in a specific situation is a matter of professional judgment of the auditor.

10.7 GUIDANCE NOTE ON AUDIT OF EXPENDITURE

10.7.1 INTRODUCTION

Expenditure is a cost relating to the operations of an accounting period and is incurred in the relevant period. e.g. purchases, salaries & wages, telephone, traveling, rent of office building, normal interest, bonus, retirement benefits, establishment and general administrative expenses, depreciation, research & development expenses, repairs and maintenance, contingencies and taxes on income etc.

In carrying out an audit of expenditure, the Auditor is particularly concerned with obtaining sufficient appropriate audit evidence to corroborate the management's assertions regarding the following :

- (a) **Occurrence** - that recorded expenditure arose from transactions, which took place during the relevant period and pertain to the organization.
- (b) **Completeness** - that there is no unrecorded expenditure.
- (c) **Measurement** - that expenditure is recorded in the proper amounts and is, allocated to the proper period.
- (d) **Presentation and Discloser** - that expenditure are disclosed, classified, and described under proper head of accounts in accordance with recognized policies and practices and relevant statutory requirements, if any.

In view of the divergence in nature of expenditure incurred by different organizations, guidance is provided on procedures to be employed in carrying out an audit of expenditure, which would be applicable in case of most of the organizations. It is recognized, however, that audit procedures different from or additional to may be necessary in a particular case, depending upon its facts and circumstances.

The auditor should study and evaluate the system of internal control relating to expenditure, to determine the nature, timing and extent of his other audit procedures. He should particularly review the following aspects of internal control relating to the expenditure.

- (i) The systems and procedures relating to incurring of expenditure including authorization procedures.
- (ii) Accounting procedures relating to recognition of expenditure.
- (iii) Existence of periodic reports on actual performance vis-à-vis budgets and internal management reports.

10.7.2 VERIFICATION

Verification of expenditure may be carried out by applying the following procedures.

- (a) Examination of records.
- (b) Analytical review procedures.

The nature, timing and extent of substantive procedures to be performed is, however, a matter of professional judgment of the auditor which is based, inter alia, on the auditor's evaluation of effectiveness of the related internal controls

10.7.3 ANALYTICAL PROCEDURES

The Auditor should conduct analytical procedures, which involve analysis of significant investigation of fluctuations and relationship that are inconsistent with other relevant information or which deviate from predicted/ budgeted amount.

10.7.4 EXAMINATION OF RECORDS

Examination of records and documents is one of the most important techniques of auditing. An auditor has to examine a large number of documents in the course of an audit since most transactions are supported only by documentary evidence. The auditor should carry out examination of the relevant records to satisfy himself about their validity, accuracy, and other assertions with regard to various expenditure incurred by the organization. The extent of such examination would depend on the auditor's evaluation of efficacy of internal control.

The Auditor should examine whether the basis of recognition of expenditure by the organization is in accordance with the recognized accounting principles.

10.7.5 CHECKING OF PAYMENT VOUCHERS

In dealing with the payment vouchers the following points should be observed :-

- (i) that the claim is admissible;
- (ii) that the claim is covered by the requisite sanction, where necessary;
- (iii) that the sanctioning authority possesses the necessary power to issue sanction;
- (iv) that there is provision in the Budget Estimate to meet the charge or that re-appropriation have been duly sanctioned;
- (v) that every payment is supported by a voucher in proper form that the vouchers are consecutively numbered and arithmetically correct, and are supported by proper receipts. It should be seen that the signature of the payee, whenever it is recorded in the bill, agrees with that given in the receipt;
- (vi) that amounts paid are correctly entered in the relevant registers;
- (vii) that all bills are passed for payment by the competent authority and that the payment orders are expressed both in words and in figures;
- (viii) that all paid bills have been stamped "Paid by Cheque No.....dated....., Bank Draft No....Dated....., Cash";
- (ix) that the General Financial Rules and other Subsidiary Rules frame thereunder and any other Rules as adopted by Government of Mizoram are followed and observed in all respect in which they apply;
- (x) Generally, that a particular rules introduced are followed, and that prescribed forms are used;
- (xi) that the payment is covered by valid letter of credit or ceiling where applicable

10.7.6 SALARIES AND WAGES

The Auditor should examine the entries in the pay roll/wages sheets with reference to relevant records, e.g. employees record maintained by the organization viz. salary register, establishment check register showing therein details of pay such as basic pay, allowances, annual increment, etc. Special attention may also be paid by the Auditor in respect of new employees joining the institution during the period covered under audit. Similarly, the payroll may also be examined with reference to the time records/ attendance records and leave records maintained by the organization. The deductions made in respect of income-tax, provident fund, welfare schemes, etc. may be examined with reference to the returns submitted to the authorities concerned and the receipts/acknowledgements issued by the authorities.

The Auditor should examine whether any legal, regulatory or contractual requirements having a bearing on the rate or amount of wages and salaries have been complied with.

In case of casual labourers, besides carrying out the other audit procedures, the auditor should specifically examine the sanction of the competent authority for employment of such labourers and ascertain whether such employees are retained for the period mentioned in the sanctioned orders only.

The Auditor should obtained a list of employees who have retired or otherwise left the services of the organization during period under audit and examine that they have not been included in the payroll.

10.7.7 ESTABLISHMENT AND GENERAL ADMINISTRATIVE EXPENSES

The Auditor should verify establishment expenditure and general administrative expenditure such as insurance, rent, rates, conveyance, traveling, telephone, entertainment, printing and stationary, general expenses, etc. with reference to the sanction of the competent authority, the supporting documents, related agreements and the rules and regulations applicable and followed by the organization. Apart from verifying stock entries, where applicable, the auditor may also compare the amounts of these expenses with the corresponding figures for the previous year.

10.7.8 REPAIR AND MAINTENANCE

The Auditor should scrutinize the repairs and maintenance account to ascertain that new fixed assets and substantial improvements to existing assets have not been included in repairs and maintenance. The Auditor should exercise special care particularly in case large amounts are involved in the repair and maintenance of vehicles, premises or other fixed assets.

10.7.9 CONTINGENCIES

The Auditor should verify various items of expenditure incurred on contingencies with reference to supporting documents and related agreement. For example, the cost of material consumed for contingent expenditure may be verified with reference to such documents as purchase invoice/cash memo, goods received notes, records relating to issue of material etc.

10.7.10 RETIREMENT BENEFITS

The Auditor should examine whether the organization is liable to pay retirement benefits to its employees such as provident fund, superannuation/pension, gratuity, etc., whether in pursuance of requirements of any law and/or in terms of agreement with the employees. If so, the Auditor should examine whether the amount payable has been computed in accordance with relevant rules and regulations, legal and/or contractual requirements. In respect of gratuity/pension, the Auditor should specifically examine whether the provision for accruing gratuity/pension liability has been made by the organization.

10.7.11 INTEREST AND FINANCIAL CHARGES

The Auditor should verify the amount of interest expenditure for the year with reference to the terms and conditions of relevant agreements. The Auditor may also work out the ratio of interest expenditure for the year to average interest bearing loans and advances outstanding during the year and compare it with the corresponding figures for the previous years and reconcile the same. If the organization has paid any penal interest, it should be examined.

10.7.12 DEPRECIATION

The Auditor should check the rates and calculation of depreciation. The total depreciation arrived at should be compared with that of previous years to identify the reasons for variations. The Auditor should particularly examine whether the depreciation charge having regard to rate of depreciation and method of depreciation followed consistently is adequate keeping in view the generally accepted bases of accounting for depreciation.

10.8 GUIDANCE NOTE ON AUDIT OF MISCELLANEOUS/ PRE-LIMINARY EXPENDITURE

10.8.1 INTRODUCTION

Miscellaneous/Preliminary Expenditure embrace within its fold a variety of items of expenditure which are not charged to income in the year in which they are incurred, but are carried forward to be written-off in subsequent periods. The amount of expenditure to be carried forward should not exceed the expected future revenue/other benefits related to the expenditure. It should however be ascertained that unless some benefit from the expenditure can reasonably be expected to be received in future and unless the amount of such benefit is reasonably determinable, there is no justification for carrying forward the expenditure for being written-off in subsequent period.

The Auditor should study and evaluate the system of internal control relating to the various items of miscellaneous/preliminary expenditure to determine the nature, timing and extent of his other audit procedures. He should particularly review the following aspects.

- (a) There should be a system of internal control over expenditure incurred on these items. An effective method of exercising such control is budgeting which, apart from ensuring proper authorization of expenditure incurred, also shows in general how effectively such expenditure is being controlled. This is accomplished through periodical comparisons of actual with budgeted figures.
- (b) Accountability should be established over each item of such expenditure. This can be achieved, inter alia, by up-to-date maintenance of proper records.

10.8.2 VERIFICATION

While verifying an item of miscellaneous/preliminary expenditure in the year in which the relevant expenditure are incurred, the auditor should satisfy himself regarding the amount of such expenditure and its deferral as also regarding the reasonableness of the period of amortization of the expenditure. Till the amount is fully amortized, the auditor should examine every year that a proper amount is amortized during the year by way of charge to income for the year. The auditor also examines every year that the criteria, which previously justified the deferral of the expenditure, continue to be met. If those criteria no longer apply, the auditor should examine whether the unamortized balance has been charged as expense immediately.

10.9 GUIDANCE NOTE ON AUDIT OF FIXED ASSETS

10.9.1 INTRODUCTION

Fixed assets are assets held for the purpose of providing or producing goods or services and are not meant for sale in the normal course of operation. Therefore, an asset can be classified as a fixed asset or otherwise, depending upon the use to which it is put or intended to be put. For example, assets, which are classified as fixed in one type of operation, may be considered as current assets in another.

Fixed assets normally constitute a significant portion of the total asset of an enterprise. Audit of fixed assets, therefore, assumes considerable importance.

The following features of fixed assets have an impact on the related audit procedures :

- (i) By their very nature, fixed assets are turned over much slower than current assets. Normally, fixed assets are carried over from year to year.
- (ii) The average unit of fixed assets is normally of a relatively larger rupee value.
- (iii) Since fixed assets are high value items, their acquisition is more effectively controlled.

An auditor should review the system of internal controls relating to fixed assets, particularly the following :

- (i) Control over expenditure incurred on fixed assets – an effective method of exercising this control is capital budgeting, which, apart from ensuring proper authorization of the expenditure incurred, also shows, how effectively such expenditure is being controlled through periodical comparisons of actual with budgeted figures.
- (ii) Accountability and utilization Controls – accountability over each fixed asset or each class of fixed assets is established, among other things, by maintaining appropriate records. This facilitates control aspects of custodianship of such assets.
- (iii) Information Control – these controls ensure that reliable information is available for calculating and allocating depreciation, establishing the amount of insurance coverage, filing insurance claims controlling repairs and maintenance charges etc.

10.9.2 VERIFICATION OF RECORDS

Verification of fixed assets consists of examination of related records. The auditor should normally verify the records with reference to the documentary evidence and by evaluation of internal controls. Physical verification of fixed assets is primarily the responsibility of the management.

- (i) The opening balances of the existing fixed assets should be verified from records such as schedule of fixed assets, ledger or register balances.
- (ii) Acquisition of new fixed assets and improvements in the existing ones should be verified with reference to supporting documents such as orders. Invoices, receiving reports, and title deeds.
- (iii) The Auditor should scrutinize expense accounts e.g. repairs and renewals to ascertain that new capital assets and improvements have not been included therein.
- (iv) Where fixed assets have been written-off or fully depreciated in the year of acquisition/construction, the auditor should examine whether these were recorded in the fixed assets register before being written-off or depreciated.

In respect of fixed assets destroyed, scrapped or sold, the auditor should examine (a) whether the assets and depreciated accounts have been properly adjusted (b) whether the sale proceeds, if any, have been fully accounted for, and (c) whether the resulting gains or losses, if material, have been properly adjusted and disclosed.

10.10 GUIDANCE NOTE ON AUDIT OF INVESTMENTS

10.10.1 INTRODUCTION

Investments are assets held by an entity for earning income by way of interest, rentals, for capital appreciation or for other benefits. Investments are classified as 'current investments' and 'long term investments'. *A current investment is an investment that is by its nature readily realizable and is intended to be held for not more than one year from the date on which such investment is made. A long-term investment is an investment other than current investment.*

The Auditor should study and evaluate the system of internal control relating to investments, to determine the nature, timing and extent of his other audit procedures. He should particularly review the following aspects of internal control relating to investments.

(a) Control over acquisition, accretion and disposal of investment

There should be proper authority for sanction, acquisition and disposal of investments. It should also be ensured that investments are made in accordance with the legal requirements governing the entity as also with its internal regulations, trust deed, etc.

(b) Safeguard of investments

The investments should be in the name of the entity. The legal requirements in this behalf, if any, should be complied with. There should exist a proper system for the safe custody of all scripts or other documents of title to the investments belonging to the entity.

(c) Controls relating to the title to investments

It should be ensured that in cases where the title does not pass on to the entity immediately on acquisition, the same is transferred to the entity in due course of time, along with the benefits that might have accrued since the acquisition of the investments. It should be ensured that there is no undue time lag in the execution of various stages of the transactions.

10.10.2 VERIFICATION

The auditor's primary objective in audit of investments is to satisfy himself as to their existence and valuation. Verification of investments may be carried out by applying the following procedure :

(a) Verification of Transactions

The Auditor should ascertain whether the investments made by the entity are within its authority. In this regard, the auditor should examine whether the legal requirements governing the entity, insofar as they relate to investments made by the entity are not ultra vires the entity. Apart from above, the auditor should also ensure that any other covenants or conditions, which restrict, qualify or abridge the right of ownership and/or disposal of investments, have been complied with by the entity.

(b) Verification of authority and documentation

The Auditor should satisfy himself that the transactions for the purchase/sale of investments are supported by due authority and documentation.

(c) Examination of Valuation and disclosure

The Auditor's objective concerning valuation is to obtain evidence that the amount at which investments have been valued is computed on an appropriate basis.

10.11 GUIDANCE NOTE ON AUDIT OF LOANS AND ADVANCES

10.11.1 INTRODUCTION

Loans and Advances may constitute a significant proportion of the total assets of an organization. The auditor should take these factors into account in designing his audit procedures.

In respect of loans and advances, as far as possible, the system should specify the following :

- (i) Total amount up to which loans may be made
- (ii) The purposes for which loans may be made

- (iii) Maximum amount of loan, which may be made for each such purpose in individual case
- (iv) The terms on which such loans may be made
- (v) The persons who are authorize to make loans
- (vi) Procedure for ensuring compliance with relevant legal requirements

All variations in the terms of loans and advances should be duly approved in writing by the competent authority. The system should provide for identification of cases where principal and/or interest have become overdue or where any other terms are not being complied.

Confirmation of balances of loans and advances should be obtained at periodic intervals.

In carrying out an audit of loans and advances, the auditor is particularly concerned with obtaining sufficient appropriate audit evidence to corroborate the management's assertions regarding the following :

- (a) **Existence** - that all the amount recorded in respect of loans and advances are outstanding in the Financial Statement.
- (b) **Completeness** - that there is no unrecorded loans and advances.
- (c) **Presentation and Discloser** - that loans and advances are disclosed, classified, and described under proper head of accounts in accordance with recognized policies and practices and relevant statutory requirements, if any.

10.11.2 VERIFICATION

Verification of loans and advances may be carried out by employing the following procedures :

- (a) Examination of records
- (b) Analytical review procedures

(a) Examination of Records

The Auditor should carry out an examination of the relevant records to satisfy himself about the validity, accuracy and recoverability of loans and advances. The extent of such examination would depend on the auditor's evaluation of the efficacy on internal control.

The Auditor should check the agreement of loans and advances with those in the ledger accounts.

He should check the agreement of total loans and advances with the related control accounts. Any difference in this regard should be examined.

The following are some of the indications of doubtful and uncollectible loans and advances :

- (i) The terms of credit have been repeatedly ignored.
- (ii) There is stagnation, or lack of healthy turnover, in the account.
- (iii) Payments are being received but the balance is continuously increasing.
- (iv) Payments, though received regularly, are quite small in relation to the total outstanding balance.
- (v) The cheques received from the loanees have been repeatedly dishonored.
- (vi) The loan and advances are under litigation, arbitration, or dispute.
- (vii) The Auditor becomes aware of unwillingness or inability of the loanee to pay the dues e.g. when the loanee has either become insolvent, or closed down his account.
- (viii) Amounts of advances due from the employees, which have not been repaid on retirement of employee.
- (ix) Collection is barred by statute of limitation.

The Auditor should also examine any other aspects required to be examined or reported upon by the relevant statute.

(b) Analytical Review Procedure

In addition to the audit procedures discussed above, the following analytical review procedures may often be helpful as a means of obtaining audit evidence regarding the various assertions relating to loans to advances :

- (i) Comparison of closing balances of loans and advances with the corresponding figures for the previous year.
- (ii) Comparison of actual closing balances of loans and advances with the corresponding budgeted figures, if available.
- (iii) Comparison of current year's aging schedule of loans and advances with the corresponding figures for the previous year.

It may be clarified that the foregoing is only an illustrative list of analytical review procedures, which an auditor may apply in carrying out an audit of loans and advances. The exact nature of analytical review procedures to be applied in a specific situation is a matter of professional judgment of the auditor.

10.12 GUIDANCE NOTE ON AUDIT OF CASH AND BANK BALANCES

Cash and Bank Balances may constitute a significant proportion of the total assets of an organization. An important feature of cash and bank balances, which has a significant impact on the related audit procedures, is that these assets are highly prone to misappropriation, misapplication and other forms of fraud.

In carrying out an audit of cash and bank balances, the Auditor is particularly concerned with obtaining sufficient appropriate audit evidence to corroborate the management's assertions regarding the following:

- (a) **Existence** - that recorded cash and bank balances exist as at the year-end.
- (b) **Rights and Obligations** - that recorded cash and bank balances represent the assets of the organization.
- (c) **Completeness** - that there is no unrecorded cash and bank balances.

The Auditor should particularly review the following aspects of internal control relating to cash and bank balances :

- (i) Segregation of duties relating to authorization of transactions, handling of cash/issuance of cheques and writing of books of account, and rotation of duties periodically.
- (ii) Proper authorization of cash and banking transactions.

- (iii) Daily recording of cash transactions.
- (iv) Safeguards such as restrictive crossing of cheques use of pre-printed, pre-numbered forms.
- (v) Periodic reconciliation of bank balances.
- (vi) Reconciliation of cash-in-hand with book balance on a daily basis or at other appropriate intervals.
- (vii) Safe custody of cash, cheques books, receipt books etc.
- (viii) Cash/fidelity insurance.

The Auditor should advise the organization to send a letter to all its bankers to confirm the balances to the client organization. The Auditor should examine the bank reconciliation statement prepared as on the last day of the year. It should be examined whether (i) cheques issued by the organization but not presented for payment, and (ii) cheques deposited for collection by the organization but not credited in the bank account, have been duly credited in the subsequent period. For this purpose bank statement of the relevant period should be examined. If the cheques issued before the end of the year have not been presented within reasonable time i.e. six months in normal course of business, the Auditor should examine that the organization has reversed the relevant entries.

The Auditor should pay special attention to those items in the reconciliation statements, which are outstanding for an unduly long period. The Auditor should ascertain the reasons for such outstanding items from the management. He should also examine whether any such items require an adjustment/write-off.

Where a large number of cheques have been issued/deposited in the last few days of the year, and a sizeable proportion of such cheques have subsequently remained unpaid/uncleared, this may indicate an intention of understating/overstating dues payable/recoverable or understating/overstating bank balances. In such a case, it may be appropriate for the auditor to impress upon the authorities to obtain confirmations from the parties concerned, especially in respect of cheques involving large amounts. The Auditor should also examine whether a reversal of the relevant entries would be appropriate under the circumstances.

The Auditor in cases where a large number of cheques are in hand at the date of the balance sheet and a sizeable proportion of such cheques have subsequently remained undeposited/uncleared should also consider the procedures discussed in the foregoing paragraph.

In relation to balances/deposits with specific charge on them, or those held under the requirements of any law, the Auditor should examine that suitable disclosures are made in the financial statements.

In respect of fixed deposits or any other type of deposits with banks, the relevant receipts/certificates, duly supported by bank advices, should be examined.

The remittances shown as being in transit should be examined with reference to their credit in the bank in the subsequent period. Where the Auditor finds that such remittances have not been credited in the subsequent period, he should ascertain the reasons for the same. He should also examine whether the organization has reversed the relevant entries in appropriate cases.

Where the Auditor finds that the number of bank accounts maintained by the organization is disproportionately large in relation to its size, the Auditor should exercise greater care in satisfying himself about the genuineness of banking transactions and balances.

10.13 GUIDANCE NOTE ON AUDIT OF LIABILITIES

10.13.1 INTRODUCTION

Liabilities are financial obligations of an organization other than corpus funds. Liabilities include loans and borrowings, other current liabilities, installment payable under hire purchase agreements and deferred payment credits.

The audit of liabilities is primarily directed at ensuring that all known liabilities have been properly accounted for, since material omission or misstatement of liabilities vitiates the true and fair view of financial statements

An important feature of liabilities, which has a significant effect on the related audit procedure, is that these are represented only by documentary evidence, which originates mostly from third parties in their dealing with the organization.

In carrying out an audit of liabilities, the Auditor is particularly concerned with obtaining sufficient appropriate audit evidence to satisfy him that all the known liabilities are recorded and stated at fair and reasonable amounts.

The Auditor should particularly review the following aspects of internal control relating to liabilities.

- (a) In respect of loans and borrowings including advances and deposits, as far as possible, the following should be clearly specified :
 - (i) The borrowing and powers limits.
 - (ii) Persons competent and authorized to borrow.
 - (iii) Terms of borrowings.
 - (iv) Procedure for ensuring compliance with relevant legal requirements/internal regulations.
- (b) In respect of other current liabilities;

The internal control procedures as spelt out above for loans and borrowings broadly apply in relation to these items.

Verification of liabilities may be carried out by examination of records by applying following procedures.

10.13.2 LOANS AND BORROWINGS

The Auditor should satisfy himself that the loans obtained are within the borrowing powers of the organization. The Auditor should carry out an examination of the relevant records to judge the validity and accuracy of the loans. In respect of loans and advances from banks, financial institutions and others, the auditor should examine that the book balances agree with the statements of the lenders. He should also examine the reconciliation statements, if any, prepared by the organization in this regard. In the case of their repayment as prescribed and recovery of interest including penal interest according to applicable conditions are being complied with.

10.13.3 OTHER CURRENT LIABILITIES

The Auditor should verify that in cases where income is collected in advance for services to be rendered in future, the unearned portion, not applicable to the period

under audit, is not recognized as income of the period under audit but is shown in the Financial Statements as part of current liabilities.

The Auditor should examine the hire purchase agreements for the purchase of assets by the organization and ensure the correctness of the amounts shown as outstanding in the accounts and also examine the security aspect. Future installments under hire purchase agreements for the purchase of assets may be shown as secured loans.

The deferred payment credits should be verified with reference to the important terms in the agreement, including due dates of payments and guarantees furnished by banks.

10.14 GUIDANCE NOTE ON AUDIT OF GRANTS-IN-AID

10.14.1. AUDIT AGAINST GRANTS-IN-AID

Audit of grants-in-aid 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.

10.14.2 VERIFICATION TO BE DONE DURING AUDIT OF GRANTS-IN- AID

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:

- (1) clear enunciation of purpose for the sanction of the Government assistance;
- (2) 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;
- (3) determination of amount of assistance and its timely release;
- (4) proper accounting of assistance by the grantee or the loanee including maintenance of accounts in such form as may be prescribed;
- (5) ensuring the fulfillment of conditions of Government assistance;

- (6) monitoring and ensuring the economical, efficient and effective end use of assistance including achievement of the objectives of assistance;
- (7) refund to the Government of any unutilised amount; and
- (8) All Grants-in-Aid received during the period covered by the audit should be checked with the entries in the Cash Book and in the Register of Grants-in-Aid. It shall be ensured that the Grants-in-Aid as mentioned in the statements of Grants-in-Aid received have been entered in the Register of Grants-in-Aid and Cash Book of the Accounting Authority and that no item is left out.
- (9) Each item of expenditure against each grant shown in the Register of Grants-in-Aid should be checked with the Register of Works/ Register of Fixed Assets and/or Payment Vouchers. Statement of Utilization and unspent balances of Government Grants/Other Grants shall be prepared in **Form No. 8** appended to this Manual and the same shall be enclosed in the Audit Report or Inspection Report.
- (10) In scrutinizing the accounts of Grants for specific purposes (other than recurring grants), it should be seen if the conditions on which the grants were made have been duly fulfilled it and that no money has been diverted from any such grant to a purpose other than that for which it was sanctioned/meant. If any such irregularity is noticed, it should be prominently mentioned in the Audit Report or Inspection Report. If no such irregularity is found, it should be mentioned in the Audit Report or Inspection Report that the condition on which grants were made have been duly fulfilled. Any case in which the grant has been unspent, it should also be prominently mentioned in the Audit Report or Inspection Report.
- (11) A statement showing drawal, utilization and unspent balance of Grants-in-Aid to Recurring and Non-recurring Grants shall be enclosed in the Audit Report/Inspection Report in the prescribed **Form No. 18**. It should be ascertained and mentioned in the report whether such unspent balances are likely to be spent in the near future. In the case of works out of Government Grants, it shall be seen whether the unspent balance has been surrendered to Government or not.

Note : Separate Statement may be prepared and submitted for recurring and non-recurring grants.

10.15 FORM OF REGISTER

It must be seen that the registers are properly bound and are in the prescribed form, and that the pages are serially numbered and the entries properly indexed. The total number of pages in a register should be certified on the front page by the Accounting Authority/Competent Authority. Erasures and over-writings in any account, register, schedule, or cash book are absolutely forbidden. If any correction be necessary, the incorrect entry should be cancelled neatly in red ink, and the correct entry inserted. Each such correction deemed necessary should be authenticated by the Accounting Authority/Competent Authority under his full dated signature.

10.16 CASH BOOK

It should be seen that :-

- (i) the Cash Book is written up daily;
- (ii) the entries are classified correctly and the postings, balances, etc., are arithmetically correct;
- (iii) the Cash Book is closed monthly or daily as the rules require and that a reconciliation of the closing balance of the Bank Pass Book and Cash Book is effected and recorded under the signature of the Accounting Authority/Competent Authority;
- (iv) the closing balance as shown in the last Audit Report/Inspection Report has been correctly brought forward.
- (v) all outstanding cheques are brought forward month by month until they are cashed. Specific mention should be made in the Audit Report/Inspection Report regarding any cheque which is outstanding for more than three (3) months and it is to be ascertained, if possible, the reason of its non-encashment;
- (vi) all totals, subsidiary totals, amount brought forward and balances worked out in Cash Book shall be properly examined;

- (vii) the various receipts and charges should be traced in the Cash Book. The receipts from advice lists, challans and the receipt side of the Cash Book and the payments from the cheques and the payment side of the Pass Book shall be properly examined. The opening balance should be properly examined. The opening balance should be checked with the closing balance of the previous month and the closing balance with the Treasury/Bank Pass Book, the difference between the two due to uncredited challans/deposit receipts or unpaid cheques being traced.
- (viii) If it is to be specifically seen that the Accounting authority/Competent Authority has recorded a certificate of physical verification of each under his dated signature on closing balance at the end of the month.
- (ix) In the case of Grants-in-Aid institutions it should be seen that –
 - (a) For each fund a separate bank account is maintained and that there is only one bank account and not more than one account for each fund.
 - (b) For opening of any bank account there is specific resolution of the appropriate authority.
 - (c) There shall be a :Register of Bank Accounts: in which name of all the bank accounts with Account No. are entered under the dated signature of the Accounting Authority.
- (x) The audit Officer shall go through the Resolution Book to ascertain the correct position regarding opening of Bank Accounts.
- (xi) **CASH ANALYSIS**

At the end of the month an analysis of the cash-in-hand shall be made and be recorded in the Cash Book.

(xii) CERTIFICATE OF VERIFICATION OF CASH

A certificate of verification of cash on closing balance at the end of the month be recorded in the Cash Book under the signature of the Drawing and Disbursing Officer just below the closing balance as follows –

“Certify that the cash balance on Has been counted by me and found to be Rs..... (in words)..... and agrees with the cash balance as shown in the Cash Book”.

(a) Cash-in hand = Rs.....

(b) Cash-at –Bank = Rs (Bank A/C No.....)

TOTAL Rs.....

Signature of the Drawing and Disbursing Officer

10.17 BILL REGISTER

It should be seen that a Bill register is invariably maintained in the prescribed form. Bills to be signed by the Head of Office or the Officer authorized on his behalf are entered in the Bill Register and put up to the Officer along with the bills for attestation of the entries in the register while signing bills. Such bills need not be entered in the Cash Book until they are cashed.

10.18 TRANSIT REGISTER FOR SUBMISSION OF BILLS TO TREASURY

It should be seen that a Transit Register for submission of bills to Treasury for each Drawing and Disbursing Officer is maintained in prescribed form. This register is put up to the Drawing and Disbursing Officer while signing the bills for attesting the entries made therein. It is to be ensured that the acknowledgement of the Treasury Office with Token Number is duly recorded in the Transit Register.

10.19 TREASURY PASS BOOK

It should be seen that –

- i) the Pass Book is written up regularly in the Treasury and the closing balance is authenticated by the Treasury Officer.

- ii) the totals of the receipt and payment sides are correct.
- iii) the collection credited into the Treasury have been duly credited and that only those sums for which cheques have been issued and cashed have been debited in the Pass Book.
- iv) the page certificate is recorded under the signature of the Treasury Officer.

10.20 CHEQUES

It is to be seen that –

- i) the Cheque Books are obtained from the Treasury or from the Bank as the case may be.
- ii) each book contains a specified number of cheques which should be certified by the Head of the Office.
- iii) the cheque books are kept under lock and key in the personal custody of the drawing officer.
- iv) cheques are not drawn for sums below Rs.5.
- v) the amount of each cheque is written in words as well as figures on the counterfoil and that the counterfoil is initialed by the person or persons authorized to sign the cheque.
- vi) the cheques have not been drawn unless required for immediate encashment or delivery to the payee concerned
- vii) the cheques are drawing in favour of payees and not in favour of drawing officers for;
 - (a) amount required for disbursement of pay of establishments.
 - (b) amount required for recoument of permanent advances;

- viii) all cancelled cheques are enfaced or stamped “Cancelled” under the initials of the drawing officer and are preserved for scrutiny and destruction by Audit Officers;
- ix) intimation of the loss cheques for which fresh ones have been issued, has been sent to the Treasury Officer of the Bank concerned and a fresh cheque is not issued until receipt of intimation to the effect that the payment of the lost cheque has been stopped at the treasury or at the Bank.

10.21 CHALLANS

It is to be seen that –

- i) every challan has been stamped with the treasury seal and has been signed by the Treasury Officer and/or by the Treasury Accountant; it should also be signed by the Bank will seal except in the case of sums received by transfer in account.
- ii) challans for sums of Rs. 2,500/- and above have been signed by the Treasury Officer;
- iii) the amount shown deposited by challans tally with the amounts recorded in the Treasury Receipt Register/Consolidated Treasury Receipts.

10.22 ABSTRACT REGISTERS OF RECEIPTS AND EXPENDITURE

- i) all items on both sides of the Cash Book are correctly posted one by one under the respective heads of accounts in the Abstract Registers.
- ii) the monthly total of adjustments is correctly posted from the adjustment Register, and the monthly totals are correctly posted in the monthly account.
- iii) the progressive totals have been correctly worked out.

10.23 BUDGET

All the sanctioned estimates for the year should be examined to see if there is any excessive provision under any head as compared with the provision in the previous years and in case of marked difference the cause for such excessive provision be recorded in the draft audit report. It should be seen that all liabilities (current or carried over from the previous years) have been taken into account in preparing the budget and money indisputably payable is never left unpaid and the money paid is under no circumstances be kept out of the accounts a day longer than is absolutely necessary. (It is no economy to postpone inevitable payments, and it is very important to ascertain, liquidate, and record the payment of all actual obligations at the earlier possible date).

It should be seen that whether the budget allotment have been correctly noted in the Abstract Registers of Receipts and Expenditure and the re-appropriations sanctioned from time to time have been noted against the heads concerned. Annual expenditure figures with the sanctioned allotment (including re-appropriations) under each head should be compared to see whether any expenditure was incurred in excess of the allotment. Marked deficiencies in receipts should also be noted in the audit reports.

10.24 RE-APPROPRIATION

In case of re-appropriations it should be examined whether the re-appropriations have been sanctioned by the competent authority and as per provisions of rules. It should be examined whether the savings proposed to be transferred will really accrue after meeting all legitimate charges and there is no tendency to withhold payment under purpose. It should be also be examined whether re-appropriations give any indication of inaccurate budgeting or insufficient control over expenditure.

10.25 FINANCIAL POSITION

Financial position of the organization should be examined very carefully. If there is heavy liabilities, a list of such liabilities should be given in the report with comment on the proposal of the Head of the Office, if there is any, as to how the liabilities will be cleared. Specific comment on the overall financial position of the organization shall be recorded in the audit report.

10.26 PERMANENT ADVANCE

- i) It should be ascertained that whether the holder of the permanent advance has given an acknowledgement on the first working day of each year, (In the case of a transfer of charge the relieving officer should also furnish a similar acknowledgement on the date of taking over charge)

In the case of a sub-impress granted to an officer, it should be ascertained that the holder of sub-impress also similarly furnishes an acknowledgement to the Head of the Office on the 1st working day of each year.

- ii) It should be seen that the entries in the Permanent Advance Register are initiated by the Head of the Office.
- iii) It should be ascertained that recouplements are always made in full on the last working day of every month, except when the expenditure is less than Rs.10/-
- iv) The amounts of the Sub-vouchers audited should be compared with the entries in the Permanent Advance Register.
- v) Totals of the Permanent Advance Registers should be checked and the totals of the vertical columns with recouplement vouchers should be compared.
- vi) All Sub-vouchers for the entire period covered by the audit should be properly checked.
- vii) It is to be seen that all Sub-vouchers have been stamped "paid in cash" and "cancelled"

10.27 ADJUSTMENT REGISTER

- i) All entries in the Adjustment Register with the adjustment vouchers should be checked.
- ii) It should be ascertained that adjustments are in order, are recorded in sufficient details and are correctly made.
- iii) Totals of the Adjustment Register should be checked and the net totals into the Abstract Register is also compared.

10.28 ADVANCE REGISTER

- i) All advance payments should be traced from the Advance Ledger.
- ii) It should be ascertained that no repayments are credited except those that have duly appeared in the Cash Book and the Adjustment Register, and that no advance is kept out of account, and also that there is no undue delay in the adjustment of advances.
- iii) It should be ascertained that correct balances are brought forward from previous years.
- iv) Closing balances should be checked.
- v) The old items of advances left unadjusted shall be examined with special care.

10.29 DEPOSIT REGISTER

- i) It should be ascertained that all deposits received are entered in the Deposit Ledger and that the amounts repaid are duly debited.
- ii) It is to be seen that no deposit is credited except those that have appeared in the Cash Book or in the Adjustment Register and that no deposit is kept out of account. It is also to be seen that there is no undue delay in the adjustment of deposits.
- iii) It should be seen that correct balances are brought forward from previous years.

iv) Closing balances shall also be checked.

10.30 REGISTER OF LANDS

It is to be ascertained –

- i) that proper records of all lands including roads, roadside lands, sites of building, tanks, etc., are maintained.
- ii) that lands acquired through land acquisition proceedings, by private purchases, by free gift or otherwise are entered promptly in the Register of Lands.
- iii) that if any plot of land shown in the Register is sold or otherwise transferred the entry relating to it is struck off and the facts in connection with the sale or transfer stated in the remarks column under the initials of the Head of the office.
- iv) that the register is annually examined and signed by the Head of the Office personally.
- v) that a registered deed has been executed in each case of purchase and free-gift.

10.31 POSTAGE STAMPS REGISTER

- i) It is to be ascertained whether all purchases of postage stamps are recorded in the Postage Stamps Register.
- ii) Total and closing balances should be checked.
- iii) Balance in hand as on the date of audit should be physically verified and result of such verification shall be recorded on the Postage Stamp Register.

10.32 STATIONERY REGISTER

It is to be ascertained whether –

- (i) all purchases of stationery are recorded in the Stationery Register.

(ii) balances have been correctly brought forward for each item.

(iii) all issues are bonafide (*signature of the recipient is obtained for each items issued*)

10.33 SERVICE BOOKS

It should be seen –

- i) that service books are opened for all employees and are in the custody of the Head of Office.
- ii) that the record of service of each employee is complete;
- iii) that all leave, increments, promotions, transfers etc., have been recorded and attested by the Head of Office.
- iv) that service books bear evidence of periodical verification by the Head of the Office.

10.34 LEAVE ACCOUNTS

It should be seen –

- i) that a leave account is kept for each employee in the prescribed form.
- ii) that all leaves (Earned leave and Half-pay leave) are recorded in the leave account.
- iii) that the leave granted is admissible as per rules.
- iv) that the leave account is signed by the Head of the office periodically and is up-to-date.

10.35 SECURITY REGISTER

It should be seen –

- i) that all employee who are required by the rules or by the nature of their duties to furnish security have furnished the full amount of security.
- ii) that security bonds have been executed in all cases in the forms prescribed and that stamp duty has been paid by the employees concerned.
- iii) that in the case of personal security and landed property the validity of the securities has been verified by the head of the office and this fact has been recorded in the Security Register.
- iv) that the return of the Post Office Savings Bank Pass Books/Bank Pass Books and other documents have been duly acknowledged by the parties concerned.

10.36 PROVIDENT FUND LEDGER

It should be seen –

- i) that the subscribers to the Provident Fund are all entitled to subscribe under the rules;
- ii) that the declaration has been obtained from each subscriber;
- iii) that the full amount due from each subscriber has been recovered and credited to the Post Office Savings Bank together with the amount of contribution from the Local Fund generally between the first and the fourth of each month;
- iv) that interest on Post Office Savings Bank Deposits is correctly calculated;
- v) that amounts of investments made have been posted correctly in the Ledger accounts;

- vi) that interest on investments are drawn promptly and is posted under proper column in the Ledger accounts;
- vii) that advances from Provident Fund are made only in accordance with the rules; and that recoveries are regularly made and posted in the Ledger under the column provided for the purpose;
- viii) that subscribers acknowledgements for final withdrawals and advances are available in audit.
- ix) that amounts withdrawn from Post Office Savings Bank have been promptly disbursed to the subscribers concerned.
- x) that unclaimed balances, if any, are transferred to the Dead Account Register and credited to the Local Fund as a miscellaneous receipt. Also that payments of amount transferred to 'Dead Account' are only made under the orders of the Competent Authority and that necessary entries are made in the Dead Account register.
- xi) that the entries in the Ledger Accounts at least for two months are compared with the vouchers.
- xii) In the case of an employee who has not joined the Provident Fund on the ground that his Life Insurance policy has been assigned to the Local Body, it should be ascertained that the assignment is in order and that the latest receipt for the premium paid is forthcoming for examination in audit; that the amount of insurance money received on maturity is not paid to the employee before his retirement from the service and that it is kept in the Post Office Savings Bank in the name of the assignee till the employee actually retires.

10.37 ESTABLISHMENT BILLS, ETC**10.37.1 PAY BILLS**

It is to be seen that –

- i) establishment and fixed recurring charges are duly sanctioned and are drawn according to the sanctioned scale;
- ii) last pay certificate is attached to the establishment bill in the case of all transfers of Government or other servants and that the transfers are authorized by competent authority.
- iii) in the case of Government Servants deputed outside the department or to a Local Fund leave salary contribution and pension contributions are duly remitted to the treasury every month as per terms of deputation.
- iv) the dates of making over and taking over charge are noted on the bills or on separate reports and that the joining time is not exceeded.
- v) income-tax, provident fund and other deductions are regularly made as required by the rules.
- vi) pay, allowances and leave salaries are separately shown in the bill and that the names of all persons on leave, under suspension, on deputation, as well as of those holding acting appointments, are entered in the absentee statement appertaining to the bill;
- vii) leave salary and allowances drawn are admissible under the Fundamental Rules or under the rules in force adopted by the Local Authority.
- viii) increments drawn have actually accrued. (All increments shall be examined by reference to the respective Service Books)
- ix) in the case of fixed conveyance and horse allowances, certificates of actual maintenance of the conveyance, etc., have been furnished;

- x) the amount of an Establishment bill for a month is not drawn and disbursed before the last working day of the month except for the month of March.
- xi) temporary establishment are separately billed for and are covered by the sanction of the competent authority;
- xii) undisbursed amounts of pay have been refunded by short drawal in subsequent month's bills or in cash by challans;
- xiii) the supplementary pay bills shall be checked by reference to the original bills from which the amounts were withheld or refunded, and that the numbers and dates of subsequent bills have been quoted on the original bills.
- xiv) arrear pay is drawn in a separate bill;
- xv) in the case of time-scales of pay with efficiency bars at certain stages, the appointing authority to the effect that the officer in question is fit to cross the efficiency bars;
- xvi) acknowledgements of the employees have been obtained in the bills or in the acquittance rolls;
- xvii) the pay Bill Register and the Abstract of Bill Register are properly maintained in prescribed forms;

10.37.2 TRAVELLING ALLOWANCE BILLS

It should be seen that –

- (i) whether T.A. bill is preferred within a year from the date of journey.\
- (ii) whether rates of D.A., mileage, rail or bus fares are correct.
- (iii) whether bill is countersigned by the competent authority.
- (iv) whether the required certificates are furnished by the claimant.

- (v) whether transfer is in public interest or at request in the case of scrutiny of transfer travel allowance bill.
- (vi) whether TA check register has been maintained.
- (vii) whether there is budget provision for Traveling Allowance head.
- (viii) whether acknowledgements have been obtained on the bills or in the acquittance rolls.

10.37.3 MEDICAL RE-IMBURSEMENT BILLS

- (i) whether bill is preferred within three months from the date of completion of treatment.
- (ii) whether the charges of only admissible medicines/tests are reimbursed to the claimant.
- (iii) whether the cash memos of medicines/tests and essentiality certificate are verified/countersigned by the medical officer.
- (iv) whether the medical bills in case of indoor patients are countersigned by the medical superintendent.
- (v) whether the permission of Director Health Services of the State has been obtained for treatment outside the State.
- (vi) whether medical reimbursements are allowed to either husband or wife in case both spouses are employed and requisite certificate to this effect has been obtained from the DDO of respective organization where other spouse is serving.
- (vii) whether medical reimbursement check register has been maintained.
- (viii) whether medical bills are signed by DDO and countersigned by the controlling officer of the claimant.

- (ix) whether medical reimbursement are allowed only for recognized hospitals where treatment is not taken from Govt. hospital or necessary permission of competent authority is obtained in case treatment is taken in emergent cases from private hospitals as per rules/instructions.
- (x) whether there is budget provision for Medical Reimbursement head.

10.38 CONTINGENT BILLS

It shall be seen that :-

- (i) whether expenditure is authorized.
- (ii) whether there is sanction of competent authority and whether it is within prescribed limit.
- (iii) whether quotations or tenders are called for after due publicity of tender notice.
- (iv) whether earnest money is paid by the tenderers.
- (v) whether lowest tender is accepted by the competent authority and if not whether reasons for not accepting lowest tender are recorded and sanction of next higher authority as required under rules is obtained.
- (vi) whether sub-vouchers are enclosed and are duly cancelled and obtained payee's acknowledgement on the body of the sub-vouchers.
- (vii) whether necessary agreement is carried out.
- (viii) whether stock entry is recorded duly mentioning the page number of stock register as well as certification signed by the Store Officer.
- (ix) whether telephone, electricity and other office expenses register are correctly maintained.
- (x) whether the Log Books/ Repair and maintenance /Unserviceable Part registers of the vehicles are correctly maintained.

- (xi) whether the Property Register of the organization is maintained.
- (xii) whether there is budget provision for Office Expenses head.

10.39 SCHOOL FEES AND FINES

In the case of Schools/Institutions under the direct management of the Local Authorities where the collection of fees and fines is in force, the monthly statements of school fees and fines submitted by the school teachers are checked and credited in the Cash Book are traced. It shall be seen that the collection of fees and fines are remitted in full and not in part, retention of money in hand for more than seven days should be brought to notice in the Audit Note. It shall also be seen that there is evidence of check in the office and that the challan or receipts number and the date of credit of realization are total in the monthly statement.

10.40 REGISTER OF LOANS

It should be seen that :-

- (i) any loans raised are covered by proper authority,
- (ii) payments of principal and interest are being regularly made in accordance with the conditions of the loans.
- (iii) the loan is applied solely for the purpose for which it is taken,
- (iv) the balance of loans outstanding is mention in the report.

10.41 REGISTER OF BILLS

The Register of Bills received shall examined. It shall be seen that it is written up completely and is up-to-date. If any bill has been held over unnecessarily for an unusually long period of time, the fact shall be mentioned in the Audit Report. If there is any rush of payment at the end of financial year, the same shall also be mentioned in the Audit Report. The number and amount of bills paid during the last month and those paid during the other eleven months of the year should be reported.

10.42 REGISTER OF BUILDING TANKS, WELLS AND ROADS

It shall be seen that the Registers are complete and kept up-to-date. All completed buildings, tanks, wells and roads shall be checked with the Register of Works. It shall be seen that the registers are examined periodically and signed by the Head of Office.

10.43 SCHEDULE OF RATES

It shall be seen that :-

- (i) A Schedule of Rates containing rates for different classes of works has been prepared and sanctioned by the competent authority;
- (ii) Every through rate is supported by an analysis showing in detail the cost of materials, labours and contractor's profit;
- (iii) The Schedule of Rates have been prepared by the officer-in-charge of the Engineering Branch and has been approved by the competent authority and no rates have been increased nor new rates introduced without the approval of the competent authority.
- (iv) The Schedule of Rates has been kept up-to-date and is periodically revised in accordance with the fluctuation of labours and materials in the market;

10.44 ESTIMATES

- (i) an estimates is prepared and sanctioned for every work in accordance with the Rules and Regulations and instructions issued by the Government from time to time;
- (ii) estimates are not prepared in piecemeal;
- (iii) estimates are approved and sanctioned by the competent authority as required by the rules;
- (iv) the amount of the sanctioned estimate is expressed in words as well as in figure and is signed and dated by the officer sanctioning the estimate;

- (v) sanctioned estimates are filed in a guard file for each year in chronological order and an index is kept;
- (vi) in the case of new work to be constructed partly from materials obtained from the demolition of an old structure, the estimate is framed for the net cost of the work. Such estimates shall be examined with particular care to ensure that the value of the old materials are credited to the estimate;
- (vii) a few estimates should be examined to see that the estimates are prepared on the basis of approved Schedule of Rates.

10.45 TENDERS AND AGREEMENTS

It shall be seen that :-

- (i) tenders have been duly called and contract agreement has been made as per provision of rules and regulations and also of instructions issued by the Government from time to time;
- (ii) specific rates have been quoted in the tender for all items of work, and that they are not in excess of those provided in the sanctioned estimate for the work. Grounds for accepting higher rates should be scrutinized.
- (iii) earnest money/security deposit has been furnished;
- (iv) the total value of the work tendered for, has been noted in the tender;
- (v) the date of completion of work has been stipulated in the tender;
- (vi) the tender has been accepted by the competent authority;
- (vii) all corrections and alterations in the accepted tender have been duly attested by the officer accepting the tender and by the contractor as well;
- (viii) the value of materials supplied departmentally in the case of through rate contract is recovered from the contractor at a rate not less than that

provided for materials in the analysis of the through rates in the schedule of rates, the rates to be charged to the contractor for materials to be supplied are definitely specified. It is only in the case of materials the supply of which is not stipulated in the contract by which it may be necessary to supply afterwards in the interest of the work that recovery may be made at rate not less than those provided for in the schedule of rates or the market rates prevailing at the time of the supply, whichever may be greater. No carriage or incidental charges should be borne by the local body in connection with such supplies;

- (ix) the contractor is penalized for unwarranted delay in completion of the work within the stipulated time;
- (x) the accepted tenders are numbered and filed in a guard file for each year, and kept under the custody of the Accountant;
- (xi) all rejected tenders have been preserved and filed in a separate file;
- (xii) unless there be some objection to the capability of the tender, the lowest tender should usually be accepted. In cases where the lowest tender has not been accepted the reasons for not accepting the lowest tender have been recorded by the competent authority under his dated signature. In case where lowest tender has not been accepted, the difference of cost shall be calculated and excess expenditure so incurred shall be reported in the audit report.

10.46 MATERIAL-AT-SITE

It shall be seen that :-

- (i) a monthly account of material purchased for a work has been kept;
- (ii) purchases and issues of materials are not in excess of actual requirements for the work;
- (iii) balances of materials at the end of the each month are correctly worked out;

- (iv) the monthly account for each work is checked by the Accountant regularly;
- (v) surplus materials are transfer to other works in which they are likely to be utilized within a reasonable time or to “surplus stores account” and their value adjusted by transfer entry orders;
- (vi) materials at site have been verified once a year or on completion of the work whichever is earlier;
- (vii) the value issued is charged direct to work when the contract is for labour only and is recovered from the contractor when the contract is a through rates;

10.47 REGISTER OF WORKS

It shall be seen that :-

- (i)
 - (a) entries for each work are in accordance with the sanctioned estimate;
 - (b) all sanctioned estimate for works have been entered in the Register of Works;
- (ii) the expenditure incurred on each work has been regularly and correctly posted in the Register monthly from the Work Abstract or from the payment vouchers;
- (iii) excess over estimates or under sub-heads are covered by sanction obtained from the competent authority;
- (iv) when a work has been completed, a double line in red ink is ruled below the last entry and the note of completion is made;
- (v) the Register bears evidence of check at least once a quarter by the Head of the Office;
- (vi) the detailed accounts for the amount shown under “Materials at site” are forthcoming; (It should be ascertained whether there are any materials at site of completed works).

- (vii) the necessary entries, in the case of incomplete works, have been brought forwarded from year to year until the works have been either finally completed or abandoned;
- (viii) the value of all materials purchased and supplied to the contractor for the work, is posted under column “Due from Contractors” and such plus entries in this column are balance by minus entries, before the work is completed;
- (ix) the balance shown under column “Due to Contractors” agree with the balance shown in the Contractor’s Ledger, and that all such dues are cleared off along with the final payments made to the contractor.

10.48 CONTRACTOR’S LEDGER

It shall be seen that :-

- (i) all “on account” and final bills of contractors have been entered in the contractor’s ledger, on the credit side;
- (ii) all payments for works done and bill for the “running account forms”. The value of materials, etc., supplied to the contractor and advances made are debited to his account;
- (iii) each individual account is balanced monthly and that the balances due to, and from, the contractor are shown in detail for each work separately and are correctly brought forwarded to the subsequent month;
- (iv) the ledger bears evidence of check at least once a quarter by the Head of the Office and monthly by the Accountant who should be responsible for the correctness of the contractor’s ledger. It should be specifically examined that dues of contractors are promptly recovered while passing their bills for payments;
- (v) there is no heavy outstanding for a long time, if there is such outstanding in the same should be prominently noted in the Audit Report and the steps taken to adjust them;

10.49 REGISTER OF TOOLS & PLANTS

It shall be seen that :-

- (i) the balances have been correctly brought forward from the previous year;
- (ii) all tools and plants, etc., purchased (according to the payment vouchers) have been entered in the Register of Tools and Plants;
- (iii) the purchases of Tools and Plants, etc., and sales of unserviceable articles have been made under proper sanction;
- (iv) Credits for all sale proceeds of unserviceable tools, etc., are traceable in the Cash Book;
- (v) The balances of all Tools and Plants, etc., at the end of the year have been struck and the certificate of actual physical verification of the balances in stock has been furnished by the competent authority;
- (vi) All tools and plants temporarily lent to contractor or to employees of local bodies have been duly accounted for;
- (vii) No tools and plants, etc., have been written off except with the sanction of the competent authority.

Note : The above checks applied mutatis mutandis to all stock account in general.

10.50 MEASUREMENT BOOKS

It shall be seen that :-

- (i) (a) pencil entries Measurement Books have not been inked over; and that the entries in the “area or contents” column have been made invariably in ink;
- (b) reference has been given in all cases to the vouchers on which payments have been made;

- (c) measurement are crossed off by diagonal red ink lines as soon as payments have been made;
 - (d) compare 10 per cent of the bills with the abstracts prepared at the end of each set of measurements;
 - (e) measurements have been recorded in chronological orders in the Measurement Book, and that blank pages or portions of pages left blank have invariably been crossed out and cancelled under the signature of the officer authorized to record measurement in the Measurement Book;
 - (f) payments on account of measured works have been promptly made;
 - (g) whether the quantity of work said to have been measured and in any one day in the measurement book is physically possible. It should be specifically checked at random to see whether the date of measurements are recorded in the Measurement Book agree with the date, where recorded, in the travelling allowance bill of the officer taking the measurement.
- (ii) 5 (five) per cent of the calculations of the detailed measurements should be checked;
 - (iii) Stock Register of Measurement Books should be checked;
 - (iv) Reason for non-payment in the case of measurements not crossed off should be investigated.

10.51 ROAD METAL ACCOUNT

It shall be seen that :-

- (i) (a) a monthly statement of road metal showing the receipts, issues, and balance (kilometer by kilometer) is kept separately for each work;
- (b) the surplus found as a result of verification by check measurement has been brought on to the road metal account at once;

- (c) deficits have not been removed from the accounts except by recovery of the value from the person at fault or by a write off with the sanction of the competent authority;
 - (d) there is evidence of periodical check of the balance by a responsible officer and that a road metal rate book is maintained.
- (ii) Receipts and issues should be checked with the contractor's bills and measurement book.

10.52 NOMINAL MUSTER ROLLS

It shall be seen that :-

- (i)
 - (a) Muster Rolls are kept for daily labour only and do not include the wages of Peons, Section Assistant, etc., and other similar employees for the entertainment of which distinct sanction is required;
 - (b) the charges have been correctly allocated and that there are no unusual delays in the payments;
 - (c) unpaid balances are brought forward to the next Muster Roll and that there are no long-standing arrears;
 - (d) the payments to labourers are made by the officer in charge of the work and where possible, by an officer of higher standing available;
 - (e) whether the out turn of work is commensurate with the expenditure incurred;
 - (f) the sanctioned strength of the Muster Roll and the period allowed is duly certified on the body of the Muster Roll by the competent authority under his own signature and date;
 - (g) a register of Muster Roll forms issued is maintained properly in the head office and each item is signed by the competent authority;
- (ii) 25 (twenty five) per cent of the paid Muster Roll shall be checked arithmetically.

10.53 PUBLIC WORKS BILLS

It shall be seen that :-

- (i) (a) expenditure on the work is permissible;
- (b) the estimate is duly prepared and duly sanctioned administratively and technically;
- (c) Whether estimate is prepared with reference to current schedule of rates and whether the competent authority sanctions deviations, if any.
- (d) wide publicity is given to the tender notice as required under rules;
- (e) Whether prescribed earnest money is deposited by the tenderer.
- (f) comparative statement is prepared correctly;
- (g) the contractor's tender has been duly accepted;
- (h) necessary agreement has been enacted and executed and work order issued;
- (i) whether the site on which the work is proposed to be executed belongs to the client organization.
- (j) whether lowest tender is accepted by the competent authority and if not whether reasons for not accepting lowest tender are recorded and sanction of next higher authority as required under rules is obtained. Justification for not accepting the lowest rate shall be carefully examined and shall be recorded in the audit report.
- (k) measurement are recorded are recorded by the competent authority and necessary test check of measurements are carried out by higher authorities as required under rules;
- (l) pre-measurements are recorded of cutting/clearance work and steel used for RCC;

- (m) the rates charged in the bill are not in excess of those entered in the accepted tender;
 - (n) the quantity of each item of work charge in the bill agrees with that shown in the Measurement Book;
 - (o) all calculations in the bills are correct;
 - (p) dismantled materials have been properly accounted for and that a complete list of such materials has been furnished by the officer-in-charge of the work and has been accepted by the head of the office;
 - (q) a completion certificate has been furnished on every final bill (whether Petty final bill or final contract bill);
- (ii) verify from the last Running Account Bill and the Contractor's Ledger that the payments shown as having been made on last Running Account bill are correct.
 - (iii) whether amount due to contractor is correctly arrived at with reference to the agreed rates and quantities as per recorded and checked measurements.
 - (iii) when advance payments for work done but not measured are paid for, the relevant certificate is recorded and such payment together with that already made does not exceed the value of the estimated quantity against the relevant item in the tender.
 - (iv) Whether cost of material supplied departmentally if any is recovered in the bill.
 - (v) Whether material used in the work is as per requirement as per consumption factor data.

- (vi) Whether material if any supplied to contractor in excess of requirements have been returned by the contractor and entered in the stock register/bin card.
- (vii) Whether double charges is recovered in respect of unused materials not returned by the contractor.
- (viii) Whether dues if any towards supply of necessary services to the contractor by the department for carrying out work is recovered.
- (ix) Whether N.M.Rs. are correctly prepared duly notifying certificates of payment and alternative certificates are furnished by competent authority.
- (x) In the case of departmental execution whether materials purchased are properly accounted for and unused taken to stock register.
- (xi) Whether sufficient security as per rates approved by the Government have been taken from the contractor for due fulfillment of contract.
- (xii) Whether the measurement of work done have been accepted by the contractor.
- (xiii) Whether the quantity and value of work done since previous running bill have been correctly shown.
- (xiv) Whether the signature of the contractor as noted in his receipt on the foot of 'Memorandum of payment made' tally with that appearing at the foot of the bill.
- (xv) Whether revised estimates or completion report is prepared and approved by competent authority.
- (xvi) Whether buildings are entered in the register of immovable property.
- (xvii) when the work is measured and paid for the advance payment is also recovered.

- (xviii) when materials not provided for in the original contract are supplied, the materials so supplied are charged at issue rate or market rate whichever is higher
- (xix) Arithmetical calculations of all final bills shall be checked to ascertain that payment was made correctly;
- (xx) Value of the store materials issued from the stores have been recovered at the agreed rates;
- (xxi) It shall be examined properly to ascertain that all recoverable amounts such as advance payments, secured advance, security deposit, income tax, forest royalty, fines and penalties, other amounts due from the contractor relating to other works are recovered from the contractor's bill.
- (xxii) the contractor has not exceeded the time limit and if exceeded the excess has been covered by a valid grant of extension of time limit.
- (xxiii) Memorandum of Payment shall be checked carefully to ensure that payment was made correctly;
- (xxiv) it shall be carefully examined to ensure that undue financial aid is not given to the contractor in any for which it is not authorized under the rules except under special orders of the competent authority;
- (xxv) final value of the work done shall be checked with the amount of the sanctioned estimate and the amount sanctioned in the administrative approval.
- (xxvi) when the work is carried out on behalf of the contractor and the cost thereof is recovered from the Running Account Bills and see that the cost is correctly computed and overheads like establishment, tools & plants etc., are also charged according to the rules.

10.54 REGISTER OF PAYMENTS FOR CONSTRUCTION AND REPAIRS (OF BUILDINGS, ROADS, BRIDGES, CULVERTS ETC)

It shall be seen that :-

- (i) building grants are sanctioned by the proper authority;
- (ii) actual payee's receipt or payee's acknowledgment receipt is furnished for each payment;
- (iii) a certificate of satisfactory completion of the work is furnished by the competent authority for each grant and that there is no unusual delay in obtaining such a certificate;
- (iv) all payments for grants are regularly entered in the Register and that it is reviewed periodically by the Accounting Authority.

10.55 WORKS ABSTRACT

It shall be seen that :-

- (i) Works Abstracts are correctly prepared from vouchers month by month;
- (ii) all payments including purchases of materials, etc., for works are correctly posted in the Works Abstracts, month by month.
- (iii) total of all Works Abstracts are worked out monthly head-wise and they agree with those shown in the Abstract Register;
- (iv) all Works Abstracts are correctly posted every month in the Register of Works.

10.56 SECURITY DEPOSITS

- (i) Securities paid in cash are taken into the Cash Book on the same day and formal receipts have been issued, for the same;
- (ii) Deposit Register is maintained properly and security deposits of various classes are taken into the Deposit Register class-wise from the Cash Book and the Vouchers.
- (iii) while refunding the Security Deposits the formal receipts earlier issued has been deposited with the claim of refund. While refunding the Security Deposits, the amount is refunded by debt to deposit, which has been recorded in the Deposit Register;
- (iv) the word “refunded” or “adjusted” is noted in the Cash Receipt earlier issued, and in the Deposit Register in red ink as well as in the original voucher from where Security Deposit was earlier deducted or in the Adjustment Register against the original entry in the receipt side. After audit of the voucher, the original receipt submitted along with the claim for refund shall be destroyed and the fact shall be recorded in the duplicate copy of the receipt.

10.57 MISCELLANEOUS RECEIPTS

In addition to the checks mentioned earlier, the following checks should be exercised :-

- (i) Receipts from other sources such as rent on land and buildings, sales of property, both movable and immovable shall be checked, sales and bid lists shall be called for and be checked with the entries in the Cash Book to ascertain that receipts so realized have been credited to the revenue of the Local Body/Authority.
- (ii) It should also be ensured that sales have been conducted properly and that the highest bid has been accepted. In case of highest bid is not accepted the reason for non-acceptance of the highest bid has been recorded in the bid list under the dated signature of the competent authority. In case if it is found to be less favourable to the interest of the

tax-payers, the same should be specifically be mentioned in the Audit Report.

- (iii) In case of rent on land, buildings, etc., it should be seen that proper records have been maintained for lease of land, building etc.;
- (iv) In case of other sources of fixed income it should be properly checked to see that the fixed incomes are realized in time and are credited to the revenue of the Local Body/Authority.

10.58 ADDITIONAL CHECKS

The checks to be exercised while auditing as mentioned in this part of the Manual are not to be a complete record of an Auditor's duties, but illustrative and recommendatory in nature. The Auditor must exercise such further checks as his intelligence, prudence and experience suggest him to be necessary and valuable.

CHAPTER – 11

AUDIT INSTRUCTIONS

11.1 SPECIAL INSTRUCTIONS

11.1.1 ON DUTIES OF AUDIT OFFICER IN CHECKING ACCOUNTS (Reference Para 9.9)

The various receipts and charges shall be traced into the Cash Book, the receipt from the Challans and, the receipt side of the Pass Book. The Opening Balance (*reference para 8.4*) shall be checked with the Closing Balance of the previous month. Total of both side of the account shall be checked arithmetically, and the Closing Balance agreed with the Treasury Pass Book/ Bank Pass Book/Bank Statement. Any difference between the two due to amounts not credited or unpaid cheques shall be traced and necessary Bank Reconciliation Statement be made.

11.1.2 ON PRELIMINARY OBJECTION STATEMENT (POS) (Reference Para 9.14)

- (i) Any enquiry which it is necessary for the Audit Officer to make either on the subject of accounts, registers or other matters, shall be made through an objection statement in Form No.4. The Preliminary Objection Statement shall be prepared in duplicate with a carbon copy or photo copy. The original Preliminary Objection Statement shall be issued to the Accounting authority and duplicate/photo copy shall be retained with the Audit Officer. The Audit Officer shall issue Preliminary Objection Statements day by day as the audit proceeds and shall obtain the dated signature of the head of the organization/authorized officer on the statement itself. Except as provided below, these statements shall be returned by the Accounting Authority along with reply with least possible delay and in any case within three days from their issue by the Audit Officer. They shall bear the dated signature of the head of the office, and shall show the action which has been taken or proposed to be taken to settle the objections raised, or the replies to the enquiries made. All Objection Statements shall in any case be returned on the day on which audit is finally closed. The Audit Officer shall bring any items of previous Audit Report which have not been disposed off when he leaves the office to the notice of the head of the office in writing.

MIZORAM AUDIT MANUAL

CHAPTER-11

- (ii) At the end of the audit, the Audit Officer will arrange a meeting with the head of the office and will give him an opportunity to discuss the various aspects of the preliminary objections found during the course of audit before finalizing his report. The Audit Officer will consider the reply of preliminary objection statements and views express by the head of the office in course of the discussion and shall finalize his audit report and submit the same after duly signed by him along with the original reply of preliminary objection statements, if any received, to the Director, Local Fund Audit.
- (iii) If the reply of preliminary objection statement is not received within the prescribed time limit or if the meeting mentioned above is not held for any reason whatsoever, the Audit Officer shall finalize his report accordingly without waiting for reply of preliminary objection statement or discussion with the head of the office.
- (iv) Every endeavor should be made by the concern authority to settle the objections finally before returning the objection statement to the Audit Officer, but a whole statement should not be held back simply because of inevitable delay in settling one or two objections in it.
- (v) All objections which can be removed on the rules being complied with, should be so removed during the audit. Every effort should be made to reduce to a minimum the audit objections to be dealt with after the conclusion of the audit, and it is a part of the Audit Officer's duty to render every assistance to the concern authority in attaining this result.
- (vi) Separate objection statements should be issued for each department separately, so that it can proceed to take immediate action on its own objections as soon as they received.
- (vii) In conducting audit. Audit Officer should be very careful never to interfere in executive matters. They should give attention to points tht may arise but which cannot be provided for in advance by formal audit rules, and if an Audit Officer realizes that he has touched on a matter which may require investigation, he should examine it with an exhaustiveness which leaves nothing undiscovered. He should, however, be careful not to infringe on questions of administration which have nothing to do with accounts, or which are otherwise outside the province of legitimate enquiry.

- (viii) Audit Officer, while dealing in nothing they consider to be part of their official duty, should be careful to avoid friction with any of the officers with whom they come in contact. If they avoid frivolous objections, and convince the officers by the manner in which they go about their work that they are not to complicate procedure but to simplify it, not merely to criticize but to assist, they will meet with little difficulty in their direction. They should assist the local bodies with advice and show by means of practical examples how account registers should be posted, thus endeavoring to avert them before they have been committed. If nevertheless, trouble arises, the facts of the case must be reported at once by the Audit Officer to the Director, Local Fund Audit.
- (ix) A request to arrange for accommodation does not constitute an obligation.
- (x) In order that the Director, Local Fund audit may see whether the objection statements are being promptly disposed of, movements of objection statements should be indicated in the Audit Officer's diaries, clearly showing the objection statements issued and received back from day to day.

11.1.3 ON WRITING OF AUDIT REPORT

In addition to instructions contained in Para 9.19 of this Manual, it should be strictly observed that :-

- (i) Audit Officer should state in the first paragraph of the report when audit was taken up, when it was completed, and how many working days were actually taken in the audit.
- (ii) Name of the Audit Officer, Auditor(s), and Assistant Auditor(s) conducting audit should also be mentioned.
- (iii) The audit reports should contain the names of the persons mainly responsible for administering the fund including the name of the Accountant and the Cashier for the period covered by Audit.
- (iv) The audit report should be as concise as possible, though every point worthy of notice must be included by the Audit Officer, who should give special attention to all those matters which cannot be covered by a set of ordinary audit rules. At the same time the report must be clearly expressed, so that there can be no doubt as to the meaning of the point at issue. The number of lengthy statements

and tables in the audit note should be reduced to minimum. Audit Officers should take particular care to use courteous language in the reports.

- (v) Abbreviation should on no account be used, and particular care should be paid to the correct quotation of rules and orders, etc. Date should be given in full. Care should be taken to use capital letters for the names of all registers, e.g., Cash Book, Demand Registers, etc.
- (vi) In submitting a report, the Audit Officer should indicate in the endorsement any paragraph he considers necessary to be specially brought to notice of Head of Department, Administrative Department, and Finance Department.
- (vii) The Director, Local Fund Audit or Joint Director, Local Fund Audit shall check the report with the objection statement referred to in para 9.14 and sub-para 11.1.2 of para 11.1 of this Manual and may make corrections and additions that may be necessary. They may also verify any item by inspection of local records. The report shall then be finalized, published and issued as per provision of para 9.48 of this Manual.
- (viii) The Audit Officer should also sign the draft Audit Report in token of audit was conducted by him and draft Audit Report and draft Audit Certificate was prepared by him.

11.1.4 PROCEDURE OF SEIZURE (*Reference Para 9.34*)

When person charge of any relevant records is taken by the Audit Officer as per Para 9.13 of this Manual, the following steps shall be followed :-

- (i) The documents should be seized in presence of the Accounting authority or his duly authorized representative and two witnesses. Full name and designation with dated signature of the Accounting Authority or his duly authorized representative and the two witnesses shall be obtained on the body of the each page of all the copies of the seizure list.
- (ii) Five copies of the seizure list shall be prepared with double faced carbon.
 - (a) One copy shall be handed over to the Accounting Authority or his duly authorized representative;

- (b) One copy shall be sent with the Audit Report;
 - (c) One copy shall be sent to the Director, Local Fund audit along with keys of the sealed box containing seized records and the receipt granted by the authority keeping the sealed box for custody; and
 - (d) One copy to be retained by the officer seizing the records.
- (iii) If during the time of seizure, the Accounting Authority or his authorized representative remains absent to avoid seizure of documents, the officer seizing the records shall seek appropriate help from the Civil Authority to affect seizure of the documents. In such case signature with full name and designation of the Civil Authority present shall be obtained on each page of all copies of the seizure list.
- (iv) Notwithstanding anything contain in Note -3 below Para 9.10 of this Manual, the seized documents shall be taken into the personal custody, if not already taken, of the Audit Officer or the Officer conducting the audit and shall be kept in steel trunk(s) and be locked and properly sealed. The sealed trunk(s) shall be kept preferably in the Treasury for safe custody on the same day. Where it is not so possible, the sealed trunk shall be kept wither at the custody of Officer-in-Charge of Police Station for which formal receipt shall be obtained from the custodian of the sealed box(es). The receipt and the keys of the lock(s) along with the copy of the seizure list shall be sent to the Director, Local Fund Audit.
- (v) The Director, Local Fund Audit shall maintain a Register of Seized Records in **Form No.6**.
- (vi) The Accounting Authority shall provide with trunk(s) and lock(s) and keys (in duplicate) to the Audit Officer for keeping the seized records.

11.1.5 ON PROGRESS REGISTER (*Reference Para 9.41*)

- (i) Annual Progress Register in **Form No. 21** shall be maintained for each financial year in the head office for all accounts which are under the purview of audit of the Director, Local Fund Audit.

(ii) Progress Register shall be maintained category-wise in order of serial as prescribed in the list of Major Accounts and Minor Accounts. This order of serial shall not be altered in the subsequent year’s Progress Register.

(iii) Progress of Audit made and Audit Report published shall be clearly shown in the Progress Register.

(iv) The Progress Register showing the disposal of Audit Report (or Audit Certificate) shall be reviewed by the Director, Local Fund audit on the last day of each month.

At the end of the Progress Register, there shall be a summary showing the number of accounts under each category. The same shall be maintained in **Form No.21** as below.

T A B L E - 8
(Reference Para 9.41 & 11.1.5)
F O R M No. 21 - ANNUAL PROGRESS REGISTER

Sl.No	Category of Accounts	No. of Accounts as per previous P/R	No. of new accounts added during the year	No. of accounts deleted during the year	Total No. of Accounts
1	2	3	4	5	6

Signature of Officer-in-Charge of P.R

Signature of Director, Local Fund Audit

11.1.6 ON ANNUAL AUDIT REPORT (Reference Para 9.21)

(i) Grants given to Local Bodies for specific purposes shall be detailed in an Appendix to the Report in Form No. 17 and the Director, Local Fund Audit shall furnish a general certificate in the following manner subject to the condition that physical verification of utilization of grants have been conducted by the Audit Party during the course of audit and furnish suitable report to this effect.

“Certified that the grants above, with the exceptions noted below, have been spent within the prescribed period for the purpose for which they were sanctioned.”

- (ii) Where the purpose is not fulfilled or the grant is not fully utilized, the fact should be mentioned in the Appendix to the Report. The Report should be brief one reviewing the audit work carried out by the officers on the accounts of the preceding year.
- (iii) In this review, principles rather than details should be kept in view, as the latter have already been embodied in the separate Audit Reports. Specific mentioned should be made in it of the number of days during the year that the Director, Local Fund Audit and the Officers under him had been on tour and number of inspections made by them. This report should also bring together the irregularities and other important matters which came to notice in the course of audit, and the orders passed on them by Government, if any.
- (iv) At the time of scrutiny of the draft audit reports and the draft explanation statements, the Director, Local Fund Audit and other Officers shall take note of any important items that will assist the Director, Local Fund Audit in the preparation of the Annual Audit Report of the Department.

11.1.7 ON AUDIT OF EXPENDITURE (*Reference Para 10.7*)

If the required voucher either supported by Actual Payee Receipt or Vouchers without obtaining signature of payees in their acknowledgement on the body of the vouchers is not produced to audit, the Audit Officer in his Preliminary Objection Statement will specifically indicate such vouchers. If such vouchers are not produced subsequently during the course of audit, the Audit Officer will have sufficient reason to suspect irregular or false payments. Such cases should be examined very carefully and a case should be properly argued as irregular payments or defalcation of fund. Simply writing “Voucher Wanting” in the final Audit Report is not sufficient to discharge the duties as Audit Officer.

Such cases should specifically be recorded in a separate para in the Audit Report.

11.2 INSTRUCTIONS APPLICABLE TO ALL LOCAL FUNDS

Guidance notes on audit relating to various matters are provided in Chapter -10 of this Manual, which are primarily designed to provide guidance to the Audit Officer/Auditors on matters, which may arise in the course of their professional work, and on which they may desire assistance in resolving issues, which may pose difficulty. All these notes are not exhaustive but recommendatory in nature. However, in addition to these, other instructions, among other things, which are consider important and applicable to all Local Funds is explained below.

11.2.1 MONEY ORDER ACKNOWLEDGEMENTS

Money orders acknowledgements may be accepted in Audit for any sum irrespective of the amount, provided always that the sender writes after the words, “received the sum specified on the reverse on.....”, in the Postal Money Order receipt, on what account the money has been paid.

11.2.2 VALUE PAYABLE COVERS

In the case of articles received by Value-Payable-Post (VPP), the Value-Payable cover together with the invoice or bill showing the details of the items paid for may be accepted as a voucher. The paying officer should endorse a note on the cover to the effect that the payment was made through the Post Office and this will also cover charges for the postal commission. Audit Officer should, however, exercise caution in seeing the Value-Payable covers should accordingly be marked “Cancelled” over the initials of the Audit Officer in green colour chalk pencil.

11.2.3 ACCEPTANCE OF POST OFFICE CASH CERTIFICATE AND NATIONAL SAVING CERTIFICATE AS SECURITY DEPOSIT

Post Office five years Cash Certificates may be accepted as Security Deposits for the amount at which the certificates were purchased and not for their face value, provided the depositor formally transfer the certificates, with the sanction of the Post Master General, to the Officer who would hold ordinary Government paper similarly deposited.

National Savings Certificates issued by the Postal Department may also be accepted as Security Deposit at purchase value, not at maturity value provided it is duly pledged by the issuing authority in favour of the Local Fund Authority,

Note- :- Government Securities should be accepted at their market value at the time of deposit. In the case of such security appreciating or depreciating no readjustment of their value should be made unless market value is such as to render it necessary to call upon the depositor to produce further security to make up the deficiency.

11.2.4 PROVIDENT FUND MONEY OR RESERVE BANK SHARES CANNOT BE PLEDGED AS SECURITY DEPOSIT

- (i) A subscriber to a provident fund cannot create a lien in favour of his employer on the sum at his credit in the Provident Fund with a view to the substitution of such lien for Security Deposits.
- (ii) As the Reserve Bank of India does not bind itself to take any action on any notice of trust expressed, implied or constructive, the share of the Reserve Bank of India cannot be accepted as Security.

11.2.5 VALIDITY OF SECURITY BONDS

Security Bonds executed in favour of the Governor of Mizoram are not binding if the officer is transferred to service under a Local Authority, and Security Bonds executed in a particular capacity are not valid when service is to be rendered in a different capacity.

11.2.6 STAMP DUTY ON SECURITY BONDS

Local Fund employees who are required to furnish Security Bonds are not exempted from payment of Stamp Duty under Article 57(e) of Section-I of the Indian Stamp Act,II of 1899, they being officers not of Government but of a Local Authority.

11.2.7 REGISTRATION OF SECURITY BONDS

The registration of Security Bonds executed by Local Fund employees is optional unless immovable property is hypothecated by such bonds.

11.2.8 REGISTRATION OF MORTGAGE BONDS

Mortgage Bonds executed by the Local Fund employees for House Building Advance, Motor Car Advance etc., are required to be registered and are chargeable with Stamp /duty under Article 40, Schedule-I of the Indian Stamp Act of 1899, cost of such Stamp Duty and registration fee is to be borne by concerned employee.

11.2.9 DEATH OF PAYEE

Pay, Allowances or Pension can be drawn for the day a man's death, the hour at which death takes place has no effect on the claim.

11.2.10 WITHHOLDING OF INCREMENTS UNDER FUNDAMENTAL RULES

When the authority passing orders to withhold an increment fails to specify clearly for what period and under which condition the officer is to be deprived of his increment, the deprivation should be held to cease on the expiry of the period during which the officer would have drawn the increment withheld and his future increments should not be withheld

11.2.11 SERVICE BOOKS

Service Books should be kept for all employees of Government Servants and of Local Authority whether they are temporary or permanent.

11.2.12 IMPRESSING CHALLANS WITH THE TREASURY SEAL

Challans with which money is remitted to the Treasury should be impressed with the Treasury Seal, with a view to authenticate the challans

11.2.13 INCOME TAX, SALE TAX AND PROFESSIONAL TAX

Whenever Income Tax, Sales Tax or Professional Tax are recoverable by deduction from bills or if such taxes are received in cash the same should be paid to the concerned authorities through challan within fifteen days from the date of such receipts.

11.2.14 IRREGULAR GRANT OF LEAVE

(i) When an irregularity regarding grant of leave is detected in the course of audit, it should be pursued until it is regularized under the orders of the competent authority

(ii) It is the duty of the competent authority to enforce, in the case of Extraordinary Leave the observance of the conditions laid down in Fundamental Rules 85, or CCS(Leave) Rules, 1972.

11.2.15 EXEMPTIONS FROM STAMP DUTY

The following are exempted from Stamp Duty :-

(i) Grants from Provincial revenues for :-

- (a) augmenting the resources of the local authority.
- (b) establishing equilibrium between receipts and expenditure.
- (c) maintenance of equipments of schools.
- (d) improvement of roads or water supply.
- (e) Gratuitous relief in famine stricken areas.

(ii) Payment on account of Scholarships.

(iii) Grants to Aided-Schools.

(iv) If the net amount paid on a bill (after making all deductions, etc.), does not exceed Rs 500.00, the acknowledgement need not be stamped.

(v) Payments to Libraries being payment without consideration are exempted from Stamp Duty.

Note 1 :- *Duplicate and Triplicate of the original receipts are not exempt from Stamp Duty. Certified copies however of the original receipts do not require to be stamped.*

Note 2 :- *If the original receipt is not stamped but the total amount including the subsequent payments exceeds Rs 500.00 a stamped receipt is required in respect of the subsequent payment although the amount thereof may be less than Rs 500.00.*

Note 3 :- *When two or more bills are paid by one cheque, a separate stamped receipt on each bill is not necessary. A single stamped receipt is sufficient. There should, however, be note on each bill that the relevant receipt is included in the receipt attached to such and such bills.*

Note 4 :- *Cash Memoranda issued by tradesmen for sales against Cash payment are not receipts within the meaning of Section 2(23) of the Indian Stamp Act, 1899 and they do not require to be stamped even if the amount exceeds Rs 500.00 and they may be accepted as sub-vouchers in audit. But where there is specific acknowledgement of the receipt of money from the purchaser on the memorandum it should be regarded as a receipt and it should be stamped when the amount exceeds Rs 500.00.*

11.2.16 UTILIZATION OF LOANS OR GRANTS

Loans or Grants from Central Government or State Government or from any other source to Local Authority for a particular purpose must not be diverted for other purposes. Such diversion of fund is unauthorized and as such illegal. Loans or Grants received from the Government or from any other source should be spend only for the purpose for which it was sanctioned. Unspent balance should be returned back to the Sanctioning Authority.

11.2.17 AUDIT OF GRANTS MADE TO STATE GOVERNMENT/LOCAL AUTHORITY FOR SPECIFIC PURPOSE

When a grant is made for specific purpose, it has to be seen that the amount granted has been actually spent on the work for which it was given and that the work has been completed.

Audit Officer should accordingly record in the draft audit report a certificate to the effect that Grants-in-Aid to State Government/ Local Authority for specific purposes have been properly utilized and that the unspent balances have been surrendered. Such certificate can be recorded by the Audit Officer only after being fully satisfied that the grants have been properly utilized for the purpose for which the same were sanctioned and all the conditions have been properly fulfilled. However,

the Audit Officer should obtained approval of the Director, Local Fund audit, before such certificate is made.

11.2.18 GRANTS FROM THE CENTRAL ROAD FUND TO STATE GOVERNMENT

The amounts handed over to State Government for the construction or reconstruction of roads out of the Central Road Fund are not contributions towards their funds to be spent in any way that seem best to them, but grants to cover the cost of carrying out specific projects to a certain standard. The State Government act as agents of Central Government in carrying out the projects under the existing rules and orders of Government.

11.2.19 PAYMENT BY CHEQUES

When two or more bills are payable to the same person, single cheque should be issued for their aggregate amount, though the particulars of each bill should be entered separately in the register of cheques delivered.

11.2.20 TENDERS

Instruments between contractors and Local Authority are not exempted from Stamp Duties. The accepted tenders be stamped by the contractors according to law. The stamp should be an "Impressed" one and not an "Adhesive" one and the value should be as per the provision of the Indian Stamp Act, 1899.

Usually the lowest tender should be accepted unless there be some objection on account of the qualification and capability of the contractor, the Security offered by him or execution of his former work. In cases where the lowest tender is not accepted, reasons should be recorded. In selecting the tender to be accepted, the financial status of the individuals and firms tendering should be taken into consideration in addition to all other relevant factors.

11.2.21 SUPPLY OF LIVERIES TO LOCAL BODY EMPLOYEES

Local Bodies/Authorities are left free in the matter of supplying liveries to their employees. In the interest of economy they would do well to be guided by the rules laid down by Government for the supply of liveries to their employees, but the application of these rules to the individual cases of the employee of Government is left to the discretion of those authorities.

11.2.22 LIMITATION FOR SUITS FOR RECOVERY OF MISCELLANEOUS DEMANDS

Limitation for suits for the recovery of demands on account of markets, ponds, etc., is governed by Article-110, Schedule-I of the Indian Limitation Act, 1877 and the period is three years from the time the rent becomes due.

11.2.23 SALE PROCEEDS OF ARTICLES SOLD BUT NOT PAID WITHIN THREE YEARS BECOME TIME BARRED

If the price of goods sold and delivered, where no fixed period of credit is agreed upon, are not paid within three years of the date of delivery of goods, then the claim becomes barred by the law of limitation, vide Item No 52 of the Indian Limitation Act-XV of 1877.

11.2.24 POWER OF LOCAL AUTHORITIES AS REGARDS REMISSION DUES

Under Section – 63 of the Indian Contract Act, every promise may dispense with or remit, wholly or in part, the performance of the promise made to him. The Local Authority as the promise is legally competent to remit a portion of any dues originally stipulated. Whether the remission is justified by the facts of the case is an entirely different matter, into which the Audit Officer may properly enquire. The Director, Local Fund Audit should report to Government in the Finance Department such instances in which the power wielded by the Local Authority appears to have been abused.

11.2.25 EXPENDITURE REQUIRING SANCTION OF A HIGHER AUTHORITY

Budget provision is no authority for incurring any expenditure which requires sanction of a higher authority.

The fact of a charge which requires special sanction having been included and passed in a budget is no authority for its payment.

11.2.23 EXPENDITURE WITHOUT OR INADEQUATE BUDGET PROVISION

No expenditure should be incurred for which there is no provision in the current year's budget. In no circumstances expenditure should exceed the budget provision.

11.2.24 INEVITABLE PAYMENTS

Money indisputably payable should never be left unpaid, and money paid should under no circumstances be kept out of the accounts. It is no economy to postpone inevitable payments, and it is very important to ascertain, liquidate and record the payment of all actual obligations at the earliest possible date.

11.2.25 PROSECUTION OF EMPLOYEES FOR MISAPPROPRIATION

Misappropriation of public money is a very grave offense, and, where such offense is established, it is not sufficient to punish the delinquent by dismissal or to rest satisfied with the refund of the amount, which has been misappropriated. In the interest of public morality, the offenders in cases in which there is legal advice in favour of prosecution should invariably be prosecuted criminally.

CHAPTER-12

AUDIT PROCEDURES OF CERTAIN ACCOUNTS

12.1 AUTONOMOUS DISTRICT COUNCILS

The Audit Officer while auditing the accounts of the Autonomous District Councils, viz, Lai Autonomous District Council, Mara Autonomous District Council and, Chakma Autonomous District Council, should carefully study the system of accounts as provided in the Mizoram Autonomous District Councils Fund Rules, 2010 (**Appendix-D**) before conduct of audit.

Instructions and procedures provided in this Manual shall be used by the Audit Officer in checking accounts of the concerned Autonomous District Council. The Auditor must exercise such further checks as his intelligence, prudence and experience suggest him to be necessary and valuable.

While discharging his reporting function, an Audit Officer should see whether the Accounting Procedure prescribed have been followed or not. If the same have not been followed, the Audit Officer should mentioned in his Audit Report.

12.2 AIZAWL MUNICIPAL COUNCIL

A comprehensive and detail Accounting Procedure, viz., Aizawl Municipal Accounting Manual is prescribed for the Council for maintenance of accounts. An extract copy of Rule 90 and 91 of the Aizawl Municipality Act, 2007 is appended in **Appendix-E**. It must be studied by the Audit Officer before conducting audit of the Council's Accounts. Further, audit instructions and procedures provided in this Manual shall be used by the Audit Officer in checking accounts of the Aizawl Municipal Council. The Auditor must exercise such further checks as his intelligence, prudence and experience suggest him to be necessary and valuable.

While discharging his reporting function, an Audit Officer should see whether the Accounting Procedure prescribed have been followed or not. If the same have not been followed, the Audit Officer should mentioned in his Audit Report.

12.3 GRANTS-IN-AID INSTITUTIONS (Reference Para – 10.14)

12.3.1 The following points should be carefully noted :

- (i) The period covered by the audit should be specifically mentioned in the audit report.
- (ii) Dates of conducting audit shall also be mentioned in the audit report.

12.3.2 INCUMBENCY

The audit reports should contain the names of the person or persons mainly responsible for administering the fund including the name of the Accountant and or the Cashier showing the different period or periods against each of them.

12.3.3 GRANTS RECEIVED

Recurring Grants or Non-Recurring Grants received from the State Government or from any other agency should be shown in separate statements. Details of the grants including Non-Recurring Grants should be mentioned in the Statements enclosed as Appendices to the Report for this purpose. A general certificate to the effect that the conditions of the Grants were fulfilled with exception, if any, should be incorporated in the draft audit report. Provision of para 10.14 & 10.39 of this Manual should carefully be observed.

12.3.4 CLOSING BALANCE

The Closing Balance of the Institution with details of cash-in-hand and in Bank, if any, should shown after reconciliation of discrepancy, if any. The details of reconciliation should be shown with instructions to the Secretary concerned to correct the necessary Registers on the basis of the reconciliation.

12.3.5 CASH BOOK :

Cash Book is the original record book from which the accounts start. The Auditor should see that the Cash Book is written in proper form and proper order and necessary certificates in respect of pages etc are furnished before a book is brought into use and the balance correctly struck and correctly carried forward. Every entry in the Cash Book should be verified with the corresponding supporting

records/vouchers. For uniformity the prescribed form of the Cash Book as provided in Rule 5(9)(1) of Mizoram Local Funds (Accounts and Audit) Rules, 2012, and Appendix-V ibid should be used unless separate Cash Book is prescribed by the competent authority.

The Auditor is to see that the Cash Book is written in double entry system and there should be contra entry on the opposite side in respect of Bank deposits and withdrawals.

The Auditor should see that the Cash Book is written daily as soon as the transactions occur and is closed regularly and completely checked. He should also see that an analysis of Cash Balance and certificate at the closed of the month has been furnished and signed by the officer-in-charge of the Cash Book.

12.3.6 MAINTENANCE OF BOOKS OF ACCOUNTS AND REGISTERS

The Auditor should see that whether books of accounts and registers prescribed under Rule 5(9) of Mizoram Local Fund (Accounts and Audit) Rules,2012 is strictly observed and complied with by the Accounting Authority.

12.3.7 GOVERNMENT GRANTS REGISTER

There should be a Government Grant Register showing records of all Government Grants. There should be uniformity in the form of the Register for all Grants received. The following **Form No. 22** is, therefore, suggested as shown in Table - 9 below :-

TABLE -9
FORM No. 22 - REGISTER OF GOVERNMENT GRANTS

Sl.No	No and Date of Sanctioning Letter	Purpose and condition of grants	Amount of grant sanctioned	Amount Received	Date of Receipt
1	2	3	4	5	6

MIZORAM AUDIT MANUAL

CHAPTER-12

Tv.No & Date/ Cash/Cheque/Draft/Telegraphic Transfer	From whom received	Amount Utilized	Unspent amount till the close of the period of Audit	Balance refunded, if any, with remarks	Signature of the Accounting Authority
7	8	9	10	11	12

Particulars of all Government Grants received whether by cash or by cheque or draft should be entered in the Register. In case of doubt, the Auditor should verify the particulars with those records in the Treasury or in the Countersigning Officer. The Auditor is to see that the Grants Register is maintained as prescribed and should note in his report if there is any discrepancy between the date of drawal and date of credit of the Grant in the Institution's account/ Bank Account. List of Grants-in-Aid received from the Government should be compared with the grants as recorded in the Grants-in-Aid Register. It should be examined that whether grants have been actually utilized for the purpose for which it was sanctioned.

12.3.8 COLLECTION REGISTER

Audit Officer should see that fees are collected in accordance with the relevant rules. The totals of Abstract of Collection Registers should be verified with the office copy of the used Receipt Books and compare it with the entry in the Cash Book. The short or excess credit, if any, should be pointed out in detail in the Audit Report.

12.3.9 EXECUTION OF PROJECTS/WORKS

Audit Officer should see that the projects/works undertaken has the sanction of Managing Board/Governing Body or such similar authority or other competent authority. Audit instructions and procedures concerning execution of project/works as provided in this Manual shall be used as a guide for checking the works accounts.

12.3.10 DEFICIT GRANTS

Audit Officer should see whether the conditions of the Deficit Grants are fulfilled or not. Important irregularities, if any, should be recorded in his report.

12.3.11 RECEIPT/ PAYMENT VOUCHERS

Minor irregularities in receipt/payment vouchers should be shown in the report. Important irregularities that are to be specially brought to the notice of the authorities concerned should be mentioned under this paragraph.

In case of vouchers not produced before audit, the procedure laid down in sub-para 10.7.5(v) of para 10.7 of this Manual should be strictly followed. Observation such as “ Voucher Wanting” should be avoided. The Officer will examine the case further and find out the exact position of the case.

12.3.12 ANNUAL ACCOUNTS :

Auditor should carefully examine with reference to Rule 18 of Mizoram Local Fund (Accounts and Audit) Rules, 2012, and the guiding principles provided in this Manual, Annual Statement of Accounts – (i) Receipts and Payments Accounts (ii) Income and Expenditure Accounts and (iii) the Balance Sheet along with Schedules, if any.

12.3.13 OPENING BALANCE AND CLOSING BALANCE

Auditor should carefully check and compare Opening Balance and Closing Balance as shown in the Cash Book with the balance in Bank Pass Book/Bank Statement, if any. It should be seen that whether Bank Reconciliation had been done at regular interval by the council or not. Otherwise, the same should be included in the Audit Report.

12.3.14 ISSUE OF AUDIT CERTIFICATE

Audit Certificate of the audited accounts of the organization should only be issued with the approval of the Director, Local Fund Audit.

12.3.15 COUNTERSIGNATURE OF UTILIZATION CERTIFICATE

Countersignature of Utilization Certificate against the grants/funds received by the client organization should not be done unless physical verification had been conducted while conducting the accounts. Only with the approval of Director, Local Fund Audit, Utilization Certificate be countersigned by the authorized officer on behalf of the Director, Local Fund Audit.

12.3.16 PREPARATION AND SUBMISSION OF AUDIT REPORT

Auditor should strictly observed and complied with the provision of para 7.9 of this Manual.

12.3.17 ADDITIONAL CHECKS

Instructions mentioned above are not exhaustive but illustrative. The Auditor must exercise such further checks as his intelligence, prudence and experience suggest him to be necessary and valuable.

12.4 AUDIT OF LOCAL COUNCIL/ VILLAGE COUNCILS ACCOUNTS**12.4.1 GENERAL**

As provided under Rule 8 of the Mizoram Grants-in-Aids to Village Councils Rules,2007, the accounts shall be audited by the Auditor appointed by the State Government or Accountant General (**Appendix – F**). In conducting the accounts of Local Council or the Village Council Court, books of Accounts and Registers required to be maintained by the concerned organization as mentioned in sub-para 12.4.3 of this para, the following records/documents should invariably be furnished by the concerned organization

- (i) Details of Incumbency
- (ii) Cash Book
- (iii) Bank Pass Book/Bank Statement duly updated
- (iii) Receipts Vouchers along with connected Register wherever necessary
- (iv) Expenditure Vouchers along with connected Registers wherever necessary
- (v) Stock Register (Fixed and Consumable Assets)
- (vi) Annual Accounts, viz – (a) Receipts & Payment Accounts (b) Income & Expenditure Accounts and (c) the Balance Sheet.

12.4.2 CASH BOOK :

Cash Book is the original record book from which the accounts start. The Auditor should see that the Cash Book is written in proper form and proper order and necessary certificates in respect of pages etc are furnished before a book is brought into use and the balance correctly struck and correctly carried forward. Every entry in the Cash Book should be verified with the corresponding supporting records/vouchers. For uniformity the prescribed form of the Cash Book as provided in Rule 5(9)(1) of Mizoram Local Funds (Accounts and Audit) Rules, 2012, and Appendix-V ibid should be used unless separate Cash Book is prescribed by the competent authority.

The Auditor is to see that the Cash Book is written in double entry system and there should be contra entry on the opposite side in respect of Bank deposits and withdrawals.

The Auditor should see that the Cash Book is written daily as soon as the transactions occur and is closed regularly and completely checked. He should also see that an analysis of Cash Balance and certificate at the closed of the month has been furnished and signed by the officer-in-charge of the Cash Book.

12.4.3 MAINTENANCE OF BOOKS OF ACCOUNTS AND REGISTERS

The Auditor should see that whether books of accounts and registers prescribed under Rule 5(9) of Mizoram Local Fund (Accounts and Audit) Rules, 2012 is strictly observed and complied with by the accounting authority.

12.4.4 GRANTS RECEIVED

Recurring Grants or Non-Recurring Grants received from the State Government or from any other agency should be shown in separate statements. Details of the grants including Non-Recurring Grants should be mentioned in the Statements enclosed as Appendices to the Report for this purpose. A general certificate to the effect that the conditions of the Grants were fulfilled with exception, if any, should be incorporated in the draft audit report. Provisions of para 10.14 & 10.39 of this Manual should carefully be observed.

Particulars of all Government Grants received whether by cash or by cheque or draft should be entered in the Register. In case of doubt, the Auditor should verify the particulars with those records in the Treasury or in the Countersigning Officer. The Auditor is to see that the Grants Register is maintained as prescribed and should note in his report if there is any discrepancy between the date of drawal and date of credit of the Grant in the Local Council/Village Council's account/ Bank Account. List of Grants-in-Aid received from the Government should be compared with the grants as recorded in the Grants-in-Aid Register. It should be examined that whether grants have been actually utilized for the purpose for which it was sanctioned.

12.4.7 RECEIPT/ PAYMENT VOUCHERS

Minor irregularities in receipt/payment vouchers should be shown in the report. Important irregularities that are to be specially brought to the notice of the authorities concerned should be mentioned under this paragraph.

In case of vouchers not produced before audit, the procedure laid down in sub-para 10.7.5(v) of para 10.7 of this Manual should be strictly followed. Observation such as " Voucher Wanting" should be avoided. The Officer will examine the case further and find out the exact position of the case.

12.4.8 ANNUAL ACCOUNTS :

Auditor should carefully examine with reference to Rule 18 of Mizoram Local Fund (Accounts and Audit) Rules, 2012, and the guiding principles provided in this Manual, Annual Statement of Accounts – (i) Receipts and Payments Accounts (ii) Income and Expenditure Accounts and (iii) the Balance Sheet along with Schedules, if any.

12.4.9 OPENING BALANCE AND CLOSING BALANCE

Auditor should carefully check and compare Opening Balance and Closing Balance as shown in the Cash Book with the balance in Bank Pass Book/Bank Statement. It should be seen that whether Bank Reconciliation had been done at regular interval by the council or not. Otherwise, the same should be included in the Audit Report.

12.4.10 ISSUE OF AUDIT CERTIFICATE

Audit Certificate of the audited accounts of the organization should only be issued with the approval of the Director, Local Fund Audit.

12.4.11 COUNTERSIGNATURE OF UTILIZATION CERTIFICATE

Countersignature of Utilization Certificate against the grants/funds received by the client organization should not be done unless physical verification had been conducted while conducting the accounts. Only with the approval of Director, Local Fund Audit, Utilization Certificate be countersigned by the authorized officer on behalf of the Director, Local Fund Audit.

12.4.12 PREPARATION AND SUBMISSION OF AUDIT REPORT

Auditor should strictly observed and complied with the provision of para 7.9 of this Manual.

12.4.13 ADDITIONAL CHECKS

Instructions mentioned above are not exhaustive but illustrative. The Auditor must exercise such further checks as his intelligence, prudence and experience suggest him to be necessary and valuable.

12.5 AUDIT OF NON-GOVERNMENT ORGANIZATIONS (NGOs)**12.5.1 GENERAL**

In conducting Non-Government Organization's Accounts, formal application or request for conduct of audit of accounts should be furnished by the President/Secretary of the concerned organization. Before conducting any accounts of such organization, approval of the Director, Local Fund should invariably be obtained beforehand. Books of Accounts and Registers required to be maintained by the concerned organization as mentioned in sub-para 12.5.3 of this para, the following records/documents should invariably be furnished by the concerned organization :-

- (i) Registration Certificate under the Mizoram Societies Registration Act, 2005.
- (ii) Cash Book
- (iii) Bank Pass Book/Bank Statement duly updated
- (iii) Receipts Vouchers along with connected Register wherever necessary
- (iv) Expenditure Vouchers along with connected Registers wherever necessary
- (v) Stock Register (Fixed and Consumable Assets)
- (vi) Annual Accounts, viz – (a) Receipts & Payment Accounts (b) Income & Expenditure Accounts and (c) the Balance Sheet.

12.5.2 CASH BOOK :

Cash Book is the original record book from which the accounts start. The Auditor should see that the Cash Book is written in proper form and proper order and necessary certificates in respect of pages etc are furnished before a book is brought into use and the balance correctly struck and correctly carried forward. Every entry in the Cash Book should be verified with the corresponding supporting records/vouchers. For uniformity the prescribed form of the Cash Book as provided in Rule 5(9)(1) of Mizoram Local Funds (Accounts and Audit) Rules, 2012, and Appendix-V *ibid* should be used unless separate Cash Book is prescribed by the competent authority.

The Auditor is to see that the Cash Book is written in double entry system and there should be contra entry on the opposite side in respect of Bank deposits and withdrawals.

The Auditor should see that the Cash Book is written daily as soon as the transactions occur and is closed regularly and completely checked. He should also see that an analysis of Cash Balance and certificate at the closed of the month has been furnished and signed by the officer-in-charge of the Cash Book.

12.5.3 MAINTENANCE OF BOOKS OF ACCOUNTS AND REGISTERS

Notwithstanding anything contained in Rule 16 of the Mizoram Societies Registration Act, 2005 (**Appendix-G**), the Auditor should see that whether books of accounts and registers prescribed under Rule 5(9) of Mizoram Local Fund (Accounts and Audit) Rules, 2012 is strictly observed and complied with by the accounting authority.

12.5.4 GRANTS RECEIVED

Recurring Grants or Non-Recurring Grants received from the State Government or from any other agency should be shown in separate statements. Details of the grants including Non-Recurring Grants should be mentioned in the Statements enclosed as Appendices to the Report for this purpose. A general certificate to the effect that the conditions of the Grants were fulfilled with exception, if any, should be incorporated in the draft audit report. Provisions of para 10.14 & 10.39 of this Manual should carefully be observed.

12.5.5 GOVERNMENT GRANTS

Check the Grants Register with sanction order and see that the Grants received from the Central Government, State Government and other sources for which the same were sanctioned.

Prepare a Statement of Grants showing utilization and attach the same with the Report.

12.5.6 GOVERNMENT GRANTS REGISTER

There should be a Government Grant Register showing records of all Government Grants. There should be uniformity in the form of the Register for all Grants received. The following **Form No. 22** is, therefore, suggested as shown in Table-11 below :-

TABLE -11
FORM No. 22 - REGISTER OF GOVERNMENT GRANTS

Sl.No	No and Date of Sanctioning Letter	Purpose and condition of grants	Amount of grant sanctioned	Amount Received	Date of Receipt
1	2	3	4	5	6

MIZORAM AUDIT MANUAL

CHAPTER-12

Tv.No & Date/ Cash/Cheque/Draft/Telegraphic Transfer	From whom received	Amount Utilized	Unspent amount till the close of the period of Audit	Balance refunded, if any, with remarks	Signature of the Accounting Authority
7	8	9	10	11	12

Particulars of all Government Grants received whether by cash or by cheque or draft should be entered in the Register. Incase of doubt, the Auditor should verify the particulars with those records in the Treasury or in the Countersigning Officer. The Auditor is to see that the Grants Register is maintained as prescribed and should note in his report if there is any discrepancy between the date of drawal and date of credit of the Grant in the Organization’s account/Bank Account. List of Grants-in-Aid received from the Government should be compared with the grants as recorded in the Grants-in-Aid Register. Cash Book, actual drawal from Government Office and any discrepancy noticed would be carefully examined along with drawal from the sanctioning authority be specifically recorded in the Audit Report in a separate para.

12.5.7 RECEIPT/ PAYMENT VOUCHERS

Minor irregularities in receipt/payment vouchers should be shown in the report. Important irregularities that are to be specially brought to the notice of the authorities concerned should be mentioned under this paragraph.

In case of vouchers not produced before audit, the procedure laid down in sub-para 9.2.5(v) of para 9.2. should be strictly followed. Observation such as “Voucher Wanting” should be avoided. The Officer will examined the case further and find out the exact position of the case.

12.5.8 ANNUAL ACCOUNTS :

Auditor should carefully examined with reference to Rule 18 of Mizoram Local Fund (Accounts and Audit) Rules, 2012, and the guiding principles provided in this Manual, Annual Statement Accounts – (i) Receipts and Payments Accounts (ii) Income and Expenditure Accounts and (iii) the Balance Sheet along with Schedules, if any, appended with the Reports.

12.5.9 OPENING BALANCE AND CLOSING BALANCE

Auditor should carefully check and compare Opening Balance and Closing Balance as shown in the Cash Book with the balance in Bank Pass Book/Bank Statement. It should be seen that whether Bank Reconciliation had been done at regular interval by the organization or not. Otherwise, the same should be included in the Audit Report.

12.5.10 ISSUE OF AUDIT CERTIFICATE

Audit Certificate of the audited accounts of the organization should only be issued with the approval of the Director, Local Fund Audit.

12.5.11 COUNTERSIGNATURE OF UTILIZATION CERTIFICATE

Countersignature of Utilization Certificate against the grants/funds received by the client organization should not be done unless physical verification had been conducted while conducting the accounts. Only with the approval of Director, Local Fund Audit, such Utilization Certificate be countersigned by the authorized officer on behalf of the Director, Local Fund Audit.

12.5.12 ADDITIONAL CHECKS

Instructions mentioned above are not exhaustive but illustrative. The Auditor must exercise such further checks as his intelligence, prudence and experience suggest him to be necessary and valuable.

APPENDIX – A



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NOTIFICATION

No.H. 12018/177/06-LJD, the 17th November, 2006. The following Act of the Mizoram Legislative Assembly which received the assent of the Governor of Mizoram is hereby published for general information.

The Mizoram Local Funds (Accounts and Audit) Act, 2006 (Act No. 8 of 2006)

(Received the assent of the Governor of Mizoram on 20th October 2006)

AN
ACT

THE MIZORAM LOCAL FUNDS (ACCOUNTS & AUDIT) ACT, 2006

CONTENTS

PREAMBLE**SECTION**

1. Short title, extent and commencement.
2. Definitions
3. Appointment of Examiner of Local Fund Accounts.
4. Appointment of Auditors
5. Power of Examiner of Local Fund Accounts and Auditors to examine local accounts.
6. Special Powers, duties and responsibilities of Examiner of Local servants within the meaning of the Indian Penal Code.
7. Examiners of Local Fund Accounts and Auditors Public servants within the meaning of the Indian Penal Code.
8. Presence of interested persons at the time of audit.
9. Audit Report.
10. Power of Examiner of Local Fund Accounts to surcharge or charge illegal payment or loss incurred by negligence.
11. Application of Section 9 and 10 to audit conducted by the Examiner of Local Fund Accounts.
12. Credit of certified sums to local fund.
13. Appeal against surcharge or charge made under Sec. 10(1) (a).
14. Surcharge or charge to be recoverable as an arrear of land revenue.
15. Charge in respect of audit to be payable out of local fund.
16. Power to make rules.
17. Repeal of repugnant provisions in other enactments.
18. Repeal and savings.

SCHEDULE

THE MIZORAM LOCAL FUNDS (ACCOUNTS & AUDIT) ACT 2006
AN ACT

To make better provisions for the audit and safeguarding of Local Funds in Mizoram.

Be it enacted by the Legislative Assembly of Mizoram in the fifty-seventh year of the Republic of India, as follows:

1. **SHORT TITLE, EXTENT AND COMMENCEMENT.**
 - (a) This Act may be called the Mizoram Local Funds (Accounts and Audit) Act, 2006.
 - (b) It extends to the whole of Mizoram.
 - (c) It shall come into force on such date as the Government may, by notification in the Official Gazette, appoint in this behalf.

- 2. DEFINITIONS.** In this Act, unless there is anything repugnant in the Context-
- (1) “auditor” means an auditor appointed under this Act;
 - (2) “examiner of local fund accounts” means a person appointed as such Under this Act and includes any person for the time being performing the duties of an Examiner of Local Fund Accounts;
 - (3) “local account” or “accounts of local authority” means the accounts of local fund and of all other property vesting in or under the control of management of any local authority other than a cantonment authority;
 - (4) “local fund” means any fund vested in or under the control or management of a municipal board, town committee, local board, village authority or the local authority not being a cantonment authority and includes any fund declared by the State Government to be a local fund for the purpose of this Act;
 - (5) “Person Accounting” or Accounting Officer” with reference to any local fund means any person charged with the preparation or maintenance of any accounts (including estimates, measurement, books, bills etc.) connected with the fund that may be prescribed under this or any other Act;
 - (6) “prescribed” means prescribed by rules made under this Act;
 - (7) “Tribunal” means a body appointed by the State Government to be the tribunal for the purpose of this Act.
- 3. APPOINTMENT OF EXAMINER OF LOCAL FUND ACCOUNTS.** The State Government may be notification, appoint any person to be an Examiner of Local Fund Accounts in Mizoram.
- 4. APPOINTMENT OF AUDITORS.** The State Government may, by notification, appoint auditors of local accounts in consultation with the Examiner of Local Fund Accounts.
- 5. POWER OF EXAMINER OF LOCAL ACCOUNTS AND AUDITORS TO EXAMINE LOCAL ACCOUNTS.** (1) An Examiner of Local Fund Accounts or any auditor may, in accordance with the rules made in this behalf under this Act, examine an audit the accounts of any local authority.

(2) For the purpose of any examination or audit under this Act, an Examiner of Local Fund Accounts, and for the purpose of any appeal under this Act, a Tribunal shall have the powers of a civil court under the Code of Civil Procedure, 1908, as amended from time to time.

- (a) To summon any person whose presence be or it thinks necessary to attend before him or it, from time to time.
- (b) To examine any person on oath to be by him or it;
- (c) To issue a commission for the examination or interrogatories or otherwise of any person; and
- (d) To summon any person to produce any necessary document or thing.

(3) For the purpose of any audit under this Act, an auditor may-

- (a) by summon in writing or by letter require the production before him of any document which he may deem necessary;
- (b) by summons in writing require any whole-time paid servant of the local authority accountable for or having the custody or control of, any such document to appear in person before him;
- (c) require any such person to make and sign a declaration with respect to such document or to answer any question or prepare and submit any statement relating thereto.

(4) Every person to whom a summons or requisition is issued under sub sec. (2) or (3) shall be bound to comply therewith.

6. SPECIAL POWERS , DUTIES AND RESPONSIBILITIES OF EXAMINER OF LOCAL FUND ACCOUNTS. Notwithstanding anything contained in Sec, the State Government may direct the Examiner of Local Fund Accounts for audit or special audit of the accounts of Government Departments in like manner as may be prescribed by the State Government.

7. EXAMINERS OF LOCAL FUND ACCOUNTS AND AUDITORS ARE PUBLIC SERVANTS WITHIN THE MEANING OF THE INDIAN PENAL CODE. Every auditor and Examiner of Local Fund Accounts appointed under this Act shall, for the purposes of the powers and duties conferred and imposed upon him by or under this Act, be deemed to be a public servant within the meaning of Sec.21 of the Indian Penal Code.

8. PRESENCE OF INTERESTED PERSONS AT THE TIME OF AUDIT. Any person who is assessed to any tax, rate, or fee the proceeds of which are required to be credited to the local fund may be present at any audit of the local accounts under this Act; provided that-

(a) he has obtained the previous permission of the auditor or of the Examiner of Local Fund Accounts on a written application stating the grounds on which he desires to be present; and

(b) he shall be permitted to be present only during that part of the audit with which the grounds disclosed in his application are concerned.

In every such case, the authority granting permission shall forthwith forward a copy of the application and of the order passed thereon to the Chairman or other Principal Executive Officer of the local authority concerned.

9. AUDIT REPORT. When an auditor has completed the audit of the accounts of any local authority, he shall prepare a report on them and shall submit the report to the Examiner of Local Fund Accounts, who he in turn shall furnish a copy to the local authority.

10. POWER OF EXAMINER OF LOCAL FUND ACCOUNTS TO SURCHARGE OR CHARGE ILLEGAL PAYMENT OR LOSS INCURRED BY NEGLIGENCE.

(1) The auditor shall include in his report (hereinafter called the audit report) a statement of-

(a) every payment which appears to him to be contrary to law;

(b) the amount of, or the equivalent in money of any, deficiency or loss which appears to have been incurred by the negligence or misconduct of any person accounting;

(c) the amount of any sum or the equivalent in money of any articles which ought to have been, but is not brought into account by any such person; and

(d) the name of the persons making or authorizing the illegal payment or accountable for the deficiency, loss, or omission, as the case may be.

(2) After considering such report the Examiner of Local Fund Accounts may-

(a) Order that any payment referred to in Cl. (a) under Sub. Sec. (1) shall be allowed or that no further action shall be taken as regards any amount referred in Cl. (b) or (c) of the said sub - section; or

(b) Serve a notice on the person named in the report or any other person whom the Examiner of Local Fund Accounts considers to have been made or authorized the illegal payment or to be accountable for the deficiency, loss or omission, requiring him to show cause within one month why the payment or amount referred to in the report or any similar payment or amount omitted there from should not be surcharge on or charged against him.

(3) After considering the cause (if any) shown by the person notified, the Examiner of Local Fund Accounts may surcharge any such payment on, or charge any such amount against him and shall in every such case certify the amount due from such person.

(4) Publication of the certificates and the audit report. The certificate shall be according to the forms set forth in the Schedule hereto annexed or to the like effect and a copy thereof together with a copy of the audit report shall be published in the prescribed manner.

11. APPLICATION OF SECTIONS 9 AND 10 TO AUDIT CONDUCTED BY THE EXAMINER OF LOCAL FUND ACCOUNTS. All the provisions of Sections 9 and 1- shall apply mutatis mutandis when the Examiner of Local Fund Accounts himself conducts any audit under this Act.

12. CREDIT OF CERTIFIED SUMS TO LOCAL FUND. Except as hereinafter provided every sum certified under Sec. 10 as due from any person shall be for with paid by him to the local authority concerned and shall thereupon be credited to its local fund.

13. APPEAL AGAINST SURCHARGE OR CHARGE MADE UNDER SEC. 10(1).

(a) Any person aggrieved by any surcharge or charge made under Sec. 10 whether by reason of its excessive or insufficient, or on any other ground whatsoever; and

(b) Any person aggrieved by the omission to make a surcharge or charge under Sec.10, may within thirty days of the date of publication of the certificate thereof in case (a) and of the audit report in case (b) appeal to the Tribunal which may thereupon take further evidence or direct further evidence to be taken and pass such orders, including an order as to costs, as it may think fit, and these orders shall be final.

14. SURCHARGE OR CHARGE TO BE RECOVERABLE AS AN ARREAR OF LAND REVENUE.

(1) The sum stated in the certificate of the Examiner of Local Fund Accounts, in all cases in which no appeal has been preferred under Sec. 13 and the sum stated in the order of the appellate authority, in all cases in which an appeal has been preferred, may on his application or on the application of the local authority concerned, within three years of the date of the certificate or order, as the case may be, be recovered by the Deputy Commissioner as if it were an arrear of land revenue.

(2) All expenses connected with any application under Sub-Sec (1) shall be a charge on the local fund and all sums recovered thereunder shall be credited to the same fund.

15. CHARGES IN RESPECT OF AUDIT TO BE PAYABLE OUT OF LOCAL FUND. All expenses incurred by a local authority in complying any requisition under sec.5 shall be payable out of its local fund.

16. POWER TO MAKE RULES.

(1) The State Government may, after previous publications, make rules for the purpose of carrying out the provisions of this Act.

(2) In particular and without prejudice to the generality of the foregoing powers such rules may regulate –

(i) the manner in which a local authority shall keep accounts in cases in which no such provision or, in the opinion of the State Government, insufficient provision is made by the enactment under which such authority is constituted;

(ii) the power and duties of an Examiner of Local Fund Accounts and auditors, and the procedure to be followed by them in conducting an audit under this Act and the time and places at which the audit may be conducted; and

(iii) the manner in which certificates under Sec. 10 are to be served on the persons concerned.

(3) Every rule made under this Act shall be laid, as soon as may be after it is made, before the Legislative Assembly of Mizoram while it is in session for total a period of not less than fourteen days which may be comprised in one session or in two or more successive sessions and if before the expiry of the session in which it is so laid of the session aforesaid, the Assembly makes any modification in the rule or decided that the rule shall not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be, so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

17. REPEAL OF REPUGNANT PROVISIONS IN OTHER ENACTMENTS.

Where any enactment by which a local authority is constituted contains any provision Repugnant to the provisions of this Act or any rule made there under, that provision shall, to the extent of the repugnancy, be deemed to have been repealed by this Act.

18. REPEAL AND SAVINGS.

- (1) On and from the commencement of this Act, the Assam Local Funds (Accounts and Audit) Act, 1930 shall stand repealed in its application to Mizoram.
- (2) Notwithstanding such repeal, any action taken, any order passed, any notification issued or any proceedings commenced under the Act so repealed shall be deemed to have been taken, passed, issued and commenced under the corresponding provisions of this Act.

SCHEDULE
Section 10(4)
FORM OF CERTIFICATE
FORM I

AGAINST AN ACCOUNTING OFFICER

I do hereby certify that in the account of
 (here enter the name and office of the person)
 Of(here enter the local authority) I have disallowed (or surcharged)
 The sum of Rs..... Which is accordingly now due from him.
 As witness my hand, thisDay of20.....

Examiner of Local Fund Accounts.

FORM II

Against a person not an accounting officer

I do hereby certify that in the account of
(here enter the name of the local authority). I have disallowed the sum of Rs..... As
payment Illegally made out of the funds of the local authority and I find that(here
enter the name and description of person) authorized the making of such illegal payments, and I
do hereby surcharge the said with the same, which is accordingly now due from
him. As witness my hand, thisDay of20.....

Examiner of Local Fund Accounts.

P. Chakraborty,
Secretary, Govt. of Mizoram
Law & Judicial Deptt.

APPENDIX-A(i)
No.A. 11017/1/2012 – F.Est/3
GOVERNMENT OF MIZORAM
FINANCE DEPARTMENT

OFFICE MEMORANDUM

Aizawl, the 3rd August, 2012

In the interest of public service and in pursuance of Clause 9 of the Mizoram Local Funds (Accounts and Audit) (First Amendment) Act, 2012 notified vide Issue No.H.12018/177/2006-LJD dt.25.7.2012 and published in the Official Gazette under Issue No. 354 dt.30.7.2012, it is brought to the notice of all concerned that the nomenclature of the following post under Accounts & Treasuries have been changed as shown below. All communications should be addressed accordingly with immediate effect.

Sl.No	Existing Nomenclature	New Nomenclature
1.	Examiner of Local Fund Accounts	Direct of Local Fund Audit
2.	Deputy Examiner of Local Fund Accounts	Deputy Director of Local Fund Audit
3.	Assistant Examiner of Local Fund Accounts	Assistant Director of Local Fund Audit

Sd/- VANLALNGHAKA
Secretary to the Govt. of Mizoram
Finance Department.

Memo No. A. 11017/1/2012 – F. Est/3

: Aizawl, the 3rd August, 2012.

Copy to:-

1. Secretary to Governor, Mizoram.
2. Secretary to Chief Minister, Mizoram,
3. P.S to Speaker/Dy. Speaker, Mizoram.
4. P.S to all Ministers.
5. P.P/S to Chief Secretary, Government of Mizoram.
6. Secretary DP&AR (GSW) for information.
7. Secretary, Mizoram Public Service Commission, Aizawl.
8. Accountant General, Mizoram, Aizawl.
9. Chief Controller of Accounts, Accounts & Treasuries.
10. All Treasury Officers, Mizoram.
11. Controller, Printing & Stationeries, Govt. of Mizoram with 6 (six) Spare copies for publication in the Mizoram Gazette.
12. Guard File.

(ANGELA ZOTHANPUII)
Under Secretary to the Govt of Mizoram



APPENDIX-B

The Mizoram Gazette

Extra Ordinary

Published By Authority

RNI No. 27009/1973 Postal Regn. No. NE-313(MZ) 2006-2008 Re. 1/- per page
VOL – XLI Aizawl, Monday 30.7.2012 Sravana 8, S.E. 1934, Issue No. 354

NOTIFICATION

No. H. 12018/177/2006-LJD, the 25th July, 2012. The following Act is hereby published for general information.

The Mizoram Local Funds (Accounts and Audit)
(First Amendment) Act, 2012. (Act No.9 of 2012)

{Received the assent of the Governor of Mizoram on the 23rd July, 2012}

P. Singthanga,
Secretary to the Govt. of Mizoram

AN ACT

To amend the Mizoram Local Funds (Accounts and Audit) Act, 2006. (Act No.8 of 2006) hereinafter referred to as the Principal Act;

It is enacted by the Legislative Assembly of Mizoram in the Sixty-Third Year of the Republic of India as follows :-

1. Short title and commencement - (1) This Act may be called the Mizoram Local Funds (Accounts and Audit) (First Amendment) Act, 2012.
(2) It shall come into force from the date of its publication in the Official Gazette.
2. Amendment of Section 3 - In Section 3 of the Principal Act for the word, 'be' in between the words, 'may' and 'notification' shall be substituted by the word, 'by'.
3. Amendment of Section 5 - In Section 5 of the Principal Act, for the word, 'an' in between the words, 'examine' and 'audit' shall be substituted by the word, 'and'.

4. Amendment of Section 6 - In Section 6 of the Principal Act, for the word, 'Sec' in between the words, 'in' and 'the' shall be substituted by the word, 'Sec.5'
5. Amendment of Section 9 - In Section 9 of the Principal Act, the word, 'he' in between the words, 'who' and 'in' shall stand deleted.
6. Amendment of Section 10 - (1) In clause (b) sub-section (2) of Section 10 of the Principal Act, for the word, 'surcharge' in between the words, 'be' and 'on' shall be substituted by the word, 'surcharged'.
(2) In sub- section (4) of Section 10 of the Principal Act, for the word, 'sel' in between the words 'forms' and 'forth' shall be substituted by the word, 'set.
7. Amendment of Section 12 - In section 12 of the Principal Act, for the word, 'forwith' in between the words, 'be' and 'paid' shall be substituted by the word, 'forthwith'.
8. Amendment of Section 16 - In sub- Section (3) of Section 16 of the Principal Act, for the word, 'total a period' in between the words, 'for' and 'of' shall be substituted by the words 'a total period'.
9. Amendment of Section Act - In the Principal Act, the nomenclature, 'Examiner of Local Fund Accounts', wherever it occurs, shall be substitute by the nomenclature, 'Director of Local Fund Audit'.

**APPENDIX-C
GOVERNMENT OF MIZORAM
FINANCE DEPARTMENT
(APF BRANCH)**

NOTIFICATION

Dated Aizawl, the 8th February, 2013

No.G.24011/2/2009-F. APF: In exercise of the powers conferred by Section 16 of the Mizoram Local Funds (Accounts and Audit) Act, 2006 (Act No. 8 of 2006), the Governor of Mizoram is pleased to make the following rules, namely;

GENERAL

1. SHORT TITLE AND COMMENCEMENT

- 1) These Rules may be called the Mizoram Local Funds (Accounts and Audit) Rules, 2012
- 2) They shall come into force on such dates as the Government may, by notification in the Official Gazette, appoint in this behalf.

2. DEFINITIONS :

I these rules, unless the context otherwise requires,

- 1) "Act" means The Mizoram Local Funds (Accounts and Audit) Act, 2006 (Act No.8 of 2006);
- (2) "Appendix" means an appendix appended to these rules;
- (3) "Auditor" means an Auditor appointed under the Act;
- (4) "Central Government" means Government of India;
- (5) "Constitution" means the Constitution of India ;
- (6) "Finance Departmentt " means the Finance Department under the Government of Mizoram;
- (7) "Local Authority" means any authority which administer Local funds as defined in the Act and; or any authorities as may be declared by the State Government as Local Authority from time to time.
- (8) "State Government" means Government of Mizoram;
- (9) "Treasury" means any Treasury in the State of the Mizoram and includes a sub- Treasury ;

Words and expressions used in these rules and not otherwise defined shall have the same meaning as respectively assigned to them in the Act.

3. APPOINTMENT OF DIRECTOR OF LOCAL FUND AUDIT, OTHER OFFICERS AND STAFF

Notwithstanding anything contained in Section 3 and 4 of the Act, the Office of the Director of Local Funds Audit shall comprise of officers and staff as may be decided by the Government by a notification from time to time.

GENERAL PRINCIPLES AND METHODS OF ACCOUNTS

4. Notwithstanding anything contained under clause (i) of sub section 2 of Section 16 of the Act where the accounts of the Local Authority follow the Government Accounting System, the principles and methods for maintenance of Accounts should be as under :-

(1) Period of Accounts : The annual accounts of the Local Authority shall record transactions which take place during a financial year running from 1st April of a year to 31st March of the next year.

(2) Main Division of Accounts : The Accounts of the Local Authority shall be kept in the following two parts :-

(i) Part-I – Fund of the Local Authority

(ii) Part-II – Deposit Fund

(3) In Part-I of the Accounts, there shall be two main Divisions, namely :

(i) Revenue Account : Revenue Receipt Heads (Revenue Account) and Expenditure Heads Revenue Account)

The first Division, viz, 'Revenue Account' shall deal with the proceeds of taxation and other receipts classed as Revenue, and expenditure met therefrom. It shall also include the grants and contributions received from the Central Government or State Government or any other sources, and also grants and contributions made by the Local Authority.

(ii) Capital Account : Public Debt, Loans and Advances consisting of Section for Receipt Heads (Capital Account) and Expenditure Heads (Capital Account).

The Second Division shall deal with expenditure met usually from borrowed funds with the object either of increasing concrete assets of a material and permanent character or reducing recurring liabilities. It also includes receipt of a capital nature intended to be applied as a set off to capital expenditure.

The Section "Public Debt" and "Loans and Advances etc" of the second division shall comprises of Loans received and their repayments by the Local Authority and Loans and Advances made and their recoveries by the Local Authority.

4) In Part – II of the Accounts, the transactions relating to Deposit including Contributory Provident Fund and other Funds and Advances shall be recorded. The transactions under 'Debt', 'Deposit and Advances' in this part are such, in respect of which the Local Authority incurs a

liability to repay the money received or has a claim to recover the amount paid, together with the repayment of Deposits and the recoveries of Advances.

(5) Classification of Accounts :

(i) Within each of the division/sections mentioned in sub section (3) above, the transactions shall be divided into Major Heads of Accounts which shall be divided into Minor Heads, each of which shall have number of Subordinate Heads. The Classification of Accounts shall be such as given in the List of Major Heads and Minor Heads of Accounts. In all account records, the Major and Minor Heads shall be arranged in the exact order shown in the list of Major and Minor Heads of Accounts. The classification prescribed (including the Code Number assigned up to the Major Heads) should be strictly followed.

(ii) The Major Heads of Accounts generally correspond 'sanction' of the Local Authority, such as different services like 'Agriculture', 'Public Works' etc provided by the Local Authority, while the Minor Heads subordinate to them identify the 'programme' undertaken to achieve the objectives of the functions represented by the Major Heads. A 'Detailed Head' may be termed on objective classification. On the expenditure side of the accounts, the detailed heads are primarily meant for item-wise control over expenditure and to indicate the nature of expenditure on a scheme or activity of organization in terms of input such as 'pay and allowances', 'Other Charges' etc.

5. ACCOUNTS OF COMMERCIAL NATURE

(1) Complete Accounts in respect of the monetary transactions of the Local Authority in the Headquarter Office as well as in the Subordinate Offices shall be maintained in the same manner as required in a State Government Office. Where the accounts of any Authority mentioned above are conducted on Commercial lines, the essential formalities of Commercial Accounts should be strictly observed. The Head of Accounts shall be as per list at **Appendix I**.

(2) The Local Authority under sub-rule 5(1) shall prepare the annual statement of accounts every financial year. The Chairman/Secretary of the Local Authority may authorize an officer of the local authority to prepare the account on his behalf.

(3) The Chairman/Secretary of the Local Authority shall supervise the maintenance of the accounts of the Local Authority as well as subordinate offices, the compilation and financial statement and return, and shall ensure that all accounts, books, connected vouchers and other documents and papers of the Local Authority required by the audit officer for the purpose of auditing the accounts of the Local Authority are placed at the disposal of that officer.

(4) The Annual Statement of Accounts duly approved by the Chairman and after certification by the Director of Local Funds Audit or his authorized representative, shall be submitted by the Secretary of the Local Authority to Finance Department, Government of Mizoram by such date as may be specified by the Government.

(5) Forms of Accounts : The Local Authority under sub-rule 5(1) shall prepare the following accounts in the forms mentioned below:-

- (1) Receipt and Payment Accounts in **Appendix-II**
- (2) Income and Expenditure Accounts in **Appendix – III**
- (3) Balance Sheet in **Appendix – IV**

(6) The authorized signatory to sign and authenticate the ‘Receipt and Payment Accounts’, ‘Income and Expenditure Accounts’ and ‘Balance Sheet’ shall be the Secretary of the Local Authority.

(7) The Annual Statement of Accounts shall be submitted to the Director of Local Funds Audit/Audit Officer on or before the 30th June following the year to which the accounts relate and the Director of Local Funds Audit/Audit Officer shall audit the accounts of Local Authority and report thereon.

(8) Opening of Bank Account :- The Local Authority under sub – rule 5 :

- (i) shall open account(s) in one or more Nationalised/ Scheduled/Regional Banks.
- (ii) shall make available the specimen signatures of two of its officers to be the authorized signatories to the nominated bank/banks for their information and records.
- (iii) the link branch of the nominated bank/banks shall furnish daily payment and receipts scrolls to the Local Authority which will ensure that the cheques appearing in the payment scrolls are those issued by the Local Authority and reconcile each transaction with the Bank/Banks.

(9) Books of Accounts : The following books of Accounts and Registers shall be maintained by the Local Authority under sub rule 5.

- (i) Cash Book (**Appendix-V**)
- (ii) Ledger (**Appendix – VI**)
- (iii) Journal (**Appendix-VII**)
- (iv) Register of Temporary Advances (**Appendix-VIII**)
- (v) Register of Money orders, Cheques and Bank drafts received (**Appendix-IX**)
- (vi) Cheque Book and Cheque Issue register (**Appendix-X and XI**)
- (vii) Register of remittance made into Bank (**Appendix-XII**)
- (viii) Bank Pass Book
- (ix) Register of Money orders, postal orders and bank drafts dispatched (**Appendix-XIII**)
- (x) Stock Register (**Appendix – XIV**)
- (xi) Monthly Accounts of Receipts and Payments (**Appendix – XV**)
- (xii) Monthly Accounts of Receipt and Payments Register (**Appendix-XVI**)
- (xiii) Bill Register (**Appendix – XVII**)
- (xiv) Fixed Assets Register (**Appendix – XVIII**)
- (xv) Register of Investment and Ledger for Investment (**Appendix – XIX and XX**)
- (xvi) Register of Bank Interest (Receipts and Payments) (**Appendix – XXI**)

6. ACCOUNTS PERTAINING TO LOCAL AUTHORITY NOT COVERED BY RULE 4 AND 5

The principles and method of accounts to be followed by any Local Authority not covered by Rule 4 and 5, shall be maintained strictly as per the provisions of Accounting Manual or Procedure of the respective Acts or Rules.

7. The Local Authority under rule 4,5 and 6 shall maintain proper accounts and other records of the grants and loans in the manner as may be prescribed by the Central Government/ State Government.

8. At the close of each Financial Year, the Local Authority under rule 4,5 and 6 shall furnish an Utilisation Certificate stating therein the opening balance, amount (including grants and loans) received and utilized during the year and the balance remaining unutilized duly signed by the Executive Authority for obtaining certification by the Director of Local Funds Audit or any other officer appointed by him in this behalf.

9. At the close of each quarter, a consolidated account showing the total receipts and payments during the period under each heads of account with opening and closing balances shall be prepared and submitted to the Director of Local Funds Audit for compilation and onward submission to the Government.

10. The Local Authority under rule 4,5 and 6 shall lay down a detailed procedure for sanction of various expenditure and delegation of powers among the Local Authority.

11. The accounts of the Local Authority shall be audited by the Director of Local Funds Audit at such interval as may be prescribed by him.

12. Books and forms of accounts shall be maintained in the forms in which these are maintained in State Government Offices. If some of the Registers and forms are not in use in the State Government Office, the form adopted by the Local Authority with the approval of Director of Local Funds Audit will be followed.

13. The Local Authority should maintain Register of Assets for the assets acquired wholly or substantially out of Government Grants and Stock Register separately for capital goods, consumable and non- consumable articles and shall arrange for their physical verification at least once a year. These should be maintained at the main office of the Local Authority. The relevant abstract of Register of Assets should be appended to the Annual Statement of Accounts submitted by the Local Authority either to the State Government or Government of India as the case may be.

14. The maintenance of accounts of the programme funds should be governed by the principle that no expenditure is incurred by the local authority which is repugnant to the objectives of the programme of the fund and every item of expenditure which is incurred in accordance with the prescribed procedure, and the canons of Financial Propriety.

15. It shall be the duty of the Accounts Wing in the Local Authority to ensure strict observance of the accounting principles.

16. Any grants or portion thereof given by the Government of India or the State Government to the Local Authority for a specific purpose shall not be re-appropriated without the previous sanction of the granting authority to a purpose other than that for which it was originally approved.

17. Any other books, accounts and registers which may be considered necessary for the day to day work of the Local Authority shall also be maintained with the approval of the Director of Local Funds Audit.

18. LIABILITY OF LOCAL AUTHORITIES UNDER RULE 4, 5 AND 6 TO PREPARE AND PRESENT ACCOUNTS FOR AUDIT

(1) The annual accounts of a Local Authority or any other authority mentioned above prepared or caused to be prepared by the Executive Authority, in such form and in such manner as may be prescribed, and presented for Audit within four months of the close of financial year.

(2) Where an Executive authority makes defaults in the preparation and presentation of accounts for audit within the period specified under sub rule 1 of 18, he shall be punishable, on conviction, with fine which may extend to five thousand rupees but which shall not be less than one thousand rupees.

(3) No proceedings under sub-rule 2 of 18 shall be taken by the Director of Local Funds Audit without giving the person, affected thereby an opportunity to show cause, within fifteen days, why such proceedings should not be taken against him/her.

(4) The annual accounts of a Local Authority prepared or caused to be prepared by the Executive Authority under this Rule shall be in Forms (**Appendix-XXII and Appendix-XXIII**) appended to this rules. The same shall contain the following details:-

- (i) The opening balance for the year showing the balance in Bank/Treasury account;
- (ii) A Statement of Receipt and Payment and Income and Expenditure under each head of account;
- (iii) The amount at the credit of the local authority/local fund or any other authority at the year showing the balance in each Bank/Treasury account;
- (iv) A Statement showing the demand, collection and balance or revenue collection including arrear collection;
- (v) A statement of investments made;
- (vi) A statement of Grants utilised;
- (vii) A statement of loans availed and utilized;
- (viii) A statement showing outstanding debts at the beginning of the year, repayment made during the year and outstanding debts at the end of the year;
- (ix) A statement showing the details of public works undertaken during the financial year concerned, amount expended for each work and balance of fund, if any, available;
- (x) A statement showing details of physical progress of public works undertaken during the financial year along with financial progress for each item(s) of works;
- (xi) A statement of assets and liabilities as on the close of the accounting year.

19. POWERS AND DUTIES OF DIRECTOR OF LOCAL FUND AUDIT AND AUDITORS AND PROCEDURE TO BE FOLLOWED IN CONDUCTING AN AUDIT

(1) Investigation : In addition to carrying out the ordinary processes of audit, the Director of Local Funds Audit and the Auditors shall see that the broad principles of legitimate public finance are observed. They shall investigate the necessity for expenditure which has been incurred or is proposed to be incurred; whether individual items of expenditure were in furtherance of the scheme for which the budget provided; whether the same result could have been obtained otherwise with greater economy; and whether the rate and scale of expenditure were justified in the circumstances. Briefly they ask every question that might be expected from an intelligent tax payer bent on getting best value for his money and are responsible that audit is conducted with reference to the following principles, namely :-

(i) Every Officer or other member of a Local Authority should exercise the same vigilance in respect of expenditure incurred from the Local Authority's funds as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

(ii) No person should exercise his powers of sanctioning expenditure to pass an order which will be directly or indirectly to his own advantage.

Note: If, however, an order is of perfectly general application it does not constitute a breach of the principle if the particular authority that passes an order is also benefited thereby.

(iii) The Local Authority's revenue should not be utilized for the benefit of a particular person or a section of the community unless-

(a) the amount of expenditure involved is insignificant, or

(b) a claim for the amount could be enforced in a court of law, or

(c) the expenditure is in pursuance of a recognized policy or custom.

(iv) The amount of allowance, such as Travelling Allowances granted to meet expenditure of a particular type, should be so regulated that allowances are not on the whole sources of profit to the recipients.

(v) If a system of internal audit is in existence in the Local Authority under audit, it should be seen that-

(a) the system is functioning according to the Rules prescribed in this behalf

(b) objections are raised by the internal auditor wherever necessary and

(b) compliance of the objections is watched by the internal auditors. The report of the internal auditors should be pursued and comments regarding the state of accounts and audit should be incorporated in the paragraph regarding general remarks in the Audit Reports, whenever found necessary.

(2) Intimation of Audit : Except as provided in the explanation hereunder, the auditors after obtaining written approval of the Director of Local Funds Audit shall send notice to the Local Authority concerned of his intention to audit the accounts of such authority at least three weeks before the date on which he intends to commence such audit, unless the Director of Local Funds Audit shall, for reasons to be communicated to Government, decide otherwise, in such a case, a copy of his order dispensing with previous notice shall be presented by the auditor to the head of the office. He shall, as far as possible, send with such notice a list of all documents or records which he may require for the purpose of such audit. The notice shall be sent by registered post with a prepaid acknowledgment or, when the auditor is in the same station, by a messenger who shall obtain an acknowledgment of receipt. The auditor shall, if necessary call for any other

documents required during the course of audit on a separate requisition, which shall be acknowledged by the head of the ministerial establishment.

(3) Attendance : For the purpose of conducting audit the auditor shall attend during the regular office hours, at the office of the Local Authority concerned, except in cases where the Director of Local Funds Audit shall decide otherwise. The Local Authority shall provide suitable accommodations and furniture's in the office to enable the auditor to discharge his duties without undue interruption, and shall render him all possible assistance in carrying out the audit.

(4) Removal of Office records : Subject to the provision of rule 11, the auditor shall not, except with the written permission of the head of the office of the Local Authority whose accounts are being audited, remove from such office any books, vouchers or documents of any kind whatsoever.

(5) Communication with heads of offices : The auditor shall not correspond directly with the Chairman, Vice-Chairman, or other managing authority of a Local Authority whose accounts are being audited except for the purposes of reporting an embezzlement, or making any enquiry in connection with the audit, or as provided in the Act and the rules framed thereunder.

(6) Duties of Auditors in checking accounts :

(i) In auditing the accounts, the auditors shall see that they have been kept and are present in proper form; that the particular items of receipts and expenditures are stated in sufficient detail; and that the payments are supported by adequate vouchers and authority. He shall examine whether all sums received or which ought to have been received have been brought into account, whether the expenditure in all cases such as might lawfully be made and whether any loss has been incurred by the negligence or misconduct of any person or persons. He shall also scrutinise whether the financial position of the local authority is duly accounted for in the books and regularly checked.

(ii) In carrying out his duties, the auditors may sometime have to touch on administrative matter but at such times he should be careful never to interfere in those matters and not to touch on purely administrative matters more than it may be absolutely necessary. Certificates of facts given by responsible executive officers should be accepted as correct, unless there are prima facie grounds for doubt. He should bring to notice defects in the system and point out irregularities in a manner, which can be readily grasped and completely removed. In making a suggestion for improvement, he should be practical and should go beyond more technical examination of registers and vouchers. The executive and administrative usually have difficulties of which due account should be taken for necessary action. It should be borne in mind that the function of audit is not to find fault or to magnify defects but to provide valuable and constructive help to enable local bodies to execute their tasks more effectively and efficiently, as time passes on.

(iii) The executive authorities of the Local Authority, and not the Local Fund Audit Department are responsible for enforcing economy in the expenditure of the local fund. It is, however, the duties of the auditor to bring to the notice, wastefulness in public administration and infructuous expenditure. Generally a Local Authority will welcome suggestions to promote economy, based

on information forthcoming from the accounts. Only the Director of Local Funds Audit should make such suggestions and the right to put them to use should be left to the discretion of the executive.

(iv) Auditors should not make notes, corrections or remarks in any of the Registers or on any of the documents of the office, which they are auditing, except the usual audit endorsement.

(7) Physical Verification of balances, securities, postage stamps, receipts and forms etc:

(i) Verify balance of the Cash Book and Register of Permanent Advance and other advances and the balances as per the Register of undisbursed amounts, copying fees, etc.

(ii) See wherever possible that the cash balance on hand indicated in the Day Book/Cash Book is retained on hand, only on account of its late receipt after banking hours:-

(iii) See that the Cash, collections received and awaiting remittance are kept in safe with double lock arrangement.

(iv) See at the time of verification of balance of petty cash, that paid but unrecouped vouchers are produced.

(v) Agree the Treasury of Bank balances with the respective pass books.

(vi) Check the analysis of the Cash Balance as on the date of physical verification and see that there is not delay in disbursement of the amount drawn from the Treasury or other sources, no drawal of fund is made in advance of requirement or to avoid lapse of budget grant.

(vii) Verify all investment on hand, according to entries in the Investment Register, safe custody receipts received from the Reserve Bank and also Bank receipts for Fixed Deposits. The securities kept in the Reserve Bank of India and in the safe custody of Banks should be verified with the list of securities in the Reserve Bank's custody, annually published in the Government Gazette and Banks acknowledgements. It should be seen that interest is recovered on due dates and dates of maturity of Fixed Deposits receipts or securities as the case may be and vigilantly watched. Default in encashment and realization on due dates, leading to losses should be prominently brought to notice in audit.

(viii) Verify the stock of postage, revenue and court fee stamps, balance of receipts books, and forms which are issued to the public on payment, e.g., Voters lists, Tender Forms, etc by actual counting.

NOTE : This work should be done by the Audit Supervising Officer/ Senior Auditor himself and verification of cash may be reported in the proforma enclosed in a para of the auditor's note when verification is done as a normal Audit.

(8) Partial Examination : In addition to his powers to conduct a regular audit under Section 5 of the Act, the Director of Local Funds Audit himself may make a partial examination of the accounts of a Local Authority or make a local enquiry into any matter relevant to audit at any time, or depute an auditor to do so.

(9) Audit Marks : Every entry examined or checked should be ticked or cross ticked, wherever necessary, by the Auditor and all documents, vouchers and papers examined shall be initiated with the special audit pencil and dated. For this purpose, special green chalk pencils are used, and these should be carefully kept in the personal custody of the Auditors. In the absence of these tick marks, the Director of Local Funds Audit or his authorized officer will presume that the necessary checks have not been applied. When, however, in comparing an entry in an

original account or voucher with a subsidiary Register, the auditor finds that the letter does not agree or if a check is not feasible in any case, he must mark a cross X his audit period instead of usual tick mark. When an objection is removed, a circle should be drawn round the cross X.

(10) Change of Auditor during an audit : If an auditor is relieved by another auditor during the course of an audit, the former shall deliver to the later an exact statement of the audit completed up to date. The statement shall be filled in the office of the Director of Local Funds Audit. The auditor relieved shall also draft the paragraph for the audit report regarding the audit done by him before he make over charge and deliver them to the relieving auditor, taking his acknowledgment therefore. Both auditors will sign the report incorporating therein a note being made to show the responsibility of each.

(11) Audit Requisition : When any document is not produced after summons or letter issued by the auditor under Section 5 (3) of the Act, the auditor shall send a written report of the failure to produce such document to the Chairman, Vice-Chairman, or to the Managing Authority of the Local Authority concerned. If the required document is not produced in spite of this written report, the matter shall be submitted to the Director of Local Funds Audit together with any communications received in this connection from the Chairman, Vice-Chairman, or other Managing Authority. No document shall be left un-audited without the written order of the Director of Local Funds Audit in each case.

(12) Embezzlement : When embezzlement is detected, or may reasonably be inferred from any suspicious circumstance or irregularity in the accounts, the auditor shall take personal charge of the relevant records, and shall at once forward a list of such records to the head of the office. Any such record may be inspected by the head of the office in the presence of the auditor. The auditor shall report the circumstances immediately in writing to the chairman/other Managing Authority concerned and also (by fax, if necessary) to the Director of Local Funds Audit. When the fraud or embezzlement has been fully investigated by the auditor, he shall submit a complete report on the case to the Director of Local Funds Audit who may order a further examination of, and report on, all or any accounts, if he considers such an examination and report justified, and shall determine when any records seized by the auditor shall be returned to the local authority.

(13) Objections : In order to avoid a rush of objections towards the end of the audit, the auditor shall as far as possible audit receipts first in the case of municipalities, and expenditure first in the case of local boards. The objection Statement shall be prepared as per Form appended to these rules (**Appendix-XXIV**).

(14) Inspection Report : The results of the Audit shall be communicated through Inspection Report, which may be drawn in two parts as below:-

(i) Part I – It includes:-

(a) Introduction

(b) Outstanding objections from previous reports, (in this part, all outstanding objections shall be reproduced in full, every alternate year along with up to date position). This is done to bring the outstanding Para's, pointedly to the notice of all concerned for facility of watch and expeditious disposal. The old outstanding objections are to be replied separately through the

respective old inspection reports, which should not be treated as closed till all the objections are settled.

(c) Schedule of persistent irregularities

(ii) Part- II – Contains two sections “A” & “B”. Section ‘A’ shall include all important irregularities, i.e. irregularities involving recoveries, questions of violation of principles, misappropriation and losses, etc. Section ‘B’ shall contains irregularities, though not major, which the Audit wants to bring to the notice of higher authorities.

(15) Matters to be included in the Inspection Report : Objection admitted or questions settled during the course of an audit shall be noticed in the report only if the irregularity is a serious one, or if a defect of system or error in principle has been brought to light and has not been permanently removed. Apart from any matter required to be included under section 9 of the Act, the audit report shall be confined to matters of a general nature which cannot be disposed of by the Auditors. The following points should be prominently brought to notice in the report:-

(i) Attempts to evade financial rules by manipulation of accounts and vouchers.

(ii) Avoidances of lapses by withdrawing funds from the Treasury before the money is actually required for expenditure.

(iii) Avoidance of necessity of higher sanction by splitting up one scheme of expenditure into a number of component details.

(iv) Persistent neglect to comply with audit requirements. All unrectified objections relating to a previous audit shall be specially brought to notice. A list of such items shall be appended to the report.

(16) Time for writing inspecting report : The auditor shall have his report and schedules completely written up immediately after the close of the audit, printed copies of the report being sent to the local authority as soon as possible.

(17) Instruction regarding the inspection reports : The auditor shall attach to his inspection report a brief note explaining clearly the financial position of the local authority and statement showing:

(i) Cash recoveries on audit objections

(ii) Money capable of being saved by the detection of embezzlements in audit, and

(iii) Possible reduction in expenditure due to audit suggestions.

At the end of this report, he shall give a very brief resume of the matters dealt with therein, and an opinion on the state of the accounts as a whole.

(18) Removal of objections :

(i) Once the transaction has been challenged by the Audit, the responsibility for having the objection removed and their prompt settlement, will primarily devolve upon the department/local authority concerned. An audit objection is usually removed by obtaining the requisite sanction, by making the necessary recovery, by correcting or completing the relevant account or voucher, or by furnishing the necessary documents or information, or by otherwise security compliance with the provisions of a specified Rules/ Regulations.

(ii) Audit Inspection Reports should be promptly dealt with by the concerned Department Officer/Local authority at the initial stage so that the contingency of reporting of any point or

para to the State Government (Finance Department/Vigilance Department) does not arise due to negligence or delay in reply. First reply should invariably be sent to the Director of Local Funds Audit within one month of the receipt of printed reports.

(19) Audit by Director of Local Funds Audit himself : When the Director of Local Funds Audit himself undertakes an audit of the accounts of the local authority/department, he may cause a preliminary scrutiny of the accounts to be made by an auditor appointed under the Act, if the Director of Local Funds Audit felt necessary.

(20) Settlement of Audit Objections : If the replies to the audit objections are considered satisfactory by the Director of Local Funds Audit, the objections included in the inspection reports shall, after careful examination, be dropped by the Director of Local Funds Audit himself. If these are not considered satisfactory and need further probe, it shall be included in the Audit Report as explained in Rule 8.

(21) Audit Report : All the outstanding audit objections and the replies of which are considered and need for further probe shall be included in the Audit Report. The Audit Report shall be prepared by the Director of Local Funds Audit to be published annually. The Audit Report shall contain all those outstanding objections which could not be settled during the previous year audit's inspection report. The Audit Report shall then be submitted by the Director of Local Funds Audit to the Finance Department/Vigilance Department of the State Government for further discussion and recommendations with the concerned departments/ local authority within six months from the date of beginning of next financial year.

In case any discrepancy is noticed in the facts and figures mentioned in the Audit Reports, the same should be reported to the Director of Local funds Audit/Audit Officer immediately and should not be held up for discussion in the Finance Department/Vigilance Department meeting. It shall be ensured by the departmental authority/local authority prior to appearing before the meeting that the discrepancy pointed out to Audit have been duly taken notice of by the Audit, so that a complete picture is available in the meeting as regards the facts.

(22) Quantum of Audit : The accounts of Local Authority subject to the Mizoram Local funds (Accounts and Audit) Act, 2006, shall be audited not less often than once in twelve months unless the Director of Local Funds Audit directs otherwise.

(23) Power and duties of Director of Local Funds Audit : Notwithstanding anything contained under Section 5 and 6 of the Act, the Director of Local funds Audit shall conduct audit including verification of cash balances of various State Government Departments/ Bodies/ Boards/ Public Sector Undertakings/ Societies etc not included in 'local funds' in consultation with the Government / Finance Department. The report pertaining to surprise verification of cash balance shall be reported separately and directly to the Finance Department and shall not be included in the Audit Report. The Director of Local Funds Audit shall exercise general supervision and control over the discharge by the auditors of their duties under the Act.

(24) Condonation of Payments : Notwithstanding anything contained under Section 5 and 10 of the Act:

The Director of Local Funds Audit may condone a payment made from local fund which may appear to him to be contrary to law or rule provided that:

(i) in his opinion, there was no negligence or misconduct on the part of the person making or authorizing such payments.

(ii) such payment was bonafide and a similar payment from the same local fund had not been condoned before.

(iii) such payment does not exceed Rs 2000.00

The Director of Local Funds Audit shall submit a report of all such condonations, with the reason for each condonations to the Tribunal.

(25) Summons : Summons issued by the Director of Local Funds Audit under Section 5(2) of the Act shall be sent for service of the Tribunal who upon receipt thereof shall proceed as if such summons have been issued by him and shall return them with the record, if any, of the proceedings taken with regard thereto.

(26) Recording of Evidence : The Director of Local Funds Audit may record evidence taken under Section 5(2) of the Act in English/ Mizo Language.

(27) Instructions and Guidelines : The Auditors while conducting the audit of the local fund should strictly follow the general instructions and guidelines provided in Mizoram Audit Manual, 2011.

(28) Audit Fee : Whenever any audit of the accounts is required to be undertaken by the Department, an appropriate amount of Audit Fee prescribed by the Government should be charged against the authority or authorities proposed to be audited. The Audit Fee should be realized in advance according to Audit programme and shall be credited to the revenue of the State Government under the appropriate Head of Accounts. A demand note for Audit fee shall be sent to the authority proposed to be audited for realization of audit fee in advance.

20. POWER OF DIRECTOR OF LOCAL FUNDS AUDIT TO SURCHARGE OR CHARGE ILLEGAL PAYMENTS OR LOSSES INCURRED AND PROCEDURE TO BE FOLLOWED IN CHARGE OR SURCHARGE PROCEEDINGS AS PROVIDED UNDER SECTION 10 OF THE ACT:-

(1) The Officer/ Auditor authorized to issue the Inspection Report on the audit of the accounts of the Local Authority shall while issuing the further remarks under rule 19(18)(ii) of these rules forward to the Director of Local Funds Audit a proposal for charge/surcharge action in respect of the cases of illegal payments or losses incurred by negligence or misconduct pointed out in the audit Inspection Report concerned. The charge or surcharge proposal shall be in Form appended to these Rules (**Appendix-XXV**).

(2) On receipt of the proposals for charge/surcharge proceedings from the officer/auditor authorized to issue the audit inspection report, the Director of Local Funds Audit shall as early as practicable but before the completion of one month from the date of receipt of such proposals,

issue, charge/surcharge notices to the officer(s) held responsible for the illegal payments or losses detected by the auditors.

- (3) The charge/ surcharge notice shall be in Form appended to these rules (**Appendix- XXVI**).
- (4) The charge/ surcharge notices (in duplicate) along with extracts of the relevant objections in the audit inspection report shall be communicated to the person against whom it is made by registered post with acknowledgement due.
- (5) The duplicate copy of the charge/surcharge notice shall be returned, to the Director of Local Funds Audit by the person receiving it, with his dated acknowledgement in proof of having received the notice.
- (6) Copy of the charge/surcharge notice shall be issued to the Executive Authority concerned.
- (7) Unless the person or persons served with a charge/ surcharge notice remit, with the allowance of the Director of Local Funds Audit as provided under Sec 10 of the Act, to the Executive Authority concerned the amount involved in the notice and furnish the details thereon to the Director of Local Funds Audit within two months, from the date of receipt of the notice, or furnish satisfactory explanations, such person shall be served with charge/surcharge certificate under rule 21 of these rules and also in Form appended to these rules (**Appendix XXVII**).
- (8) The report showing details of remittance of amounts involved in the charge/surcharge notices to be furnished by the person (s) responsible under sub-rule 7 of Rule 20 above shall be forwarded to the Director of Local Funds Audit through the Executive Authority concerned. The Executive Authority shall transmit the same to the Director of Local Funds Audit with a certificate to the effect that the details furnished have been verified by him and found correct.
- (9) The charge/surcharge certificate (in duplicate) shall be communicated to the person against whom it is made, by registered post with acknowledgement due provided under rule 21 of these rules.
- (10) The duplicate copy of the charge/surcharge certificate shall be returned to the Director of Local Funds Audit by the person receiving it with his/her dated acknowledgement affixed on it.
- (11) The charge/surcharge certificate shall be served on the persons responsible within a period of four months from the date of receipt of the charge/surcharge notice by such person.
- (12) The Director of Local Funds Audit shall serve on the person responsible for any loss to a local authority supplementary charge/surcharge notice or charge/surcharge certificate relating to the audit report if the circumstances so warrant.
- (13) Every sum charged/surcharged by the Director of Local Funds Audit on any person shall be remitted by such person to the Executive Authority within one month from the date of receipt of such charge/surcharge certificate, unless within that time such person files an application before the Tribunal provided under Sec 2(7) and Sec 5(2) of the Act against the decision of the Auditor.

Such amount, if not so paid or such amount as the Tribunal shall declare to be due under Section 13 of the Act shall be recoverable as provided under Section 14 of the Act, as if it were arrears of public revenue due on land and shall be credited to the same local fund.

21. POWER OF DIRECTOR OF LOCAL FUNDS AUDIT TO CONDUCT AUDIT ON THE ACCOUNTS OF LOCAL BODIES

As recommended by the Thirteenth Finance Commission in its report at paragraph 10:121 and 10:161, the Director of Local Fund Audit shall conduct audit on the accounts of the Local Authority in accordance with the Technical Guidance and Supervision of the Comptroller Auditor General of India and the Annual Report of the Director of Local Funds Audit on such audit must be placed duly before the State Legislative Assembly in due course. Also the responsibility of Certification of accounts and the statutory audit of the Local Authority shall rest with the Director of Local Funds Audit who will continue to function under the administrative control of the Finance Department.

22. PROCEDURE FOR SERVING CERTIFICATE

A Certificate under Section 10 of the Mizoram Local Fund (Accounts and Audit) Act, 2006, shall be deemed to have been served if sent by registered post (acknowledgement due) to the persons concerned and notwithstanding the fact that the registered cover is not accepted by the addressee. The Charge Certificate shall be served in accordance with Form (**Appendix XXVII**) appended to these rules.

By Order,

Sd/- L.N. Tochwang
Finance Commissioner,
Government of Mizoram

Memo No. G.24011/2/2009-F. APF :

Aizawl, the 8th February, 2013

Copy to:

1. The Secretary to Governor, Mizoram
2. P.S to Chief Minister/Ministers/ Parliamentary Secretaries /Speaker/Vice Chairman, SPB/Ministers of State/ Deputy Speaker, Mizoram.
3. P.P.S to Chief Secretary, Mizoram.
4. All Commissioners/Secretaries, Government of Mizoram.
5. All Heads of Administrative Departments.
6. All Heads of Departments.
7. The Chief Controller of Accounts, Accounts & Treasuries Mizoram, Aizawl
8. The Director of Local Fund Audit, Accounts & Treasuries Mizoram, Aizawl.
9. The Controller, Printing & Stationeries with 6 spare copies for publication in the Mizoram Gazette. Extra-ordinary 200 copies may be sent to the undersigned.
10. Guard File.

(ROSIAMLIANA)

Under Secretary to Govt. of Mizoram,
Finance Department (APF)

APPENDIX – I

(See Rule 5(1))

Detailed Heads of Accounts with description

A/c	Description
	REVENUE/RECEIPTS
2.	Grants
2.1	From Government
2.2	From others
	Total
3.	Loans
3.1	(a) From Bank
3.2	(b) From Other Bank
4.	Income on Investments and Deposits
4.1	(a) Earmarked/Endowment Fund
4.2	(b) Own Funds
5.	Sales
5.1	(a) Sale of Assets
5.2	(b) Sales of Publications
5.3	(c) Sale of Investments/Deposits
5.4	(d) Others (Specify)
6.	Gains / Profits
6.1	(a) on Sale of Assets
6.2	(b) on Sale of Publication
6.3	(c) on Sale of Investments/ Deposits
6.4	(d) Others (Specify)

7. Gifts
8. Fees/Fines/Charges
 - 8.1 (a) Services
 - 8.2 (b) Seminars/Conferences
 - 8.3 (c) Consultancy
 - 8.4 (d) Fees charged by the Board
 - 8.5 (e) Others (Specify)
9. Interests
 - 9.1 (a) Cash at Bank
 - 9.2 (b) Investments/ Deposits
 - 9.3 (c) Loans & Advances to Employees
 - 9.4 (d) Others (Specify)
- 10 Recoveries from Staff
 - 10.1 (a) HBA/MCA/SCA/CA
 - 10.2 (b) Recoupment of GPF Advance paid to Deputationists
 - 10.3 (c) Others (Specify)
11. Contributions
 - 11.1 (a) Health Care Scheme
 - 11.2 (b) CPF/GPF
 - 11.3 (c) Insurance Scheme
 - 11.4 (d) Others (Specify)
12. Remittance Receipts
 - 12.1 (a) License Fee
 - 12.2 (b) HBA/HUDCO/LIC
 - 12.3 (c) MCA/SCA/CA

- 12.4 (d)SGEGIS/CGEGIS
- 12.5 (e) Insurance
- 12.6 (f) Surcharge
- 12.7 (g) GPF
- 12.8 (h) Others (Specify)
- 13. Debt/Deposit Receipts
 - 13.1 (a) Recovery of Contingent Advance
 - (i) Advance to PWD
 - (ii) Advance to Suppliers
 - (iii) Others (Specify)
 - (b) Other Deposits
 - (i) Security Deposit
 - (ii) Earnest Money Deposits
 - (iii) Others (Specify)
- 14. Miscellaneous Income
- 15. Any Other (Specify)

EXPENDITURE

- 16 **ESTABLISHMENT EXPENSES**
 - 16.1 Pay & Allowances
 - 16.1.1 Chairman and Members
 - 16.1.2 Officers and Staff
 - 16.2 Allowances and Bonus
 - 16.2.1 Overtime Allowances/ Honorarium
 - 16.2.2 Payment by Professional & Other Services
 - 16.2.3 Other Benefits
 - 16.3 Travelling Expenses
 - 16.3.1 Chairman and Members

- 16.3.1(i) Overseas
- 16.3.1(ii) Domestic
- 16.3.2 Officers and Staff
- 16.3.2(i) Overseas
- 16.3.2(ii) Domestic

- 16.4 Medical & Health Care/Medical Treatment
- 16.5 Contribution to Provident Fund
- 16.6 Contribution to Other Funds
- 16.7 Staff Welfare Expenses
- 16.8 Consultation Fee
- 16.9 Other Establishment Expenses

- 17 **ADMINISTRATIVE EXPENSES**
- 17.1 Purchases
- 17.2 Labour & Processing Charges
- 17.3 Electricity & Power
- 17.4 Water Charges
- 17.5 Insurance
- 17.6 Repair and Maintenance
- 17.7 Rent, Rate & Taxes
- 17.8 Motor Vehicle
- 17.9 Postage, Telephone & Communication Charges
- 17.10 Printing & Stationery
- 17.11 Seminars & Workshops/Conference
- 17.12 Subscription/Membership Fee
- 17.13 Fees
- 17.14 Audit/Legal Fee
- 17.15 Hospitality Expenses
- 17.16 Provision for Bad & Doubtful Debt
- 17.17 Bad Debt Written Off
- 17.18 Advertisement and Publicity
- 17.19 Others (to be specified)
- 17.20 Hire and Conveyance
- 17.21 Publications
- 17.22 Other Office Expenses

- 18. Investments and Deposits
- 18.1 Investments
- 18.2 Deposits

- 19. Loans and Advances
- 19.1 To Employees
- 19.1.1 HBA/MCA/CA
- 19.1.2 Other Advances (to be Specify)

- 19.2 To Suppliers and Contractors
- 19.3 To other (specify)

- 20. Other Adjustment or Remittances
 - 20.1 License Fee
 - 20.2 HBA/HUDCO/LIC
 - 20.3 MCA/SCA/CA
 - 20.4 SGEGIS/CGEGIS
 - 20.5 Insurance
 - 20.6 Surcharge
 - 20.7 GPF
 - 20.8 Other (specify)

- 21. Contributions
 - 21.1 Pension & Leave Salary Contribution
 - 21.2 Other Contributions (to be Specified)

- 22. Repayment on Loans
 - 22.1 Principal
 - 22.2 Interest

- 23. Expenditure on Fixed Assets and Capital Work-in-Progress
 - 23.1 Land
 - 23.2 Buildings
 - 23.4 Furniture & Fixtures
 - 23.5 Machinery & Equipments
 - 23.6 Motor Vehicles
 - 23.7 Books & Publications
 - 23.8 Any Other (to be specified)

- 24. Loss on sale of Assets

- 25. Miscellaneous / Other Expenditure

- TOTAL

Head of A/c or A/c code	RECEIPTS	CURRENT YEAR	PREVIOUS YEAR	Head of A/c or A/c Code	PAYMENTS	CURRENT YEAR	PREVIOUS YEAR
7	To Gifts				4.(I) By Advances to Staff		
8	To Fees/Fines/Charges			19 & 20	(a) HBA		
	(a) Services				(b) Motor Car/Computer Advance		
	(b) Seminar/Conferences				(c) Scooter /Motor Cycle Advance		
	(c) Consultancy				(d) Other Advances (to be specify)		
	(d) Fees charged by the Board				(II) By Contingent Advances		
(e) Others (Specify)			(a) Advances to PWD				
9	To interests				(b) Adv. To Suppliers/Contractors		
	(a) Cash Balance at Bank				(c) Other Advances (to be specify)		
	(b) Investments/Deposits				(III) By Other Adjustment or		
	(c) Loans & Advances to employees				Remittances		
10	(d) Others (Specify)				(a) GPF/GPF recovered from Deputationist		
	To recoveries from staff				(b) License fee		
	(a) HBA/MCA/SCA/CA				(c) Postal Life Insurance		
	(b) Recoupment of GPF Advance paid to Deputationists				(d) HBA		
	(c) Principal amount of Loans & Advances				(e) Motor/Computer Advance		
11	(d) Others (Specify)			(f) Scooter/Motor Cycle Adv.			
	To Contributions			(g) Other recoveries/Adjustment			
	(a) Health Care Scheme			5. By Contributions			
	(b) CPF/GPF			(b) Pension & Leave Salary			
12	(c) Insurance Scheme			(c) Other Contributions (to be specified)			
	(d) Others (Specify)						
	To Remittance Receipts			21			
	a) License Fee			22			
	(b) HBA/HUDCO/LIC/						
	(c) MCA/SCA/CA			6.Repayment of Loans			
	(d) SGEIS/CGEGIS			7.By Expdn on Fixed Assets and			
	(e) Insurance			Capital Work in-Progress			
(f) Surcharge			(a) Land				
13	(g) GPF			(b) Building(s)			
	(h) Others (Specify)			(c) Furnitures & Fixtures			
	To Debt/Deposit Receipts			(d) Mechinery & Equipments			
	(a) Recovery of Contingent Advance			(e) Motor Vehicles			
	(i) Advance to PWD			(f) Books & Publications			
	(ii) Advance to Suppliers			(g) Any Others			
	(iii) Others (Specify)			24	Loss on Sale of Assets		
	(b) Other Deposits			25	Miscellaneous / Other Expenditure		
	(i) Security Deposit						
(ii) Earnest Money Deposit							
(iii) Others (Specify)				8. By Closing Balances			
14	Miscellaneous Income			(a) Cash in Hand			
15	Any Other (Specify)			(b) Bank Balance			
				(i) In Current Accounts			
				(ii) In Deposit Accounts			
				(iii) In Saving Accounts			
	TOTAL			TOTAL			

Secretary

Member (Finance)

Chairman

APPENDIX – III
(See Rule 5(5) (2))

INCOME AND EXPENDITURE ACCOUNTS FOR THE PERIOD / YEAR ENDED (Amount in Rupees)

	INCOME	Schedule	C/Year	P/Year	EXPENDITURE	Schedule	C/Year	P/Year
1	By Grants/Subsidies 1.1 Govt. of India 1.2 State Govt. 1.3 Other Sources				1. To Establishment Expenses 1.1 Pay & Allcs of Chairman & Members			
2	By Sales/Services				1.2 Pay & Allcs of Officers			
3	By Seminary/Conferences				1.3 Pay & Allcs of Staff			
4	By Consultancy				1.4 Honorarium			
5	By Fees/ Subscription/Fines 5.1 Fee for petition 5.2 Other charges 5.3 Fines 5.4 Any Other				1.5 Overtime Allowances 1.6 Medical & Health Care 1.7 Bonus 1.8 Any other Charges			
6	By investment (from Earmarked/endowed fund transfer to fund)				2. To Payment of Professional and other services			
7	By Royalty/Publications etc 7.1 Royalty 7.2 Publications				3. To Travelling Expenses 3.1 Foreign 3.2 Domestic			
8	By interest 8.1 Interest on Deposit 8.2 Int. on Loan & Advances 8.3 Int on Investment 8.4 Int on Cash at Bank 8.5 Any Other (to be specified)				4. To other Administrative Expenses: 4.1 Seminar & Conference 4.2 Telephone & Fax 4.3 Rent, Rate & Taxes 4.4 Newspapers/ Periodicals 4.5 Advt and Publicity 4.6 Postage and Telegram 4.7 Liveries 4.8 Water & Electricity 4.9 Any Other			
9	By other Income 9.1 Medical & Health Care 9.2 Gain on sale of assets 9.3 Staff Car recoveries 9.4 Any other				5. To Stationery & Printing 6. To Publications 7. Misc and other expenses			
					8. To Repair & Maintenance 8.1 Buildings 8.2 Machinery & Equipment 8.3 Furnitures & Fixtures 8.4 Vehicles			
					9. To Petrol and Lubricants			
					10. To Hospitality Expenses			
					11. To Audit Fee			
					12. To Legal Charges			

	INCOME	Schedule	C/Year	P/Year	EXPENDITURE	Schedule	C/Year	P/Year
					13. To Provident Fund and other Contributions 13.1 Pension & Gratuity (including Commuted value of Pension) 13.2 Contribution to GPF 13.3 Deposit Linked Insurance 13.4 Pension Contributions 13.5 Leave Salary Contribution 13.6 Gratuity Contribution			
					14.1 To Interest 14.1 Interest on GPF 14.2 Interest on CPF 14.3 Any Other to be specified			
					15. To Group Insurance Scheme 15.1 CGEGIS (i) Saving Fund (ii) Insurance Fund 15.2 CGEIS (i) Saving Fund (ii) Insurance Fund			
					16. To Depreciation			
					17. To Loss on Sale of Assets			
					18. To Bad Debts			
10	By Excess of Expenditure over income (transferred to Capital Fund Account)				19. To Excess of Income over Expenditure (Transferred to Capital Fund Account)			
	TOTAL				TOTAL			

Secretary

Member (Finance)

Chairman

APPENDIX – IV
(See Rule 5(5) (3))
BALANCE SHEET AS ON _____ (Amount in Rupees)

LIABILITIES	SCHD	C/YEAR	P/YEAR	ASSETS	SCHD	C/YEAR	P/YEAR
1. Capital Fund 1.1 Add Excess of income over Expenditure 1.2 Less Excess of Expendr over Income				1.Fixed Assets 2.Capital Work-in-Progress 3. Advance 3.1 Festival Advances 3.2 Other Advances			
2. Other Funds 2.1 Provident Fund 2.2 Other (to be specified)				4. Deposits 4.1 Security Deposits 4.2 Petrol Account 4.3 Any Other (to be specified)			
3. Reserves and Surpluses				5.Loans and Advances			
4.Earmarked/Endowment Funds				6. Gifts and Donations			
5. Secured Loans & Borrowings 5.1 From Government 5.2 From Others				7.Sundry Debtors			
6. Unsecured Loans & Borrowings				8. Payment Made to PWD for Works			
7.Deferred Credit Liabilities				9. Cash and Bank Balances 9.1 Cash at Bank 9.2 Cash-in-hand 9.3 Imprest			
8. Current Liabilities & Provisions							
9. Sundry Creditors							
TOTAL				TOTAL			

Secretary

Member(Finance)

Chairman

**APPENDIX –VI
(See Rule 5(9) (2))**

REGISTER OF LEDGER

Name of Account :-

For the month of _____

Dr					Cr				
Date	Particulars	Head of A/c or Account Code No	CB/JF	Amount	Date	Voucher No & Date	Particulars	CB/JF	Amount
1	2	3	4	5	6	7	8	9	10

Note :

1. Pages of Ledger shall be machine numbered
2. Separate page shall be allotted to each Account.
3. Index shall be prepared in the Ledger to show page numbers allotted to each Accounts.
4. The Credit or Debit Balance to the end of the month which is required to be brought down to the next month shall be indicated by "Balance b/d to next month"

APPENDIX – XV

(See Rule 5(9) (11))

RECEIPTS AND PAYMENTS ACCOUNTS FOR THE MONTH OF _____ (Amount in Rupees)

Head of A/c or A/c code	RECEIPTS	CURRE NT YEAR	PREVIO US YEAR	Head of A/c or A/c code	PAYMENTS	CURRE NT YEAR	PREVIO US YEAR
1	To opening Balances			16	1. By Expenses		
	(a) Cash in Hand				(a) Establishment Expenses		
	(b) Bank Balance				(i) Salaries (Chairman & Members)		
	(i) In Current Accounts				(ii) Salaries (Officers & Staff)		
	(ii) In Deposit Accounts				(iii) Allowances & Bonus		
	(iii) In Saving Accounts				(iv) Payment by Professional & Other Services		
2	To Grants Received			17	2. By Administrative Expenses		
	(a) From GOI				(a) Purchases		
	(b) From State Govt.				(b) Labour & Processing Charges		
	(c) From Other Sources (Grants for Capital & Revenue Expdr should tobe shown separately				(c) Electricity & Power		
					(d) Water Charges		
					(e) Insurance		
					(f) Repair & Maintenance		
					(g) Rent, Rate & Taxes		
					(h) Vehicle running & maintenance		
					(i) Postage, Telephone and Communication Charges		
					(j) Printing & Stationery		
					(k) Expenses on Seminar/Workshop		
					(l) Subscription Expenses		
					(m) Expense on Fees		
3	To Loan taken			18	3. By Investment and Deposit made		
	(a) From Bank				(a) Investment		
4	(b) From Other Sources				(b) Deposits		
	To Income on Investment from						
5	(i) Earmark/Endow Fund						
	(ii) Own Funds						
	To Sales						
	(a) Sale of Assets						
6	(b) Sale of Publications						
	(c) Sale of Investment/Deposits						
	(d) Other (Specify)						
	To Gains						
7	(a) on Sale of Assets						
	(b) on Sale of Publications						
	(c) on Sale of Investment/Deposits						
	(d) Other (Specify)						

Head of A/c or A/c code	RECEIPTS	CURRENT YEAR	PREVIOUS YEAR	Head of A/c or A/c code	PAYMENTS	CURRENT YEAR	PREVIOUS YEAR
7	To Gifts				4. (II) By Advances to Staff		
8	To Fees/Fines/Charges			19 & 20	(a) HBA		
	(a) Services				(b) Motor Car/Computer Advance		
	(b) Seminar/Conferences				(c) Scooter/Motor Cycle Advance		
	(c) Consultancy				(d) Other Advances (to be specify)		
	(d) Fees charged by the Board				(II) By Contingent Advances		
	(e) Others (Specify)				(a) Advance to PWD		
9	To Interests				(b) Adv. To Suppliers/Contractors		
	(a) Cash Balance at Bank				(c) Other Advances (to be specify)		
	(b) Investments/Deposits				(III) By Other Adjustment or Remittances		
	(c) Loans & Advances to employees				(a) GPF/CPF recovered from		
	(d) Others (Specify)				Deputationists		
10	To Recoveries from Staff				(b) License Fee		
	(a) HBA/MCA/SCA/CA				(c) Postal Life Insurance		
	Advance paid to Deputationists				(d) HBA		
	(c) Principal amount of Loans & Advances				(e) Motor/Computer Advance		
	(d) Others (Specify)				(f) Scooter/Motor Cycle Adv.		
11	To Contributions				(g) Other recoveries/Adjustment		
	(a) Health Care Scheme						
	(b) CPF/GPF						
	(c) Insurance Scheme						
	(d) Others (Specify)						
12	To Remittance Receipts			21	5. By Contributions		
	(a) License Fee				(b) Pension & Leave Salary		
	(b) HBA/HUDCO/LIC				(c) Other Contributions (to be specified)		
	(c) MCA/SCA/CA			22			
	(d) SGEIS/CGEGIS				6. Repayment of Loans		
	(e) Insurance				7. By Expdr on Fixed Assets and Capital Work-in-Progress		
	(f) Surcharge				(a) Land		
	(g) GPF				(b) Building(s)		
	(h) Others (Specify)				(c) Furnitures & Fixtures		
			(d) Mechinery & Equipments				
			(e) Motor Vehicles				
			(f) Books & Publications				
13	To Debt/Deposit Receipts			23	(g) Any Others		
	(a) Recovery of Contingent Advance			24	Loss on Sale of Assets		
	(i) Advance to PWD			25	Miscellaneous/Other Expenditure		
	(ii) Advance to Suppliers						
	(iii) Others (Specify)						
	(b) Other Deposits				8. By Closing Balances		
	(i) Security Deposit				(a) Cash in Hand		
	(ii) Earnest Money Deposit				(b) Bank Balance		
	(iii) Others (Specify)				(i) In Current Accounts		
14	Miscellaneous Income				(ii) In Deposit Accounts		
15	Any Other (Specify)				(iii) In Saving Accounts		
	TOTAL				TOTAL		

APPENDIX – XVIII
(See Rule 5(9) (14))
REGISTER OF FIXED ASSETS

Sl. No	Name of Assets	Sl.No./Model etc of the Asset	Ledger Folio	Vr. No & Date	Amount	ID No. assigned to the Asset/Printed on the Asset	Date of Disposal	Reason of disposal	Type of Disposal	Amount involved	Signature of Store Officer	Remarks
1												

Note : Separate pages will be assigned for each class or category of asset.

APPENDIX – XXII

(See Rule 18(4))

ANNUAL ACCOUNTS

Name of Local authority:

<i>Name/ purpose of grant</i>	<i>Opening balance</i>	<i>No. & date of sanction order</i>	<i>Amount of grant</i>	<i>Details of transfer credit</i>	<i>Period of utilization</i>	<i>Total</i>	<i>Name of work for which utilized</i>	<i>Amount expended</i>	<i>Unspent balance of grant</i>	<i>Remarks (extension of period of utilization/ diversion of purpose lapsed grant etc. may be specified)</i>
1	2	3	4	5	6	7	8	9	10	11

Executive Authority

APPENDIX – XXIII
(See Rule 18(4))

ANNUAL ACCOUNTS

Name of Local Authority:

<i>Purpose of loan</i>	<i>No and date of sanction order</i>	<i>Amount of loan</i>	<i>Details of transfer credit</i>	<i>Opening balance if any</i>	<i>Total</i>	<i>Amount utilized during the year</i>	<i>Unspent balance</i>
1	2	3	4	5	6	7	8

Executive Authority

APPENDIX – XXIV

(See Rule 19(13))

OBJECTION STATEMENT

<i>Voucher No. Date</i>	<i>Particulars of Payment</i>	<i>Objection or Suggestion (with signature and date of the Auditor)</i>	<i>Last date fixed by the auditor for return of the audit objection statement</i>	<i>Reply of Local authority/ Local fund (with signature, date and designation)</i>	<i>Note of admission or fresh remarks by the auditor</i>	<i>Further remarks of the local Authority/ Local Fund</i>	<i>Final remarks of the Auditor</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

Authorised Officer/Auditor

APPENDIX – XXV

[See Rule 20(1)]

Charge/Surcharge Proceedings

1. Name of Local Authority :
2. Year of audit report :
3. Date of audit :
4. Name of personnel in the audit batch :
5. Details of paras on which charge/surcharge action is proposed :
 - (1) Para No. :
 - (2) Name of Auditor who detected the loss :
 - (3) Amount involved :
 - (4) Person responsible with address :
 - (5) Reason for fixing the responsibility on him :

Authorised Officer/Auditor

APPENDIX – XXVI

[See Rule 20(3)]

Charge Notice

**Office of the Chief Controller of Accounts
Accounts & Treasuries, Mizoram, Aizawl**

No

Dated

To

Sri

Sub:- Report on the audit of accounts of for the year
Loss sustained to the funds Charge Notice – Issued

Ref:- 1.

Sir/Madam

This is to invite your attention to the audit observations in paragraph number of the audit report of for the year Issue in the reference cited and to state that a sum of Rs. has been lost to the funds of the on account of your negligence or misconduct or failure of duty. Extracts of the relevant objections in the audit report are enclosed for ready reference. You are held responsible for the said loss for the reasons stated below and hence the amount involved is recoverable from you.

You are, therefore, requested to remit the sum of Rs. (Rs. only) to the credit of and to intimate the details thereon to this office or to state why the amount of Rs. should not be charge on you in exercise of the powers conferred under Section (10) of the Mizoram Local Fund Account & Audit Act, 2006. You are allowed a period of two months from the date of receipt of this notice to intimate the details of remittance or to file statement of explanation, failing which the said amount will be charged on you.

Receipt of this notice may be acknowledged.

Yours faithfully,

Director of Local Funds Audit

Memo No. _____ *Dated* _____

Copy to :

- 1.
- 2.

4. (The Executive authority) (He is required to forward a report on the clearance of the objections on expiry of the period of 2 months mentioned above).

Director of Local Funds Audit

APPENDIX – XXVII
[See Rule 20(7) & Rule 22]

**Office of the Chief Controller of Accounts
Accounts & Treasuries, Mizoram, Aizawl**

No

Dated

Charge Certificate

I,, Director of Local Funds Audit, Mizoram, hereby certify under section 10 of the Mizoram Local Fund Accounts & Audit, Act, 2006 as follows:-

During the year the has sustained a loss of duty on the part of Sri/Smt..... who held the post of (now working as) and hence. Sri/Smt..... is held responsible for the said loss of Rs..... (Rs only).

The details of the above loss of Rs are given in paras and of the audit report of for the year issued by the in reference No dated in this office notice No..... dated Sri/Smt was requested to remit the said amount of Rs to the credit of and to intimate the details thereon to this office within two months or to state within two months why the amount should not be charged against him/her in exercise of the powers conferred under section 10 of the Mizoram Local Fund Accounts & Audit Act 2006. The above notice was served on him/her by registered post with acknowledgement due along with the extracts of the relevant objections in the audit report and he/she has acknowledged the receipt of the notice on that intimation regarding the remittance of the said amount of Rs. to the credit of has not been received so far. But intimation regarding the remittance of Rs. involved in paras only have been received so far. The explanation dated furnished by Sri/Smt to the charge notice in respect of paras has been considered in detail and found to be not acceptable. A sum of Rs. (Rs only) details of which are pointed out in paras..... of the audit report of is thus charged on Sri/Smt the then of (now working as) Sri/Smt is liable to remit the amount to the credit of within one month from the date of receipt of this certificate, failing which the matter should be forwarded to the Tribunal in exercise of the powers conferred under section 10 of the Mizoram Local Fund Account & Audit Act, 2006.

Dated at Aizawl the day of 20

Director of Local Funds Audit

To

Sri/Smt
.....

Receipt of this Certificate may kindly be acknowledged.

Copy to:

- 1.
- 2.

Director of Local Funds Audit



APPENDIX-D

The Mizoram Gazette

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NOTIFICATION

THE MIZORAM AUTONOMOUS DISTRICT COUNCILS FUND RULES, 2010

[Approved by the Governor of Mizoram on 06/7/2010]

No. C.31030/3/2005 – DCA, the 14th July, 2010 : In exercise of the powers conferred under sub-paragraph (2) of paragraph 7 read with Paragraph 22BB of the Sixth Schedule to the Constitution of India, the Governor of Mizoram is pleased to make the following rules, namely :-

PART – I GENERAL

CHAPTER – I PRELIMINARY

1. (1) These Rules may be called the Mizoram Autonomous District Councils Fund Rules, 2010.
(2) They shall come into force at once.
2. In these rules, unless the context otherwise requires.
 - (1) “Autonomous District” means an area where the sixth schedule to the Constitution of India is in operation;
 - (2) “Bank” means a branch of the State Bank of India;
 - (3) “Chief Executive Member” means the Chief Executive Member of the Executive Committee of the District Council constituted under the Mizoram Autonomous Districts (Constitution and conduct of Business of the District Council) Rules, 1974;
 - (4) “Constitution” means the Constitution of India;
 - (5) “Council” means the District Councils of the Lai, Mara and Chakma.
 - (6) “District Fund” means the Fund for a Council constituted under the provision of paragraph 7 of the sixth Schedule to the Constitution and the term “Fund” shall be construed accordingly;
 - (7) “Examiner of Local Accounts” means the Examiner of Local Accounts, Mizoram;
 - (8) “Finance and Accounts Officer” means the Officer recruited under the provision of the District Council Rules for the Office of the District Council;
 - (9) “Government” means the Government of Mizoram;
 - (10) “Governor” means The Governor of Mizoram;

- (11) “Member-in-charge of the Financial Affairs” means the member of the Executive Committee of the District Council entrusted with the management of financial affairs of the Council under Rule 32(2) of part 111 of the Mizoram Autonomous Districts (Constitution and conduct of Business of the District Councils) Rules 1974;
 - (12) “Secretary” means Secretary to the Executive Committee of the Autonomous District Council;
 - (13) “Treasury” means any Treasury in the State of the Mizoram and includes a Sub-Treasury.
3. (1) The District Council Fund is constituted for every Council under sub-paragraph (1) of paragraph 7 of the Sixth Schedule to the Constitution of India, to which shall be credited all moneys received by the District Council in accordance with the provisions of the Constitution. The fund shall accordingly comprise all receipts realized by the District Council under the provisions contained in the Sixth Schedule to the Constitution including the Grant-in-aid received from the Government and taxes levied or other revenues or receipts realized under the laws, rules or regulations framed by the District Councils under paragraphs 3, 4, 6, 8, 9 and 10 of the Sixth Schedule to the Constitution.
- (2) The Fund shall also include any liquid assets, surplus Revenue, Customary Receipts, cash balance or Bank Balance, etc. acquired by the District Council from the previous administrators of the locality or area and revenue or receipt accruing to the administration before the Constitution of the District Council but realized thereafter.
4. Any matter which is not covered by or under these rules shall be referred to the Governor and his decision thereon shall be final.

GENERAL PRINCIPLES AND METHODS OF ACCOUNTS

5. Period of Accounts : The annual accounts of the Councils shall record all transactions which take place during a financial year running from 1st April of a year to 31st March of the next year. The accounts of a year may be kept open upto 20th June in the following year for completion of the various accounting processes. Adjustments may also be made after the closure of the year owing to mispostings and misclassification coming to notice after the 31st March should not, however, be treated as pertaining to the previous financial year even though the accounts for that year may be kept open for the purposes mentioned above.
6. (1) Main Division of Accounts :- The accounts of the council shall be kept in following two parts:-
(a) Part I – District Fund of the Council;
(b) Part II – Deposit Fund.
- (2) In part 1 of the Accounts, there shall be two main divisions, namely:-
(a) Revenue Account :- Revenue Receipt Heads (Revenue account) and Expenditure Heads (Revenue Account).

The first Division, viz, ‘Revenue Account’ shall deal with the proceed of taxation and other receipts classed as revenue, and expenditure met there from. It shall also include the grants and contributions received from the Government, and also grants and contributions made by the Council.

- (b) Capital Account :- Public Debt, Loans consisting of section for receipt heads (Capital Account) and Expenditure Heads (Capital Account) and Public Debt, Loans and Advances.
- (3) The second division shall deal with expenditure met usually from borrowed funds with the objects either of increasing concrete assets of a material and permanent character or reducing recurring liabilities. It also includes receipts of a capital nature intended to be applied as a set off to capital expenditure.
- (4) The section “Public Debt” and “Loans and Advances etc.” of the second division shall comprise Loans received and their repayments by the Council and Loans and Advances made (and their recoveries) by the Council.
- (5) In part II of the Accounts, the transactions relating to Deposit including Contributory Provident Fund and other Funds and Advances shall be recorded. The transactions under ‘Debt’, ‘Deposit’ and ‘Advances’ in this part are such, in respect of which the Council incurs a liability to repay the moneys received or has a claim to recover the amount paid, together with the repayment of the former (Deposits) and the recoveries of the latter (Advance).
7. (1) Within each of the divisions/sections mentioned in the preceding paragraph, the transactions shall be divided into Major Heads of Accounts which shall be divided into Minor heads, each of which shall have a number of Subordinate Heads. The classification of Accounts shall be such as given in the List of Major Heads of Accounts. In all account records, the Major and Minor Heads shall be arranged in the exact order shown in the list of Major and Minor Heads of Accounts as shown in ANNEXURE-A. The Classification prescribed (including the Code Number assigned up to the Major Heads) should be strictly followed.
- (2) The Major Heads of Accounts generally correspond to ‘functions’ of the Council, such as the different services like ‘Agriculture’, ‘Public Works’ etc. provided by the Council, while the Minor Heads subordinate to them identify the ‘programmes’ undertaken to achieve the objectives of the function represented by the Major Heads. A ‘Detailed Head’ may be termed objective classification. On the expenditure side of the accounts, the detailed heads are primarily meant for item-wised control over expenditure and to indicate the nature of expenditure on a scheme or activity or organization in terms of input such as ‘pay and allowances’, ‘Other charges’ etc. Any other detailed head (other than the standard detailed heads) may be opened with the approval of the Accountant General (Accounts and Entitlement), Mizoram etc.

8. EXPENDITURE ON PUBLIC WORKS:

Expenditure on Public Works, where the works are under the administrative control of the Public Works Department of the District Council, shall be classified in accounts, according to the following principles:-

- (a) Expenditure on the construction of Council’s building for administrative and Office purposes and other buildings which exclusively relate to functions under ‘General Service’ as distinct from that on the constructions of buildings for functional purposes like Schools

etc. will be accounted for under the major Head “-2059 Public Works: (iii) Construction of buildings.”

- (b) Expenditure on the construction of buildings for purely functional purposes, such as, Schools etc. will be accounted for under the relevant Major Head closely connected with functions, such as, “2202-General Education,” “2203-Technical Education,” “2204-Sports and Youth Services,” “2205-Art and Culture.”
- (c) Expenditure on maintenance and repairs of all Council buildings, whether for administrative Office or functional purposes, will, however, be accounted for under the Major Head – “2059-Public Works: (v) Maintenance and Repairs to buildings.”
- (d) Expenditure on roads and bridges, being in the nature of communication services, will be accounted under the Major Head: “3054-Roads and Bridges etc.”

NOTES – Allocation of expenditure between Revenue and Capital Heads will be done under the orders of the District Council.

9. CONTRIBUTIONS MADE BY OR TO COUNCIL:

Contributions/Grants made by the council to Town Committees, Village Committees etc. or vice versa shall be debited as expenditure or shown as receipts (as the case may be) under the head of account closely connected with the object for which the Contribution/Grants are made.

10. REFUND OF REVENUE:

Refund of revenue shall, as a general rule, be taken in reduction of the revenue receipts. The refund of revenue may be accounted for under separate detailed head “Deduction-Refunds” under the respective Major/Minor heads.

11. CLASSIFICATION OF TRANSACTIONS UNDER CIVIL ADVANCE:

Moneys advanced for miscellaneous purposes under special authority and recoverable in cash and sums overpaid on vouchers other than those for service-payments shall be adjusted under the head ‘F-Civil Advances’. This Head shall cover items which are, from their inception, “debts due to the District Council, recoverable either in cash or by deduction from pay and allowances.

12. MUNICIPAL RATES AND TAXES:

This should be classified under the detailed head, ‘Rent, Rates and Taxes,’ under the functional Major Head, if the same is paid by the Department. If the same is paid by the Public Works Wing, the payment may be debited to “2059-Public Works: (V) Maintenance and Repairs etc.”

13. ACCOUNTING FOR RECOVERIES OF OVERPAYMENT:

The recoveries of overpayments shall be posted direct under receipt or service-head concerned in the Compilation Book in the following manner. This rule should conform to the provisions of clause 3.10 of General Directions on the revised list of ‘Major and Minor Heads of Accounts.’

- (a) Recoveries relating to overpayments in the current-year-These recoveries, whether made in cash or from payment vouchers, shall be taken as a reduction of expenditure by posting these as minus expenditure under the head previously overcharged; and
- (b) Recoveries relating to overpayments in the current year or years-These shall be credited to the departmental receipt-head concerned as receipts of the Department or in case of

Departments not having a corresponding receipt-head, to the Major head:0070-Other Administrative Services-Other Receipts.

14. ACCOUNTS OF COMMERCIAL UNDERTAKINGS:

Where any Undertakings of the Council are conducted on commercial lines, the essential formalities of commercial accounts should, if the Council so desires, be strictly observed. In such cases, separate commercial accounts of the Undertakings shall be kept outside the regular Council accounts. The heads of accounts should be common to the Council accounts.

15. WORKING EXPENSES OF COMMERCIAL DEPARTMENTS:

As a general rule, all expenditure pertaining to any Department including a Commercial Department should be recorded only on the expenditure side of the accounts.

PART – II
LOCATION AND CUSTODY OF MONEY AND PAYMENT TO THE DISTRICT FUND
CHAPTER – I

- 16. (1)** All moneys pertaining to the District Fund shall be held in the Treasury in the Personal Ledger Accounts of the District Council.
- (2)** Accounts of the District Fund at the Treasury will be kept as a Deposit account, the transaction being booked under the head: K-Deposit and Advances-(b) Deposit not bearing interest; 8443-Civil Deposits; 120-Deposits of Autonomous Districts and Regional Funds (Assam, Meghalaya and Mizoram).
- (3)** Moneys shall be paid in as provided in Rule 20 and drawn out from the Treasury by cheques signed by the Secretary. The District Council Fund shall not be allowed to overdraw the balance of its credits without obtaining beforehand a loan or contribution to cover the overdraft.
- 17.** All dues of the District Council shall be paid into District Fund held in the Treasury through the District Council Office.
- 18.** Save as otherwise expressly provided in these rules, the following rules shall be observed by the Cashier who is required to receive and handle cash:-
- (a)** The Cashier shall keep the Cash Book in the form prescribed in Appendix-I, in which he shall enter all sums received and payments made by him on account of the Council. When a grant is made to the Council by the Government, the Secretary shall draw the amount by transfer credit to the District Fund maintained in the Treasury and bring the amount to account in the Cash Book.
- (b)** All monetary transactions shall be entered in the Cash Book as they occur and attested by the Secretary with full dated signature in token of his check.
- (c)** The Cash Book shall be closed daily and complete checked. The Secretary shall verify the totaling of the Cash Book and give his full signature against each item of entry in token of acceptance.

- (d) At the end of each month, the Secretary shall verify the cash balance in the Cash Book and record a signed and dated certificate to that effect specifying the verified cash balance both in words and figures in his own handwriting under his full and dated signature. The closing cash balance at the end of each month should also be analysed in a footnote or in the remarks column of the Cash Book to show the details (including dates) of receipt or drawal of the cash in hand.
- (e) When Council moneys in the custody of the Cashier are paid into the Treasury, the Secretary making such payment shall compare the Treasury Officer's receipt on his Pass Book and the original copy of the challan with the entry in the Cash Book before attesting it, and satisfy himself that the amounts have been actually credited into the Treasury.
- (f) An erasure or over-writing of an entry once made in the cash book is strictly prohibited. If a mistake is discovered, it shall be corrected by drawing the pen through the incorrect entry and inserting the correct one in red-ink between the lines. The Secretary shall attest by his full and dated signature against each such correction.
- (g) The Cashier who handles Council money shall not, except with the special sanction of the District Council, be allowed to handle in his official capacity money which does not belong to the Council. Where under any special sanction the Secretary deals with both Council and non-Council money, the latter shall be kept in a cash book separate from the Council money and the transactions relating to the non-Council money shall be accounted for in a separate set of books and kept entirely out of the Council account.
- (h) The employment of peons to fetch or carry money shall be discouraged. When it is absolutely necessary to employ such person for this purpose, a reliable person of proven trustworthiness shall only be selected and, in all cases, when the money to be handled is large, the Member-in-charge of Financial Affairs shall take sufficient precautions for the safe escort of the money to and from the Treasury/Bank.
- (i) Council money in the custody of the cashier shall be kept in a strong cash chest secured by two locks of different patterns. The keys of one lock will remain with the cashier and the key of the other lock with the Secretary or any other officer to be designated by the Secretary in writing. Both the custodians of the keys shall be jointly and severally responsible for the contents of the chest, which shall not be opened unless both the custodians are present.
- (j) A Bill Register in the form at Appendix-II shall be maintained in which all bills of all kinds, on the basis of which money would be drawn from the Treasury by cheques, should be entered. The Secretary, while signing the bills should attest each entry in the Bill Register.
- (k) All financial transactions shall be expressed in whole rupees. Fractions of a rupee for paise fifty and less shall be ignored and those for more than paise fifty rounded to the next higher rupee.

Note – 1. In case it is considered necessary to employ armed guards, the Member-in-charge of Financial Affairs may apply for the same to the Deputy Commissioner/Sub-Divisional Officer (Civil).

Note – 2. The duplicate keys of the cash chest may be placed under the seal of the Council in the Custody of the Treasury Officer, each in a separate sealed packet. A duplicate key register

should be maintained and once a year, in each April the key must be sent for examination and returned under fresh seal to the Treasury Officer, a note being kept in the register that they have been found correct.

CHAPTER – II PAYMENT OF MONEY TO DISTRICT FUND

19. All receipt due to the Council collected by any officer or employee of the Council authorised to collect such receipts shall pass through the Cashier who shall enter them in the cash book. The cashier shall furnish a receipt in the form prescribed in Appendix III duly countersign by the Secretary to the officer of employee from whom the money is received.
20. All money of account of District Fund shall be remitted in full with the least possible delay into the Treasury and shall on no account be appropriated towards any expenditure. Where the Treasury and the Council office are at the same place, the collections of each day shall be deposited not later than the first day following that on which the Treasury is opened for business. In other cases, the collections shall be remitted at such intervals as may be necessary but under no circumstances should the amount left in the custody of the cashier exceed the security furnished by him. The Secretary or such other authorized officer shall satisfy himself daily that the rules are being observed. In any circumstances in which the cash balance in hand happens to be comparatively in excess of the cashier's security, the Secretary or such other authorized officer will make special arrangement for the safe custody of the entire cash in hand.
21. (1) All money paid into the Treasury to the credit of the District Fund shall be accompanied by the pass Book of the Council and the prescribed Treasury challan in triplicate. The second part of the challan shall be retained by the Treasury Office and the original or counterfoil shall be receipted by the Treasury Officials and brought back to the Council office by the person sent with the remittance.

(2) When a remittance is to be made to the Treasury, a line shall be drawn across the Register and the various money column shall be totaled. If any money is received after the remittance for the day has been made to the Treasury, it shall be entered below the total, but the date in column – I shall be the actual date of receipt and not of remittance, and the money shall be kept in the chest.
22. Each remittance made to the Treasury should be entered in Cash Book in the payment side and shown as payment into Treasury. In challan for remittance by the cashier shall be recorded the name of the Council on account of which the money is remitted to the Treasury, details of the notes and coins of which the remittance is composed and the head of account under which the amount is deposited.
23. When the payment has to be made from the District Fund to the State or Union Government or to any local Fund whose funds are lodged in the Treasury or vice versa, it is not necessary that the money is actually drawn in cash from the Treasury and the amount is paid to the concerned Government. A cheque or voucher, as the case may be, should be used in such cases, in which it should be specified that the amount is to be paid by transfer credit. All payments to the District Fund should be supported by a receipt stamped, when necessary, by the authorized officer of the District Fund.

24. (1) With remittance shall be sent the pass Book of the Council upon receipt of the money by the Treasury. Both sides of the Pass Book shall be written up-to-date by the Treasury, with dated initial of the Treasury Officer against each entry and the book be returned to the Council Office.
- (2) The Secretary or such other authorized Officer under whose custody the Pass Book is kept shall examine the Pass Book from time to time and shall immediately call for the attention of the Treasury Officer to any discrepancy that may appear between the debits and credits shown in the pass book and those shown in the Accounts of the Council's Office.
25. The pass book will be supplied ex-gratis by the Treasury. It is not a Council Account Book but simply a copy of the account kept in the Treasury of the moneys paid in and taken out by the Council, and must, therefore, always be written up only by the Treasury establishment by whom the original account is kept.
26. No entry marks shall under any circumstances be made in the pass book by any of the officials connected with or working in the Council Office. At the close of each month, the balance in the Pass Book shall be struck and the amount written in both figure and words, and signed by the Treasury Officer.
27. Council dues or other money receivable on the account of the Council may ordinarily be realized in legal tender and in coins or notes only. Precautions must be taken by the receiver to ensure that no counterfeit coins or notes are received.
28. (1) The officer receiving money on behalf of the Council must give the payer a receipt in the prescribed printed form. This rule applies to all moneys received either for credit to the Council or for deposit or for any other purpose, except, however, to money withdrawn from the Treasury for disbursement of pay, allowances, advances etc. to Council employees or for payment of contingent and other charges to private parties.
- (2) The receipt issued by the cashier under Rule 19 to any officer or employee of the Council authorised to collect any receipt or other money due to the Council shall be countersigned by the Secretary who shall satisfy himself that the amount has been properly entered in the Cash Book either directly or through a subsidiary Register of the cash book. The seal of the Council should be affixed to such receipt before it is issued.
- (3) As an exception to the preceding sub-rule, the Member-in-charge of Financial Affairs may, in special cases, permit receipt to be countersigned by an Officer subordinate to the Secretary. Similarly, receipts may be signed by a subordinate officer to be authorized in this behalf by the Secretary when he is out on tour. In both cases, however, the receipt shall be signed by such authorized officer for the Secretary who shall be responsible for checking the counterfoils of receipts with the entries in the Cash Book and in the subsidiary Registers thereto, if any.
- (4) Where money is realized not in cash but by recovery from a bill payable by the District Council, full particulars of the deduction shall be set forth in the bill and a receipt may be granted only if specially desired by the payer, the fact of recovery having been made by deduction from the bill being clearly recorded on the receipt.
- (5) All receipts must be written in figures and in words.

- 29.** (1) The form of receipt shall be such as prescribed in Appendix-III. No receipt except those issued in the prescribed form shall be valid.
- (2) The receipt forms shall be bound in books of suitable sizes. Pages of each such book shall be consecutively machine numbered. The book shall also be serially numbered by the machine. Each receipt shall be in duplicate for use with carbon paper. The carbon copy shall be retained in the issuing office and the original issued.
- (3) A register of Receipt Book shall be maintained by the Cashier in form in Appendix-IV. Immediately after receipt of blank receipt books, each such book shall be carefully counted and examined to ensure that the forms contained in each are in order and complete in all respects and the result recorded in a conspicuous place in the book over the signature of the Secretary. Any discrepancy noticed shall be recorded at once in the Register of Receipt Book in the remark column.
- (4) The receipt Books shall be kept in the personal custody of the Secretary or a responsible officer authorized by him in writing. There shall be one receipt Book only in use at a time and no Receipt Book shall be issued unless the counterfoils of the previous book are returned from record. This may, however, be relaxed at the discretion and on the responsibility of the Secretary, e.g. in case where it may be found convenient to issue more than one book at a time. For facility of the receiving officer it may be necessary to issue a Receipt Book in advance before the counterfoils of the previous one are received. Each issue of a Receipt Book shall be recorded in the Register of Receipt Books and supported by the dated signature of the person (with designation) to whom the Book is issued.
- (5) Used-up Receipt Book shall always be kept in the personal custody of the Secretary.
- (6) The Stock of unused Receipt Book shall be verified physically at the end of the year by the Secretary and a certificate indicating the results of the physical verification recorded in the Register of Receipt Books.
- 30.** No Officer may issue duplicate or copies of receipt granted for money on the ground that the original have been lost. If any necessity arises for such document, a certificate may be given that on a specified day, a certain sum on a certain accounts was received from a certain person. This provision extends only to the issue of duplicates on the ground that the original have been lost and does not apply to cases authorized by the rules or by special orders of the Council in which duplicates have to be prepared and tendered with originals.
- 31.** (1) The Council shall maintain an 'Assessment Demand' and 'Bill Collection and Remission Register' in forms in Appendix V and VI respectively containing a list of all persons liable to pay rate, tax, cess or fee, and the amount to be paid by them in respect of each such rate, tax, cess or fee. Subject to the provisions of these Rules, the detailed procedure to be adopted with regard to the money realized may be prescribed by the Member-in-charge in consultation with the Accountant General (Account & Entitlement) and with the approval of the Governor.
- (2) The procedure so prescribed shall, inter alia, provide for definite responsibilities of officers concerned to ensure that –
- (i) demands are made as revenue falls due;
- (ii) steps are taken with a view to effecting prompt realization of all revenue, regular or occasional; and

- (iii) proper records are kept to show in respect of all items of revenue, recurring or non-recurring, the assessment made, the progress of recovery and the out-standing debts due to the Council.

PART – III
WITHDRAWAL OF MONEY FROM THE DISTRICT FUND

CHAPTER – I
PROCEDURE FOR WITHDRAWAL

- 32. Save as other-wise provided in these Rules, no money shall be withdrawn from the District Fund except by cheque on the Treasury, signed by the Secretary.
- 33. No money should be withdrawn from the Fund, unless it is required for immediate disbursement. It is not permissible to draw advance from the Fund either for the execution of works, the completion of which is likely to take considerable time, or to prevent the lapse of budget allotments.
- 34. Claims against the District Council shall ordinarily be discharged by cheques drawn upon the Treasury.
- 35. (1) When any person not in the employment of the Council claims payment for work done, service rendered or articles supplied, such claims shall, unless there are express order of the Council to the contrary, be submitted to the Secretary through the Finance and Accounts Officer or any other officer under whose immediate order the service was done or the equivalent was given for which the payment is demanded.
(2) Every Bill or claim for payment, which has been presented in the first instance to the Secretary of the Council or any duly authorised officer shall be submitted to the Accountant who shall check and examine it, and if found correct and in order, initial it in to ken of correctness and submit it for order, through the Finance and Account Officer to the Secretary or such other duly authorised officer. If payment of the bill so presented is to be made, a payment order shall be endorsed on the body of the bill or claim document. The payment order shall, except as otherwise provided, run as follows : “Pay Rs. _____ (Rupees _____) only” and the amount having been expressed both in words and figures, the order shall be signed by the Secretary or such other authorised officer.
- 36. All claims for grant-in-aid, contributions etc. to local bodies, customary, charitable or educational institutions and other non-Council bodies or persons as sanctioned by the Council shall be presented to the Secretary. The detailed rules regulating the payment or grants-in-aid shall be prescribed by the Member-in-charge, Financial Affairs in consultation with the Accountant General (Accounts & Entitlement) and with the approval of the Governor.
- 37. (1) Bills for claims against the Council, save as otherwise provided in these rules, shall be prepared in the Council office and shall be passed for payment by the Secretary in accordance with these rules and then the charges will be paid by cheques drawn on the Treasury or out of cash obtained from the Treasury by such cheques.
(2) If the bill is to be paid out of the imprest or permanent Advance, the Secretary or such other authorised officer shall, before signing the payment order, see the bill stamped with the words “paid in cash” in a conspicuous type, and shall then make it over to the cashier for payment. If the Bill is to be paid by cheque, it shall be made over to the cashier, and shall be stamped “paid by Cheque No” in a conspicuous type. In the later case the

amount shall be entered, as soon as the cheque is signed, in the appropriate column of the Cash Book of the Council.

- (3) Every payment made, either in cash or by cheque, shall be covered by a receipt stamped, if necessary, duly signed by the person to whom the money is due and to whom it has actually been paid. Such a receipt signed by another person or by a Council employee is invalid.
- (4) All claims which are preferred and accepted should be paid at the earliest possible date. If a bill is presented and payment is not made within a month of its presentation or if the claim is contested, it shall be entered in the “Register of the Outstanding Claims” as per proforma given below :

Sl. No.	Date	Particulars	Amount Of Bill	Reasons for withholding payment	Pay-ment	Amount paid	Balance outstanding as on 31 st March	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

- (5) This Register is required for ascertaining the unpaid demands for which provision has to be made in the next year’s budget, and at the close of the year, unpaid amounts shall be shown in the column ‘balance’ and be carried forward to the Register of the next year. To ensure a complete record of the liabilities in cases where bills may not have been presented, all orders for supplies or works other than those for which formal agreements have been made and particulars of which are entered in the Register of works shall be entered in an Order Book to be maintained in form in ANNEXURE – C.
- (6) In cases where cash or cheque for payment to third parties is made/obtained by a Drawing Officer by presentation of bills in the Treasury and when it is again remitted to Treasury/Bank for obtaining demand draft in favour of the third party, the entries in the Cash Book should relate to the cash or cheque received by the Drawing Officer on presentation of the bill at the Treasury (on the receipt side of the Cash Book). The Demand Draft, when received, should be entered in a “Register of Valuables” and its disposal watched through the Register. The receipt of the Demand Draft and the payment to the third party through the Demand Draft need not be entered in the Cash Book as the transactions would already appear in the Cash Book in the manner indicated above.
38. The salary, establishment and traveling allowances charges shall be drawn on the basis of bills, which shall be charged in the Cash Book without further details.

NOTE :- Payments due to the contractors may, if so desired by them, be made to their banks instead of direct to the contractors, provided that the Secretary obtains –

- (i) an authorisation from the contractors in the form of a legally valid document, such as, power of attorney of transfer deed, conferring authority on the bank to receive payment;
- (ii) the contractor’s own acceptance of the correctness of the amount made out as being due to him by the Council or his signature on the bill or other claims preferred against the Council

before settlement of the account or claim by payment to the said Bank. While the receipt given by Bank will constitute a full and sufficient discharge for the payments, contractors would, wherever possible, be induced to present their bills duly receipted and discharged through their bankers. Nothing herein contained should operate to create in favour of the Bank and right of equities vis-à-vis the Council.

- 39.** The Secretary shall, at the time of making payment to non-officials, communicate the fact with the address of the payees to the Income-Tax Officer concerned, if the payee is an Income-Tax payer and if the amount of each payment is not less than 250/-
- 40.** (1) Arrears claims :- Save as provided in rule 136 of the Central Treasury Rules/Rule 32 of the Central Government Account (Receipt and Payments) Rules 1983, any claim of a Government servant, which is preferred within two years of its becoming due shall be settled by Drawing and Disbursing Officer Finance and Accounts Officer, as the case may be, after usual checks as per provision of rule 82 of General Financial Rules.
- (2) No claims against the Government, other than those by one department against another or by a State Government, not preferred within a year of their becoming due can be presented without any authority from the District Council, provided that such claims not exceeding Rs. 500/-, if presented within three years of their becoming due, may be paid without pre-check by the Accountant General (Accounts & Entitlement); provided further that this rule shall not apply to the following categories of such claims.
- (a) claims on account of pensions, the payment of which is regulated by rule 396 of the Central Treasury Rules (CTR);
- (b) claims on account of pay and allowances of such non-gazetted Government servants whose names are not required to be shown in the pay-bills under rule 220(s) of the CTR;
- (c) claims on account of interest on Government securities; and
- (d) Any other class of payments which are governed by special rules or orders of the Government (as per provision of rule 135 of Central Treasury Rules).
- 41.** The following instructions with regard to the preparation and form of bills shall be observed :-
- (a) Printed forms of bills in English shall be adopted as far as possible, but when, for any circumstances a bill in a local language is unavoidably necessary, a bilingual form shall be used.
- (b) If, in any case, the use of a bill purely in a local language becomes unavoidable, a brief abstract shall be kept in English under the signature of the Secretary stating the amount, the name of the payee and the nature of the payment.
- (c) All bills shall be filled in and signed in ink, entries and signature may also be made with ballpoint pens when clear and legible. The amount of each bill shall be expressed in whole rupees and written in words as well as in figures.
- (d) While passing the bill, the Drawing Officer should also write in red ink across the bill in words at right angles to the type a little sum in excess of that for which it is passed, thus, under 'rupees thirty only' will mean that the bill is for a sum not less than Rs. 30/- but less

- than Rs. 31/- and similarly, “under rupees eight hundred only” will mean that is for not less than Rs. 800/- but less than Rs. 801/-
- (e) All corrections and alterations in the total of a bill shall be attested with full and dated signature by the Secretary as many times as such corrections and alterations are made.
 - (f) Erasures and overwriting in any bill are absolutely forbidden and must be avoided. If any correction be necessary, the incorrect entry shall be cancelled neatly in red ink and the correct entry inserted. Each such correction or any interpolation deemed necessary shall be authorised by the Secretary setting his initial with date against each.
 - (g) The full accounts classifications shall be recorded on each bill by the Secretary, the classification in the budget being taken as a guide.
 - (h) When bills are presented on account of charges incurred under any special orders, the orders sanctioning the charge shall be quoted on the bill and copy of the order attached to the bill.
 - (i) Dates of payment shall, when possible, be noted by the payees in their acknowledgements in sub-vouchers, acquittance rolls etc. If, for any reason, such as illiteracy or the presentation of receipts in anticipation of payment to be noted by the payee, the dates of actual payment shall be noted by the Secretary on the documents under his full signature with date, either separately for each payment or by groups, as may be found convenient.
42. No person except the Secretary is authorised to draw on the Council fund without special orders of the Council.
43. (1) The Drawing Officer shall send a specimen of signature to the Treasury Officer and the Bank through the Deputy Commissioner/Sub-Divisional Officer duly attested by the latter. When the Drawing Officer makes over charges of his Office to another, he shall likewise send specimen of signature of the relieving Officer to the Treasury Officer/Bank concerned.
- (2) Specimen signature, when forwarded on a sheet of paper other than the forwarding letter itself must be duly attested by the Officer signing the forwarding letter.
44. Cheques shall be drawn on forms in cheque books supplied by the Treasury Officer.
45. The Treasury Officer shall supply a cheque book only on the receipt of the printed requisition form which is inserted in each book towards the end and never more than one cheque book shall be issued on a single requisition. The requisition must be signed by the Secretary.
46. The Secretary shall notify to the Treasury upon which he draws the number of each cheque book, which, from time to time he brings into the use and the number of cheques it contains.
47. A Register of Cheque Books shall be maintained by the Secretary in form in Appendix-IV. Cheque Books shall, on receipt, be carefully examined by the Secretary who shall count the number of form contained in each and record a certificate of count on the fly-leaf.
48. Each cheque book must be kept under lock and key in the personal custody of the Secretary. The cheque book in use be made over to the Cashier whenever required but it shall be returned before the office is closed for the day. The Officer in whose custody it is to remain shall satisfy himself periodically that all unused cheques are in the book and that none has been surreptitiously extracted. The Officer, when relieve, shall take a receipt for the exact number of cheque books and blank cheque-leaves made over to the relieving Office.

49. The loss of cheque book or a blank cheque form shall be notified promptly to the Treasury Officer.
50. All cheques shall have written across them in words at right angles in red ink to the type a sum of little in excess of that for which they are granted; thus “under rupees thirty” only will mean that the cheque is for a sum of not less than Rs. 30/- but less than Rs. 31/- and similarly “under rupees eight hundred only” will mean that it is for not less than Rs. 800/- but less than Rs. 801/-. The amount of each cheque should, as far as possible, be expressed in whole rupees and shall be written in words as well as in figures. The fractions of a rupee, when unavoidable, may be written in figure after the words stating the number of whole rupees; but in the event of there being no fraction of a rupee, the word “only” would be inserted after the number of whole rupees and care should be taken to leave no space for interpolation as in the following examples :-

“Rupees twenty six only,” “Rupees twenty five and thirty paise,” no abbreviation, such as, “eleven hundred; or “one thousand” or “one hundred” is permissible.

NOTE :- 1. In drawing or cashing a cheque it should be remembered that a common form of fraud consists in altering the word “one” into “four” by pre-fixing and “f” changing the “e” into “r” the figures being easily altered to correspond. The word “twenty” written carelessly can also easily be changed into “seventy”. The drawer of a cheque in which these words occur should, therefore, so write them to make the fraud impossible and the Treasury Officer should examine the words and corresponding figures with special care.

NOTE :- 2. All cheques should be written and signed in good ink only.

51. (1) Cheque drawn in favour of Council employees and departments in settlement of Council dues shall always be crossed “Account payee only-not negotiable.”
- (2) In the absence of a specific request to the contrary from the payee, cheques drawn in favour of corporate bodies, firms or private persons shall also be crossed. Subject to any instruction received from the payee, a cheque shall be crossed “..... & Co.” with the addition of the words “Not negotiable” between the crossing. Where the payee is believed to have a banking account, further precautions shall be adopted, where possible, by crossing specially (instead of by general crossing..... & Co.) by quoting the name of the bank through which the payee will receive payment and by addition the words “Account payee only-Not negotiable.” This rule shall apply to all cases where the use of crossed cheque is prescribed.
52. Every cheque made in favour of person who is not in service of the Council, may at his request be made “payable to bearer.”
53. As a general rule, cheques shall not be issued for sums less than Rs. 10/-
54. All corrections and alterations in cheques shall be attested by the Drawing Officer with his full signature with date.
55. (1) Cheque shall be payable at any time within three months after the month of issue. Thus, cheque bearing a date any time in January is payable at any time upto 30th April.

- (2) After the expiration of the above period, Payment shall be refused at the Treasury, and the person in whose favour the cheque was drawn shall, therefore, have to bring it back to be redated. No fresh cheque shall be issued. The lapsed cheque shall simply be redated and the alterations dated initialed by the Secretary or such other authorised officer whose duty would be to sign the cheque. A note of the fact of redating shall be entered in the Cash Book against the original transaction and upon the counterfoil of the cheque itself. The alteration shall in no way affect the accounts, and no further entries shall be made in the Cash Book.
56. When it is necessary to cancel a cheque, the cancellation must be recorded on the counterfoil. If the cheque is in the drawer's possession, the Treasury Officer should be promptly requested to stop payment of the cheque, and on ascertaining that the payment has been stopped, shall make the necessary entry in his accounts.
57. (1) If the Secretary is informed that a cheque drawn by him has been lost, he shall address the Treasury Officer drawn on forwarding for signature a certificate in the following form :
- “Certified that Cheque No.....dated.....for Rs..... reported by (the Drawing Officer) to have been drawn by him on this Treasury in favour of has not been paid, and will not be paid if presented hereafter.”
- (2) The Secretary, on receipt of the certificate duly signed by the Treasury Officer, shall treat the original cheque as cancelled and issue another in lieu of the lost cheque.
58. If a cheque is issued by the Council in payment of any sum due by the Council and that cheque is honoured on presentation to the Council's bankers, payment shall be deemed to have been made.
- (i) If the cheque is handed over to the payee or his authorised messenger, on the date it is so handed over; or
- (ii) If it is posted to the payee in pursuance of a request for payment by post, on the date on which the cover containing it is put into the post.
- Note – 1. The provision of clause (ii) above apply mutatis mutandis to the payments made by the Council by Postal Money Order or by any other recognized mode of remitting money by post.
- Note – 2. Cheques marked as “not payable” before a particular date shall not be charged to the accounts until the date on which they become payable.
59. The Secretary shall record on the reverse of the counterfoil of each cheque the amount of the next cheque drawn and of the total of drawings during the month, and carry forward their total to the next counterfoil. This will enable him, from time to time, to exercise an independent check on the postings of his Cash Book.

CHAPTER – II PROCEDURE FOR PAYMENT OF CLAIMS

60. Subject to as hereinafter provided in this rule, a Council employee entrusted with the payment of money shall obtain for every payment he makes, including repayment of sums previously lodged with the Council, a voucher setting forth full and clear particular of the claim and all information

necessary for its proper classification and identification in the accounts. As far as possible, the particular form of voucher applicable to the case shall be used. Supplier of stores and other private persons should be encouraged to submit their bills and claims in the prescribed forms. Every voucher shall bear or have attached to it an acknowledgement of the payment, signed by the person by whom or in whose behalf the claim is put forward. This acknowledgement shall be taken at the time of payment. A note of the date and mode of payment, whether by cash, cheque, by remittance, or by Postal Money Order, shall be recorded on the voucher.

Note-1. Voucher includes a bill paid.

Note-2. Bill is a statement of claim against the Council containing specification of the nature and the amount of claim.

Note-3. In the case of articles received by Value payable post, the cost of the value payable cover together with the invoice or bill showing the details of the items paid for, may be accepted as voucher. The Secretary should endorse a note on the cover to the effect that the payment was made through the Post Office and this also covers charges for money order commission.

Note-4. In the case of receipts furnish by individuals on behalf of firms, the Secretary shall be responsible for making sure that the person signing the receipt has authority to bind the firm.

61. Except as otherwise provided, every voucher shall bear a pay order signed and dated by the Secretary specifying the amount payable both in words and figures. This order must be signed by hand and in ink.
62. All paid vouchers must be marked "paid" or "cancelled" so that they cannot be used a second time. Stamps, if any, affixed to sub-vouchers must also be cancelled so that they may not be used again.
63. Office copies of vouchers and acquittances shall be filed and retained carefully in the office concerned.
64. (1) All sub-vouchers to bills must be cancelled in such a manner that they cannot be subsequently used for presenting fraudulent claims or other fraudulent purposes.
(2) The provisions of rule 86 with regard to cancellation and destruction of sub-vouchers relating to contingent expenditure shall apply generally to sub-vouchers in respect of other classes of payment unless it is otherwise decided by the District Council.
65. (1) Subject to such special orders as the Council may issue in any individual case, the responsibility for an overcharge shall rest primarily with the Secretary and it is only in the event of culpable negligence on the part of the Secretary that the question of recovery from him may be considered.
(2) The responsibility for the effective check and control of the accounts of the District Council, both in respect of revenue and expenditure, rests on the Secretary. The Secretary may entrust to trustworthy officers of various departments as Disbursing Officers on his behalf.

- (3) The Secretary shall be responsible not only for the financial regularity of the transaction of the District Council but also for the maintenance of accounts of the transactions correctly and in accordance with the rules in force.
66. The Secretary may entrust the immediate executive control of the accounts of the District Council and the District Fund to the Finance and Accounts Officer but may not be divested himself of their administrative control. The Finance and Accounts Officer shall be responsible for the proper observance of the procedure prescribed by or under these rules and for the punctual submission of all accounts and returns required by Government and the Accountant General. The items of work to be handled by the Finance and Accounts Officer are shown in Annexure – ‘B’.
67. (1) Bills for monthly pay and fixed allowances of Council employees may be passed at any time for 5 (five) days ahead of the last working day of the month and shall be due for payment on the last working day of the month by the labour of which such pay and allowances are earned.
- (2) The forms on which claims for pay, allowances, etc. are to be prepared and the detailed procedure to be observed in the preparation and passing of such claims shall be regulated by the provision in Rule 74 to 79.
68. (1) The duty for making proper deductions to be made from pay bills on account of Provident and other Funds, if any, shall devolve on the Secretary.
- (2) The Procedure to be followed in making such deduction and the detailed rules prescribing the nature of Provident and other Funds applicable to the Council employees and other cognate matters including the records to be maintained therefore are to be laid down by the District Council in consultation with the Account General (Accounts & Entitlement) and with the approval of the Governor.
69. (1) When the pay of the Council employees is attached by any order of a Court of Law, it is the duty of the Secretary to see that the proper deduction is made in satisfaction of such order from the bill pay of the Council employee concerned.
- (2) The cost, if any, of remittance to a court, of money realized under its attachment order shall be deducted from the amount realized and the net amount remitted to the court.
- (3) The recovery should be made in cash while making the disbursement of pay and recorded in the Attachment Register maintained by the Drawing Officer.
70. The last payment of pay or allowances shall not be made to, or in respect of a Council employee finally quitting the service of the Council by retirement, resignation, dismissals, death or otherwise, or placed under suspension, until the Secretary has satisfied himself by reference to the relevant records, that there is no demand outstanding against him.
71. Pay and allowances can be drawn for the day of the employee’s death, the hour at which death takes place having no effect on the claim.
- NOTE :- “date” for the purpose of this rule should mean a Calendar day beginning and ending at midnight.
72. (1) Pay and other allowances claimed on behalf of a deceased Council employee may be paid without the production of the usual legal authority –

- (a) to the extent of Rs. 100/- under orders of the Secretary after such enquiry into the right and title of the claimant as may be deemed sufficient.
 - (b) for the excess over Rs. 100/- under the orders of the District Council on execution of an indemnity bond with such sureties as it may require, if it is satisfied of the right and title of the claimant and considers that undue delay and hardship would be caused by insisting on the production of letters of administration.
- (2) In any case of doubt, payment shall be made only to the person producing the legal authority.

Note-1. The form of indemnity bond mentioned in this rule shall be prescribed by the District Council in consultation with the Accountant General (Accounts & Entitlement) and with the approval of the Governor. The sureties accepted for joining in such bond must be of proven financial ability to meet the obligations undertaken.

Note-2. The provisions of Rule 80 apply in this case too.

73. Save as hereinafter provided, pay and allowances may be paid only upon the personal receipt and not otherwise, except under the special authority, in each case of the Executive Committee. The Council employee may be allowed to receive payment through a messenger duly authorized by him to receive the money on his account and in such a case the Council accepts no responsibility in respect of money, cheque or draft that may be handed over to the messenger. The actual payee should give a proper receipt signed by himself in addition to the authorization in writing under his separate signature.
74. (1) Bills of pay, fixed allowances and leave salaries shall be prepared separately for permanent and temporary establishment. The instructions printed on the form being carefully observed, the name of every substantive and officiating or temporary incumbent shall be shown against each post, and against each temporary post shall be noted the sanction thereto. If the pay is drawn for portion of a month only, the rate of pay and the number of days for which it is claimed shall be indicated against the name of the Council employee in the body of the bill.
- (2) The form of pay bill of an establishment shall be such as in Appendix VII and that of Members/employees whose appointment, promotion, leave, transfer etc. are notified in the State Gazette shall be such as in Appendix VIII.
- (3) The various sections comprising the establishment shall be shown separately, the description of each section as well as the number of sanctioned posts included therein being prominently written in red ink at the top.

NOTE : All fixed allowances, if any, should be drawn in the same pay bill.

75. The entries in all the money columns of the bill shall be totaled separately under each section and the total written in red ink. The totals must be checked by the Secretary himself.
76. If any employee/employees was/were absent during the month either on special duty or suspension or with or without leave other than casual leave, or when a post is left vacant, whether any officiating arrangements have or have not been made, the bill for the month shall be supported by an absentee statement showing the complete chain of the arrangements, if any.
- Note:- The form of the Absentee Statement shall be such as prescribed in Appendix-IX.

77. (1) Arrears of pay, fixed allowances or leave salary shall be drawn not in the ordinary monthly bill, but in a separate bill, the amount claimed for each month being entered separately, with quotation of the bill from which the charge was omitted or withheld or on which it was refunded by deduction, or any special order granting a new allowance or an increase in pay. A note of the arrear bill shall invariably be made in the original bill for the period, to which the claim pertains over the dated initials of the Secretary in order to avoid the risk of the arrears being claimed over again.
- (2) Subject to the condition laid down in Rule 41, arrear bills can be paid at any time and may include as many items as are necessary.
78. Bills for traveling allowance, other than permanent or fixed allowance, if any, shall be prepared and presented to the Secretary in accordance with the following rules -
- (a) The bill shall be prepared in the form prescribed in Appendix X or XI as the case may be, the instructions in the form being strictly observed. When a circuitous route is taken, the reason for doing so must invariably be stated in the bill.
- (b) When actual expenses are drawn, full details should be furnished in the traveling allowances bill. For the purpose of drawing the allowances on account of a family or the higher mileage allowance (now in terms of Kilograms) a certificate must be furnished by the Council employee, of the number and relationship of the members of his family for whom the allowances are claimed. No other details in these or other cases need be furnished, but every claim for the cost of carriage of personal effects, horses and conveyance should be supported by a certificate to the effect that the expense incurred was not less than the sum claimed.
- (c) All traveling allowances bills must bear a certificate of the Secretary in the following form – “Certified that I have satisfied myself that the amounts included in the bills drawn one month/ two months/three months previous to this date, with the exception of these detailed below, of which the total amount has been refunded by deduction from this and their receipt taken in the original bill or in a separate acquittance roll.”
79. (1) The Secretary is personally responsible for the amount drawn by cheque on account of a bill passed by him until he has paid it to the persons entitled to receive it and obtained a legally valid acquittance.
- (2) If for any reason, payment cannot be made within the course of the month, the amount drawn for the payee shall be refunded to the Treasury and his pay or allowances may be drawn a new when the occasion for making the payment arises :

Provided that if in the opinion of the Secretary this restriction is likely to operate inconveniently, the amount of undisbursed pay or allowances may, at his option, be retained for any period not exceeding three months, but this concession shall not be availed of unless the Secretary is satisfied that proper arrangements can be made for the safe custody of the sums retained.

NOTE :- Acquittance Rolls should invariably be signed, stamped “Paid” and preserved carefully for the periods prescribed and produced for inspection whenever demanded by the Accountant General (Audit), or Examiner of Local Accounts.

**CHAPTER – III
CONTINGENT CHARGES**

- 80. (1)** The term “Contingent Charges” or “Contingencies” used in this chapter means and includes all incidental and other expenses which are incurred for the management of an office as an office or for the technical working of a department, other than those which, under prescribed rules of classification of expenditure, fall under some other head of expenditure, e.g. “works”, “tools” and “plants”, etc.
- (2)** The Rules of procedure prescribed in this Chapter shall apply primarily to contingencies, but miscellaneous expenditure which is not classed as contingencies, is also subject to these rules, except in so far as it may be governed by any special rules of procedure prescribed in other chapters of this part or by any departmental regulations.
- 81.** The Secretary shall exercise the same vigilance in respect of contingent expenditure as a person of ordinary prudence maybe expected to exercise in spending his own money. He shall be responsible for seeing that the items of expenditure are of obvious necessity and are at fair and reasonable rates. The Secretary is further responsible for seeing that the rules regarding the preparation of bills are observed, that the money is either required for immediate disbursement or has already been paid from the Permanent Advance, that the expenditure is within the available appropriation and that all steps have been taken with a view to obtaining and additional appropriation, if the original appropriation has either been exceeded or is likely to be exceeded.
- 82. (1)** All charges actually incurred must be paid and drawn at once, and under no circumstances may they be allowed to stand over to be paid from the grant of another year.
- (2)** No money shall be drawn from the Treasury unless it is required for immediate disbursement. It is not permissible to draw money from the Treasury in anticipation of demands or to prevent the lapse of budget grant.
- 83.** No pay of any kind and no addition to pay shall be charged as contingent expenditure except in cases of the following :-
- (i)** Labourers engaged on manual labour and paid daily or monthly wages;
- (ii)** Sweepers and grass cutters.
- 84.** Contingent charges incurred on account of the wages of labourers engaged on manual labour and paid at daily or monthly rates shall be supported by a certificate signed by the Secretary to the effect that labourers were actually entertained and paid.
- 85.** In the case of all others whose pay is drawn on contingent bill, a certificate in the following form shall be furnished by the Disbursing Officer :-
- “Certified that all the employees whose pay has been charged in this bill were actually entertained in Council Services during the period concerned.”
- 86.** The following rules for the prevention of the fraudulent use of sub-vouchers or other papers connected with the accounts shall be observed by the Secretary in the matter of cancellation and destruction of sub-voucher and the other connected papers :

- (a) Unless in any case it is distinctly provided otherwise by any rule or order, no sub-vouchers or other papers connected with the accounts may be destroyed until after a lapse of three years, but in any case no sub-voucher should be destroyed before audit by settlement of objections raised by the Accountant General (Audit) or the Examiner of Local Accounts.
- (b) All sub-vouchers should be kept in the safe custody of the District Council Office.
87. (1) The Secretary shall draw money from the Treasury by means of cheque for Contingent Charges within the amount allotted in the budget after obtaining sanction of the competent authority as named in rules 129 and 130; provided that a bill for any amount over rupees five hundred shall be countersigned by the Member-in-charge of Financial Affairs.
- (2) The bill shall be prepared in the Form as prescribed in Appendix XII.
88. A register of contingent expenditure shall be kept by the Secretary whose full signature with date shall be entered against the date of Payment of each item.
89. The standard form of the Contingent Register will be prescribed by the Member-in-charge of Financial Affairs in consultation with the Director of Accounts and Treasuries, Government of Mizoram. The actual details such as the number of column to be opened, the sub-heads and detailed heads, etc. as may be required for the purpose of control (generally the budget heads should be followed) may be settled by the Council to suit the conditions of the District Council Office.
90. As each payment is made, entries must be made in the Contingent Register, of the date of Payment, the name of payee and the number of sub-vouchers in the three columns to the left and amount in the proper column.
91. To enable the Secretary to watch the progress of the expenditure under each detailed head as compared with the appropriation for it, a progressive total of all the columns must be made monthly immediately after the monthly total, so as to include all payments under each head, as also any charges adjusted by book transfer from the commencement upto the end of the last month of the financial year concerned.
92. (1) When it is necessary to draw money for contingent expenses, as for example, when the Permanent Advance begins to run short, or when a transfer of charge takes place, and in any case at the end of each month, a red ink line shall be ruled across the page of the register or registers, the several columns added up and several totals posted in the bill. The Secretary shall carefully scrutinize the entries in the register or registers with the sub-vouchers, initial them, if this has not already been done, and sign the bill which will then be dated and numbered and passed for payment by drawing the amount by cheque from the Treasury.
- (2) The heads of contingent expenditure may be entered in manuscript in the bill and the totals posted against them; provided that full details of the charges must be entered in the bill, except when they are given in the sub-voucher.

**CHAPTER – IV
PERMANENT ADVANCE**

93. (1) Permanent Advances may be granted to the Secretary for the purpose of meeting certain class or classes of expenditure, the amount of advances being fixed by the District Council according to his requirements.
- (2) As these advances involve the permanent retention of money outside the Fund, they must not be larger than the amount absolutely essential.
- (3) The Secretary is responsible for the safe custody of the money placed in his hands and he must at all times be ready to produce the total amount of the money in vouchers or/and in cash whenever demanded by the Member-in-charge of Financial Affairs or by the Accountant General (Audit) or the Examiner of Local Accounts.
94. (1) The permanent advance is intended to provide, on the responsibility of the Secretary, for emergent petty advances of all kinds.
- (2) The Secretary is responsible for the proper accounting of all payments initially met out of Permanent Advance, strictly in the order of occurrence and as soon as they take place, through the medium of the Permanent Advance Account Register and the Cash Book. He is further responsible for the timely recoupment of all sums spent out of Permanent Advance. [see also Rule 91]
- (3) The Permanent Advance may be recouped, whenever necessary, and it must always be recouped on the last working day of the month by drawing money for the expenditure already incurred from the Fund in Accordance with the rules regulating contingent charge.

**CHAPTER – V
CONTRACT**

95. Except in cases of piece works or petty purchase, the recognized system of carrying out work and purchasing or carrying materials otherwise than by the employment of daily labour is contract work. All such works shall be done after inviting tenders in most open and public manner and executing agreements in writing, which should be previously and definitely expressed, and also should state the quantity and quality of the work to be done, the specifications to be complied, the conditions to be observed, the security to be lodged, the terms upto which the payments will be made, and the penalties exacted with any provisions necessary for safeguarding the property entrusted to the contractor.

Note-1. Piece-work is that for which a rate only is agreed upon without reference to the total quantity or the quality to be done within a given period.

Note-2. The Monetary limit upto which the purchase may be treated as 'petty' shall be fixed by the Council.

96. (1) The Chief Executive Member shall execute agreement/instruments on behalf of the District Council relating to any matter with the affairs of the District Council.

- (2) The term on which the agreement/instrument will be executed shall be prescribed by the District Council in consultation with the Accountant General (Audit) and with the approval of the Governor.

CHAPTER – VI PAYMENT FOR PURCHASE OF STORES

[NOTE :- In this Chapter the term ‘Store’ is used to indicate all articles and materials required for the Council and coming into a Council Officer’s possession, for various purposes, and includes stationery, furniture, machinery, tools and plants, etc.]

97. Subject to such general or special rules or subsidiary instructions as may be issued by the District Council and without prejudice to the generality of the provisions contained in Part VII, the provisions of Chapters III and IV ante shall apply generally to payments for stores purchased by the District Council in accordance with departmental regulations.
98. As a general rule, payment for supply is not permissible unless the stores have been received and surveyed.
99. (1) Bills in support of payment for purchase of stores shall be accompanied by a certificate that the articles detailed in the vouchers have been actually received and entered in the Stock Register, that their quantities are correct and their quality good, that their rates paid are not in excess of accepted or market rates and that suitable notes of payment have been made in the indents and invoices concerned to prevent double payment.

(2) The authority, unless it is a general one, under which the purchase is made shall also be quoted.

NOTE :- The certificate prescribed in this rule, usually styled as the store-certificate, is a very important one and must be signed by the Secretary.

CHAPTER – VII WORKS EXPENDITURE

100. The rules in this Chapter shall apply to expenditures on special services connected with the construction, repair and maintenance of buildings, roads and other works undertaken or owned by the Council.
101. For every work there should be a duly sanctioned detailed estimate.
102. A detailed record of the expenditure relating to each sanctioned work should be kept in a register in the Form as prescribed Appendix XIII.
103. (1) As a general rule, subject to such exceptions as may be authorized by the District Council, where the work is done departmentally, the wages of labourers engaged shall be drawn on Muster Rolls showing the names of labourers. The daily attendance and absence of labourers and fines, if any, inflicted on them must be so recorded as to prevent any tampering with, or unauthorised additions to the entries once made.

- (2) Subject to as provided above, the Muster Rolls may be kept in such form and in accordance with such methods as may be prescribed by the Member-in-charge of Financial Affairs in consultation with the Accountant General (Accounts & Entitlement).
- 104.** The Payment made on Muster Rolls must be made by the Secretary or any other officer authorised for the purpose who would certify to the payment individually or by groups. The amount paid on each data shall be noted in words as well as in figures at the foot of the Muster Roll.
- 105. (1)** Unless in any case the District Council direct otherwise, payments for all works done otherwise than by daily labour and for all supplies shall be made on the basis of measurements recorded in the measurements. Books kept for the purpose. Claims for such payment shall be prepared as far as possible by the claimants themselves in authorised forms of bills and vouchers and no payment other than an advance payment be authorised unless the correctness of the claim in respect of quantities and rates as well as the quality of the work done or supplies made have been accepted and all calculations carefully checked by the Secretary or any other officer as may be authorised by the Secretary with the approval of the Executive Committee. In case of works done departmentally through daily labourers, the measurement of works done should also be recorded in the Measurement Book when the items of work are susceptible of measurement.
- (2) Subject to such general or special instructions as may be issued by the District Council, Measurement Books shall be kept in such form and according to such methods as may be prescribed by the Member-in-charge of Financial Affairs in consultation with the Accountant General (Accounts & Entitlement).
- 106.** A stock Register of Measurement Books shall be maintained in the form as prescribed in Appendix XIV.
- 107. (1)** As a general rule and subject to such exception as may be authorised by the District Council, no payment can be made to a contractor, except for the work actually done or supplies actually received. Subject to such general or special order as may be issued by the District Council in this behalf, advances, if any, made to contractors during the execution of work shall invariably be recovered from their bills for the value of work done or supplies made before final payment is made, which must in no case be permitted without detailed measurement.
- (2) The detailed rules prescribing the terms and conditions under which advance payments may be made in exceptional cases shall be laid down by the Council in consultation with the Accountant General (Accounts & Entitlement) and with the approval of the Governor.
- 108.** A Contractor's Ledger in the Form as prescribed in Appendix XV shall be maintained, if any advance is paid or if any material is issued to contractors for execution of works.
- 109.** Separate Contingent Bill shall be prepared for expenditure relating to "works" duly supported by sub-voucher. The name of work as given on the sanctioned estimate should be noted conspicuously on each sub-voucher as well as in the bill itself.

- 110.** Without prejudice to the generality of the rules in this Chapter, the detail procedure to be observed by the Secretary in making payments for works expenditure and the form of bills and vouchers on which such payments are to be made may be prescribed by the Member-in-charge of Financial Affairs in consultation with the Accountant General (Accounts & Entitlement) and with the approval of the Governor.

CHAPTER – VIII REFUNDS OF REVENUE

- 111.** Refund of revenue can be drawn only on the demand and on the receipt of the person entitled to receive them after production of proper authority.
- 112.** Every refund shall be noted against the original credit in the office accounts or other documents in which the moneys received are entered, in detail and a certificate of such a note having been made must be given in all vouchers for refunds.

NOTE : The notes against the original demand or realization is essential to make the entertainment of a double or erroneous claim impossible.

- 113. (1)** Bills for payment of money from the Council Fund on account of refunds of revenue shall be prepared in the form as in Appendix XVI. The Secretary shall fill up the requisite columns of the form and sign the certificate at the foot and shall also verify the credit by means of the particulars furnished in the appropriate columns and affix his signature in the relevant column in token of his having done so.
- (2)** Refunds may in all cases be sanctioned by the Member of the Executive Committee in charge of the department concerned.

PART – IV DEPOSITS

CHAPTER – I GENERAL

- 114.** Earnest money received from contractors and any other deposit should be accounted for as deposits and recorded in a separate Register styled as 'Register of Deposits' in the Form as in Appendix XVII.
- 115. (1)** At the end of every quarter a certificate must be recorded in the Register of Deposits by the Secretary, that he has personally examined the register carefully and that the entries are made with the utmost care and regularity.
- (2)** In cases where the earnest money is tendered in the shape of Interest Bearing Securities, a separate register styled as 'Register of Deposits In Interest Bearing Securities' shall be maintained in the Form as in Appendix XVIII.

**CHAPTER – II
REPAYMENTS OF DEPOSITS**

- 116. (1)** Refunds of deposits can be made under the orders of the Secretary.
- (2)** A person claiming refund of a deposit must produce the receipt given to him at the time the original deposit was made. The Secretary shall compare the receipt with the entry on the receipt side of the register of deposits and, if found correct, he will take the payees' receipt, pass payment order and record it at once under his initials, on the repayment side of the Register against the particular receipt.
- (3)** Release of Interest Bearing Securities shall be made after recording a release order in the Register of Interest Bearing Securities under the signature of the Secretary and after obtaining the full signature of the depositor against the entry in the Register.
- 117. (1)** The payment order should be given by the Secretary on the original receipt which should be used as voucher.
- (2)** As a safeguard against fraud, the Secretary shall enter the name of the payee after the words "passed for payment," thus, "Passed for payment to....."

**CHAPTER – III
LAPSED AND CONFISCATED DEPOSITS**

- 118. (1)** In the accounts of March each year, the following classes of items of the Council deposit accounts received by the way of Security Deposit from the Contractor or others and the sums that are received which are not the property of the District Council and have been placed with the Council authorities for a temporary purpose only shall be credited to the head "Deposit Received" of the Council in the Abstract Register of Receipts and shall be entered on the debit side of the Deposit Ledger/Register as Lapsed Deposit :-
- (a)** Original deposits not exceeding three rupees remaining outstanding for the whole account year;
- (b)** Balance not exceeding three rupees in respect of item partly cleared during the year then closing; and
- (c)** Balances unclaimed for more than three completed years.
- (2)** For the purpose of sub-rule (1) above, the age of a repayable item or a balance of it, is to be reckoned as dating from the time when the balance becomes first payable.
- 119.** Deposits credited to a District Council Fund under Rule 118 or confiscated under the provisions of an agreement or bond may be repaid by the Secretary on ascertaining that -
- (a)** the item was really received;
- (b)** it was credited to the District Council Fund as lapsed or confiscated, and
- (c)** the claimant's identity and title to the money are certified by the Secretary or any other authorised Officer.

PART – V
BUDGET AND FINANCIAL CONTROL

CHAPTER – I
PREPARATION OF BUDGET ESTIMATES ETC.

- 120.** The responsibility for the preparation of the statement of estimated revenue and expenditure as well as any supplementary estimates or demands for excess grant lies with the Member-in-charge of Financial Affairs.
- 121. (1)** The annual Budget for the coming year and the supplementary Demand for the current year will be prepared by the Member-in-charge of Financial Affairs and shall be placed before the District Council on the date fixed by the Council within 31st March of a year. The Budget should conform to the system of classification generally followed by Government or as may be advised by the Accountant General (Accounts & Entitlement and Audit) from time to time. No expenditure should, however, be incurred before the budget is passed by the Council. The budget as passed by the Council must be adhered to subject to the provisions of these rules. Soon after these are passed, five copies each of Budget Estimates, Supplementary Demands passed by the Council shall be supplied to the Accountant General and the Examiner of Local Accounts by the Secretary, free of cost.
- (2)** Expenditure on a new item for which no specific provision has been made in the budget shall not be incurred without the previous sanction of the Executive Committee of the Council. Approval of the Council to such expenditure shall be obtained through Supplementary Demand in due course.
- (3)** In preparing the Budget, care should be taken to see that the grants/contributions received from Government are utilized only for the purpose for which these were given by Government. Any deviation considered necessary would require prior approval of the Government. Any unspent balance not utilized within the financial year of its sanction, the Grant by the Government must be surrendered.

NOTE :- Budget provision is no authority for incurring any expenditure which requires the sanction either of the Secretary or the Member-in-charge of the Financial Affairs or of the Executive Committee of the Council. The fact of a charge which requires special sanction having been included and passed in the Budget is no authority for it.

- 122.** The Member-in-charge of Financial Affairs has got the full power to sanction re-appropriation from one head to another within the same grant in the sanctioned Budget.
- 123. (1)** Annual Finance Accounts and Appropriation Accounts shall be prepared by the Member-in-charge of the Financial Affairs of the Council in such form as may be prescribed by the Comptroller and Auditor General of India, who, after obtaining approval of the Executive Committee, shall forward the same to the Accountant General (Audit), by the 30th June, each year. These accounts duly test-checked locally by the Accountant General (Audit), together with connected audit report shall be submitted to the Governor who shall cause them to be laid before the District Council.

- (2) After the Reports of the Comptroller and Auditor General of India are laid before the Councils as provided in paragraph 7(4) of the Sixth Schedule to the Constitution of India, action-taken-notes on the said Reports shall be submitted by the District Councils to the Governor of the State. The Governor shall give such directions as considered necessary in Public interest to the District Councils.

124. If any money has been spent on any service during the financial year in excess of the amount granted for that service and for that year the Member-in-charge of the Financial Affairs shall present to the Council a demand for such excess. A copy of the excess grant when passed shall be submitted to the Accountant General (Audit) and to the Examiner of Local Accounts by the Secretary.

CHAPTER – II LOANS AND INVESTMENTS

125. If the District Council decides on the recommendations of the Member-in-charges of Financial Affairs to raise a loan in furtherance of a scheme initiated by the Council, the resolution shall require the concurrence of at least two-thirds members of the Council. The prior advice and the approval of the Governor shall be obtained in all such cases. The responsibilities for repayment according to the stipulated terms and conditions shall, in all cases, devolve on the Department for Financial Affairs, which shall maintain a 'Register of Loans' in the form prescribed for the purpose by the Member-in-charge of Financial Affairs in consultation with the Accountant General.

126. (1) The District Council may, on the recommendation of the Executive Committee and with the approval of the Governor, authorize investments of surplus funds of the District Council in the manner profitable to the District Council and consistent with the safety of the money invested. Usually the investment should be made in the recognized forms of Government securities.

- (2) The responsibilities for maintaining the Investment Register (in the form prescribed by the Member-in-charge of Financial Affairs in consultation with the Accountant General) and for ensuring timely recovery of the interest accrued in each case shall rest with the Department for Financial Affairs.

127. LOANS AND ADVANCES TO COUNCIL EMPLOYEES.

The District Council shall, with the approval of the Governor, frame rules regulating the grant of loans and advances admissible, if any, to the Council employees. If any loans and advances are granted to the employees in accordance with the rules framed as above, detailed records to watch recovery of such loans and advances shall be maintained by the Council in such forms as may be prescribed in consultation with the Accountant General.

PART – VI

CHAPTER – I FINANCIAL POWERS

128. Subject to the provisions of the Mizoram Autonomous District Councils Grants-in-aid Rules, and the Autonomous District Councils Constitution and Conduct of Business Rules, all financial powers in respect of expenditure shall be exercised by the Executive Committee of the District Council.

- 129. (1)** Subject to the provisions of the Mizoram Autonomous District Councils Grant-in-Aid Rules and the Autonomous District Council's Constitution and Conduct of Business Rules the Chief Executive Member shall have the following powers in regard to all the departments :-
- (a) Provided that there is no infringement of any statutory rules or rules having the force of law, to appoint, promote, suspend, reduce, dismiss, transfer and to grant leave and pension to Council Employees.
 - (b) to fine employees for gross misconduct, insubordination, inefficiency and other like causes and also to remit fines imposed by itself/its subordinates. The power of revision may be exercised also in cases of fines imposed under law on private parties for breach of conduct and other causes.
 - (c) to sanction leases and contracts upto Rs. 1,00,000/- (Rupees one lakh) only.
 - (d) to sanction any item of expenditure within budget upto 1,00,000/- (Rupees one lakh) only.
 - (e) to sanction estimate of public works including additions, alterations and repairs upto Rs. 2,00,000/- (Rupees two lakhs) only.
 - (f) to sanction excess over estimates of Public Works, if the excess does not exceed 10% (ten percent) of the original estimate.
 - (g) to write off any debt or dues owing to the Council upto a maximum of Rs. 5,000/- (Rupees five thousand) only.
 - (h) to write off the value of store or other articles borne on the Stock Registers upto the value of Rs. 5,000 (Rupees five thousand) only.
 - (i) to confirm the sale and settlement of land, to suspend land revenue on account of failure of crops or other calamity according to rules and to write off the purchase-price of land, the proceeds of which have not been realized.
- (2)** The District Council shall prescribe the cases, if any, where the powers delegated to the Chief Executive Member shall be exercised with the concurrence of the Department of Financial Affairs of the Council.

CHAPTER – II LAPSE OF SANCTION

- 130.** A sanction for any fresh charge shall, unless it is specifically renewed, lapse if no payment in whole or part has been made during a period of twelve months from the date of issue of sanction :

Provided that –

- (a) When the period of currency of the sanction is specified in the sanction itself, it shall lapse on the expiry of such period.

- (b) When there is a specific provision in a sanction that the expenditure would be met from the budget provision of a specified financial year, it shall lapse at the close of that financial year.
- (c) In the case of purchase of stores, a sanction shall not lapse if tenders have been accepted or orders have been placed within the period of one year of the date of issue of that sanction, even if the actual payment in whole or part has not been made during the said period.
- (d) A sanction in respect of an allowance sanctioned for a post or for a class of Council employees, but not drawn by the officer or officers concerned, shall not lapse.

**CHAPTER – III
RESIDUARY PROVISIONS**

- 131.** Cases may arise for which no provisions have been made in these Rules. In such cases the provisions of General Financial Rules, Central Treasury Rules and Subsidiary Orders made there under and as amended from time to time or the orders issued by the Government, as the case may be, will apply mutatis mutandis.

**PART – VII
STORES**

**CHAPTER – I
GENERAL**

- 132.** Some Departments of the Council e.g. the Council Public Works, Forest, Agriculture, etc. may obtain large quantity of stores for consumption, manufacture or other purposes. The Departmental Officers entrusted with the use or consumption of these stores shall be responsible for maintaining correct records and preparing correct returns in respect of these stores entrusted to them.
- 133.** All materials received should be examined, counted, measured or weighed, as the case may be, when delivery is taken and they should be kept in-charge of a Council employee who would be required to give a certificate that he actually received the materials and recorded them in his appropriate stock Register (and also Measurement Books where these are maintained).
- 134.** When materials are issued from Stock for Departmental use, manufacture or sale, etc. the Council employees-in-charge of the store should see that the requisition or indent in proper form has been made by a properly authorised person examine it carefully with reference to any orders or rules for the issue of stores and sign it after making suitable alterations under his dated initials, in the description and quantity of materials if he is unable to comply with the requisition in full. The requisition or indent should be returned at once to the requisitioning Officer for signature. When materials are issued, a written acknowledgement should be obtained from the person to whom they are delivered or dispatched, from a duly authorised agent.

**CHAPTER – II
STOCK ACCOUNTS**

- 135. (1)** All quantities of stores including tools and plants received in or issued from Stock should be entered in the Stock Account under the respective heads on the dates the transaction takes place, and balance struck every month which should correspond with the quantities in stock at the close of each month.
- (2)** The detailed rules for the maintenance of Stock Account of different classes of materials shall be prescribed by the Executive Committee in consultation with the Accountant General (Audit).
- 136.** The balance in stock should be half-yearly verified physically to see whether the balance in hand represents the quantities, any discrepancy, and the book balance set right under orders of the competent authority.

**PART – VIII
CONDITIONS OF SERVICE AND OTHER COGNATE MATTERS**

CHAPTER – I

- 137.** All questions regarding pay and allowances (including Traveling Allowances), leave, joining time and addition to pay of Council employees, as also their conditions of service and other cognate matters will be regulated by such rules as may be laid down by the District Council with the previous approval of the Governor, provided that until the promulgation of a new set of rules for the purpose set forth above, the provisions of the rules in the Fundamental Rules and Supplementary Rules as adopted by the Government of Mizoram and amended from time to time together with the Government decisions thereon shall mutatis mutandis apply in the case of all employees of the Council, provided further that the District Council may with the previous approval of the Governor, make such modifications of the rules in the Fundamental/Supplementary Rules and Government decisions as it deems proper in the matter of their application to the cases of Council employees. Copies of the orders of the District Council authorizing all such modifications shall be submitted to Accountant General (Audit) in duplicate.
- 138.** The provisions of rule 137 do not apply to those Council employees who may be appointed either under special agreements laying down their conditions of service or on deputation from the service of the Government of India or Government of Mizoram.
- 139.** The District Council shall exercise the powers of State Government under the Fundamental Rules and the Supplementary Rules.
- 140.** The District Council shall, with the approval of the Governor, frame rules regulating the retirement benefits admissible, if any, to the Council employees;

Provided that until such Rules are made by the District Council under this rule, retirement benefits and ancillary matters relating to the Council employees shall be regulated by the relevant rules applicable to officers and staff under the Government of Mizoram, presently applied.

- 141. (1)** Early in March each year, a detailed statement of the permanent establishments existing on the 1st March shall be prepared in such form and in such manner as prescribed in Appendix XIX and kept on record in the Council Office.
- (2)** A Register of Service Books shall be maintained in such forms and in such manner as prescribed in Appendix XX and kept on record in the District Council Office.

- 142. (1)** The Service Books should be taken-up annually, say, in April or May for verification by Head of the Office, who after satisfying himself that the services of the Council employees concerned are correctly recorded in each Service Book, should record in the Service Book a Certificate in the following form over his signature :-

“Service verified upto..... (date) from (the record from which the verification is made).

- (2)** The Head of the Officer in recording the annual certificate of verification should, in the case of any portion of service that cannot be verified from office records, distinctly state that for the excepted periods (naming them) a statement in writing by the Council employee as well as a record of the evidence of his contemporaries is attached to the Book.
- (3)** The Head of the Office should also invariably record necessary particulars in regard to temporary and officiating service.
- (4)** When an officer is transferred from one office to another, the Head of the Office under whom he was originally employed shall record in the Service Book under his signature the result of the verification of service with reference to pay bills and acquittance rolls in respect of the whole period during which the officer was employed under him before forwarding the Service Book to the office where his services are transferred.
- (5)** The term ‘Service Book’ includes ‘Service Roll.’
- (6)** The forms of Service Book and Service Roll shall be prescribed by the Member-in-charge of Financial Affairs with reference to the forms in the State Government offices.
- (7)** Service Books must be kept in the custody of the officer in which the Council employees are serving and transferred with them from office to office. The Service Books should not be returned to the employees on retirement, resignation and discharge from service even in cases where he might be paid for it already.
- (8)** Every Council employee shall be required to subscribe his signature against the entries made in his Services Book once in a year and it is his duty to see that his Service Book is properly kept up and the entries made therein are correct.
- (9)** Personal certificates of character shall not, unless the Council so directs, be entered in the Services Book, but if the Council employee is reduced to a lower substantive appointment the case of the reduction should always be briefly stated, e.g. ‘Reduced for inefficiency’, ‘Reduced owing to revision of establishment,’ etc.

- (10) Every period of suspension from employment and every other interruption in service shall be noted, with full details of its duration by an entry written across the page and attested by the Head of the Office or other attesting Officer. Head of the Office should take sufficient measures to see that entries are made with regularity.
- (11) When a Council employee is transferred, whether permanently or temporarily, from one office to another, the necessary entry of the nature of the transfer shall be made in the Service Book which after being duly verified to date and attested by the Head of Office shall be transmitted to the Head of Office to which the Council employee has been transferred, who will thence forward the book maintained in his office.
143. A Register of Lands, Buildings and other properties belonging to the Council shall be maintained by the Secretary in the Form as in Appendix XXI.
144. **INTERNAL AUDIT**
The Council may, with the approval of the Governor and in consultation with the Accountant General (Audit), prescribe a suitable system of internal audit.
145. **EXPENDITURE INCURRED ON SCHEMES**
The Council shall maintain a separate set of records to show the Schemes sanctioned and undertaken, the expenditure incurred thereon and the result achieved.
146. **AUDIT OF THE ACCOUNTS OF THE DISTRICT COUNCIL**
The Accounts of the District Council will be subject to audit by the Accountant General (Audit) on behalf of Comptroller and Auditor General of India and by the Examiner of Local Accounts.
147. Audit objections and Inspection Reports issued by the Accountant General (Audit) or the Examiner of Local Accounts shall be replied to and settled expeditiously.

CHAPTER – II

CONSOLIDATION AND SUBMISSION OF ACCOUNTS

148. (1) The accounts under different heads shall be maintained separately under each budget head in a 'General Ledger' in Form as in Appendix XXII. This Ledger shall be kept in two volumes – one for Receipt transactions and the other for Expenditure. Accounts in respect of different Departments shall be recorded in separate pages in the Ledger.
- (2) In addition to the General Ledger, a Control Ledger shall also be maintained in form as in Appendix XXIII to record total transactions under all budget heads in a month as recorded in the General Ledger.
149. (1) The Accounts of the Council shall be maintained and submitted to the Accountant General (Audit), Mizoram in the form conforming the Heads of Accounts prescribed in the 'List of Major and Minor Heads of Accounts.'
- (2) The monthly accounts relating to expenditure on entrusted functions, if any, shall be compiled by the Council and submitted to the Accountant General (Accounts and Entitlement), within 10th of the following month.

**CHAPTER – III
AGENCY FUNCTIONS**

- 150.** Where the execution of any function is entrusted by the Government under sub-paragraph (2) of Paragraph 6 of the Sixth Schedule to the Constitution of India, to any District Council, the concerned Council will frame, to maintain and submit to the Account General (Accounts & Entitlement), such accounts in various forms as may be prescribed by the Account General (Accounts & Entitlement).

**CHAPTER – IV
REPEAL AND SAVINGS**

- 151.** The Mizoram Autonomous District Councils (District Fund) Rules, 2006 is hereby repealed;

Provided that notwithstanding such repeal, anything done or any action taken under the repealed Rules shall be deemed to have been done or taken under the corresponding provision or provisions of these Rules.

APPENDIX – I
 [See Rule 18(a)]
 Cash Book of District Council
 For the month of 19

Date	Particulars (full details with reference to receipt no. etc.)	Receipts			Expenditure			Date	Particulars (full details of payments)	Amount			Total (Rs.)	Classifi- cation	Ledger folio
		Amount			Total (Rs.)	Classifi- cation	Ledger			Cash (Rs.)	Try. (Rs.)	Imprest. (Rs.)			
		Cash (Rs.)	Try. (Rs.)	Imprest. (Rs.)											
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

APPENDIX – II
 Bill Register of the Office of the
 [See clause (J) of Rule 18]

AMOUNT OF THE BILLS (DETAILS HEAD OF ACCOUNTS ETC.)																		
Bill No. & Date	Particu- lars of bill	Pay of Establish- ment	Dear- ness allow- ances	House rent and other allow- ances	Contin- gencies	Gross amount	Deduc- tions	Net Amount	Dated initial of the officer signin g the bill	No. & date of cheque drawn at the Treasury	Amount received from the Treasury	Date of signing acknow- ledge- ment with initial of the officer signing the bill	Date of receipt from Treasury	Date of entry in the Cash Book	Initial of the Officer in-charge of the Cash	Amount disbursed in..... month of drawal 2 nd month 3 rd month	Ba- lance	Re- marks

APPENDIX – III
[See rule 19 and 29(1)]
RECEIPT

Book No..... Receipt No Date

Received from Rupees

(Rupees) in cash on account of

..... by cheque.

Reference to Cash Book entry :

Page No

Signature and designation of
 issuing officer

Countersigned

Secretary, Executive Committee,
 District Council.

12	13	14	15	16	17	18	19	20	21	22
WA	F.A.	Grants Total	GPF	IMP DA	GPF (R)	No. of instt	I/F	S/F	HBA (P)	No. of instt
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	

23	24	25	26	27	28	29	30	31	32
HBA (I)	No. of instt	HUDCO	No. of instt	HUDCO (Int)	No. of instt	UC (HBA)	No. of instt	P. Tax	No. of instt
Rs.		Rs.		Rs.		Rs.		Rs.	

33	34	35	36
Total Deduction	Net amount	DNI	Remarks

N.B.

1. Held-over amount should be entered in the appropriate columns (8), (4), (5), (6), (7) or (8) as the case may be ignored in totaling. Leave salary, the amount of which is not known should similarly be entered in red ink in column (8) at the same rate as pay if he had remained on.
2. In the remarks column (20) should be recorded all unusual permanent events such as deaths, retirement, transferred and first appointments which find no place in the increment certificates or absentee statement.
3. When an increment claimed operates to carry a Government servant over an efficiency bar, it should be supported by a declaration that the Government servant in question is fit to pass the bar.
4. Names of Government servants in inferior service as well as those mentioned in Rule 268 may be omitted from Pay Bills.
5. A red line should be drawn right across the sheet after each section of the establishments and under it the total of columns (4) (5) and (9) for the section should be shown in red ink.
6. In cases where the amount of leave salary is based on average pay, a separate statement showing the calculations of average pay duly attested by Drawing Officer should be attached to this bill.
7. The names of men holding posts substantively should be entered in order of seniority as measured by substantive pay drawn and below those will be shown the post-left vacant and the men officiating in the vacancies.
8. Officiating pay should be recorded in the section of the bill appropriate to that in which the Government servant officiates transit pay should be recorded in the same section as that in which the duly pay of the Government servant after transfer is recorded.

**APPENDIX – IX
ABSENTEE STATEMENT FORM
(SEE RULE – 76)**

Name of Absentee	Actual rate of pay	Designation on & rate of pay	Nature of absence _____ kind from to period				Rate of absentee allowances per month	To be filled up by audit office	Name	Officiating officer _____ (if any)			(to be filled by audit officer)
			4	5	6	7				Substantive post	Substantive pay	Officiating pay	
1	2	3	4	5	6	7	8	9	10	11	12	13	14

Date 19

NOTE :

1. In column 4 should be stated full (half quarter) pay, 'without pay', 'deputation', 'officiating', 'In transit', 'transferred to, 'suspended' etc. the date for each being specified as far as possible in column 6 and 7. In case of suspension it should be noted whether or not the period counts for pension.
2. The statement should be divided off into sections corresponding to sections in the bill, only those attachments effecting one section being shown together.
3. If the leave salary noted in Column 8 differs from that based on the rate of pay noted in the last establishment return, particulars of the calculation should be given in manuscript attached to the first bill in which the leave salary is drawn. If the calculation involved pay drawn outside the officer's substantive section. Reference to the vouchers in which sums were drawn should also be given.
4. All charges in the scales of the permanent establishment due to retirements, transfers, death and consequent new appointment and increase and decrease of scale are shown. The number of in any months the fact should be recorded.

APPENDIX – X

FORM OF TRAVELLING ALLOWANCES BILL

RULE – 78 (1)

Travelling Allowance Bills of

Voucher No. List of payment of 20

CERTIFICATES

Certified that I have satisfied myself that the amounts included in bill

1. month previous to this date, with the exception of
2. months those detail below (which is the total amount
3. months has been refunded by deduction from this bill) have been disbursed to the officers therein named and their receipts in the Aquittance Roll.

Passed for Rs. _____
 Dated20.....
 Per Rupees (in word/Figures)
 Accountant

(Head Office)
 Controlling officer

Secretary, Executive Committee,
 District Council

* One line to be used and others scored out	
For use by Audit Authorities Admitted Rs Objected Rs For reasons stated Auditor. Sudt.	Head of Service chargeable

Travelling Allowance bill of the Establishment of for the month of 20

1	2	3	4	5	6	7	8	9	10	11	12	13
Name	Designation and Headquarter	Actual pay	Date and hours where necessary vide instructions on the back of the bill journeys and halt.	Route	Purpose of journey	Kind of journey, i.e. by Road, Boat, Steamer or Rail - (mail or ordinary)	No. of kilometers	Mileage by road or boat or actual expenses	All allowances claimed Daily Allowances	Railway and steamer fares Class/ Amount single or one and half or one and three-fourths	Total of each line	Remarks

INSTRUCTIONS FOR PREPARING THE TRAVELLING ALLOWANCE BILLS

1. Journey of different kinds, and journeys and halts should not be entered on the same line. Only one kind of allee should, therefore, be filled in on the same line and its amount carried out separately into last money column.
2. Hours of journey should be mentioned only –
 - 1) When, for an absence from Headquarters of not more than two consecutive days, daily allowance is claimed for two days.
 - 2) When mileage of actual expenses in lieu thereof are claimed.
 - 3) When both railways or steamer fare and daily allowance are claimed in respect of journey by rail or steamer immediately proceeded or followed by a journey by road or by halt.
3. Number of kilometers traveled should be entered in all cases of journeys by road or boat.
4. Permanent traveling conveyance and horse allowances should be drawn along with the pay of the officer and not on Travelling Allowance Bill.
5. Fraction of a Kilometer in the total of a bill for any one journey for each person should not be charged for.
6. When the first item of traveling allowance to any Officer is a half the date of commencement of that halt should be stated in the Remark Column.

Details of actual expenses.

APPENDIX – XI

[SEE RULE – 78 (1)]

District Council Schedule
 In lieu of Assam Schedule III (Section – 1) From No. 5
 Travelling Allowance Bill of Officers.
 District Travelling allowance bill of
 Shri
 Office
 Salary

Headquarters Head of service chargeable

Voucher No. of list of
 Payment for 20.....

Route		Railway fare steamer						Distance traveled by road/boat of Trolley			
From		To		Single Class (Specific Class)	1/2 Class (Specific Class)	Actual expenses	Day halt	At the rate...per Kilometer	For which mileage is admissible		
Station	Hour of departure	Station	Hour of departure						At the rate of per Kilometer	At the rate of per Kilometer	At the rate of per Kilometer
1	2	3	4	5	6	7	8	9	10	11	12

For which daily allowance is admissible

At full rates	At half rates 163 (a) supplementary rules	Date of last visit (when required by the Controlling Officer)	Purpose of each visit	Remarks
13	14	15	16	17

CERTIFICATE

Certificate that no traveling allowances have been charged in this bill for journeys performed by any means of locomotion belonging to Government or local fund or on state (63 service Rules) and that no tents carried at the expenses of Government have been used for private purpose during the period for which the above allowances are drawn.

Received Contents
Please pay to
Signature of the Officer who travelled.

To avoid correspondence it is requested that such of the appended certificates are necessary may be signed separately in the appropriate case.

A. For Officers supplied with

ELEPHANT :

Certified that I had
for which hire is deducted from the bill (Appendix XIII) to fundamental Rules and Supplementary Rules.

Signature
.....

B. For Officers attending departmental Examination : Certified that this is the 1st, 2nd and 3rd time that traveling allowances has been charged for appearing in the same standard of this departmental examination was obligatory (120 Supplementary Rules).

Signature
.....

Note :- The fact that a particular subject is not taken up during the officer's first appearance does not entitle him to charge traveling allowance on his third appearance on the ground that the subject is nes one.

Signature of the Officer
who travelled

C. Court Certificate : Certified that I received nothing from the Court etc.

N.B. :- Certificate of the Court should be attached (142 Supplementary Rules).

SIGNATURE

INSTRUCTION FOR PREPARING TRAVELLING ALLOWANCE BILL

1. Journey of different kinds and journey and halts should not be entered on the same line.
2. Number of Kilometers travelled should be entered in all cases of journeys by road or boat.
3. Permanent travelling, conveyance and horse allowances should be drawn along with the pay of officers and not in travelling allowances bills.
4. Fraction of kilometers in the total of bill for any one journey should not be charged for.
5. When the first item of traveling allowance to any officer is a halt, the date of commencement of that halt should be stated in 'Remarks' column.
6. Totals of column 13 & 14 will not be of the kilometers travelled but of the days concerned.
7. Travelling allowance bill may, if desired to be encashed for payment to a Banker of Agent and submitted for collection through such Banker or Agent; this will obviate the necessity of the officer's attendance in person or by messenger as payment may then be made direct to the Banker or Agent.

Railway and steamer fares (Column 6 & 7) Kilometers by Road at Paise per kilometer (Column 10)	Rs.	P	Memo allotment for 20.....20.....	Rs.	P	Passed (date)
Kilometers by road at paise per kilometer (Column - 13) days for which daily allowances is claimed (Column 9, 14 & 15) at			Expenditure in- cluding this bill			District Officer
Actual Expenses (Column 8) Total Single Deduct Permanent traveling allowance Double.						
Days [72 S.R.] Deduct rent due to Govt. [under 164 S.R.] for days at Net claims			Balance			
Rupees Dated						Controlling Officer
Pay rupees Dated						Secretary, Executive Committee, District Council.

FOR USE IN COMPTROLLER'S OFFICE

Distance accepted, rates and calculation checked and found correct. Entered in the Audit Register.

Admitted Rs.
 Auditor Auditor

Objection to Rs.
 for reason stated
 Superintendent

APPENDIX – XII
Form of Bill for Contingent Charges
(See rule 87)

District Council	Bill for contingent the for the month of	Charges	Voucher no. of list of payment for 19.....
HEAD OF SERVICE			
Serial No. sub-vouchers	Detailed head of charges with description where necessary and quotation of authority for charge requiring special sanction.	Amount	Details of expenditure
Police Rewards (To outsider)			
Reward to outsiders and Jutots (Administration of justice)			
Diet and conveyance of under, trial prisoners (Lock-ups)			
Diet of patients (Medical and Public health)			
Rewards for the destruction of wild animals (Miscellaneous)			
Hospital Expenses of wounded persons (Administration of Justice)			
Process serving charges (General Administration of Justice)			
Medical stores			
Job (Contract) works.			

Serial No. of Sub-voucher	Detailed head charge (with description where necessary) and quotation of authority or charges requiring special sanction	Amount	Detailed of Expenditure
	Brought forward	Rs. P.	Rs. P.
	Allowances to District and Village Officers (Central Administration). Charges for enforcement to Town and Village (petty establishment)		
	Demarcation of boundaries and jungle clearing (Land Revenue)		
	Rates and Taxes (non-voted) Election charges (Local bodies) pay and contingency works Repairs-repairs works Repairs-Rates and Taxes.	Rs. P.	Rs. P.
	Other miscellaneous contingencies Leveries and Warm clotting, partition charges (Land Revenue), Record Room charges.		
	Rewards under the grazing rules (Outsiders), Seeds, Plants, Manure Petty Estt.) Food of impounded cattle (Cattle pound) Total other miscellaneous contingencies.		
		Total Rupees (In words)	

Details should be furnished in the space provided below each head and when this space is not sufficient, use this column, when this column is insufficient, the details may be furnished in a separate sheet of paper which should be attached to the bill.

1. I certify that the expenditure charged in this bill could not, with due regard to the interests of the public service. I certify that to the best of my knowledge and behalf the payments entered in this bill have been duly made to the parties entitled to receive them, with the exceptions noted below which exceed the allowance of the payment advance and will be paid on receipt of the money drawn on this. Vouchers for all items of expenditure above Rs. 25/- in amount and all works bills are attached to this bill save those noted below, which will be forwarded as soon as the amounts have been paid. I have, as far as possible, obtained vouchers for other sums and I am responsible that they have been destroyed, or so defaced or mutilated that they cannot be used again.

2. Certified that all the articles detailed in the vouchers attached to the bill and in those retained in my Office have been accounted for in the stock Register.

3. Certified that the purchases billed for have been received in good order, that their quantities are correct and their quality good, that the rates paid are not in excess of the accepted and the market rates and that suitable notes of payment have been recorded against the indents and invoices concerned to prevent double payments.

Appropriation for the current year

Expenditure included in this bill

Amount of works – bill annexed

Received contents balance available

Signature and Designation
Drawing Officer

Dated 19

This Certificate is required when proper store accounts of materials and stores purchased are required to be maintained.

Pay Rs (In words) and figure

Examined
Accounted

Secretary, Executive Committee,
District Council

For use by Audit Authorities.

Noted on page of P/C / Audit Register
Admitted Rs.
Objected to Rs. for reasons stated below :-

Auditor.

Superintendent.

APPENDIX – XIII
(See rule 102)
District Council
Register of Works

Name of work				
No. and date of sanction				
Month	Particulars of expenditure	Charges of the month	Total charges upto date	Signature of the Secretary
1	2	3	4	5

APPENDIX – XIV
(See rule 106)
Stock Register of Measurement Books

Serial No.	Date	Serial No. of each M.B. recovered in stock (give one line for each Book)	Signature of Secretary	Date of issue	To whom issued	Signature of person to whom issued	Date of receipt of used up Books	Balance quantity of M.B's in stock		Signature of Secretary
								New	Used	
1	2	3	4	5	6	7	8	9	10	11

APPENDIX – XV
(See rule 108)
Contractor's Ledger

Sl. No of Items	Name of Work	Date	Particulars of Advance paid (including issue of Materials)	Amount of Advance (including Value of Materials)	Reference to Voucher/ Entry in Stock Register	Date of Adjustment of the Advance	Account of Advance Adjusted (including Value of Materials)	Reference to Vouchers from Recoveries have been affected	Balance
1	2	3	4	5	6	7	8	9	10

APPENDIX – XVI
[See rule 113 (1)]
Bill for Refund of Revenue

District		Refund of Revenue				Voucher No.	
Head of service chargeable		Deduct refunds (name of Revenue Head)				List of payment for 19.....	
In whose name credited	On what account credited	Amount realized	Date of payment into the current account	Amount in which included and head on which credited	Secretary's signature in token of verification of treasury	Name of payees	Amount to be refunded Total (in words) Rupees
1	2	3	4	5	6	7	8

- (1) Certified that this order of refund has been registered and noted against the original receipt entry in the department amount under initials and previous order for refund of the same sum has not been issued.
- (2) Passed for payment under section given in –

Received payment
Secretary, Executive Committee,
District Council

.....
for use in Accountant General's Office
Refund not in final statement

Claimant's signature
..... Pay Rupees ()

Objected Auditor Supt. Admitted

The 19..... Cashier/ Accountant Secretary of the Executive Committee,
District Council

Note : In the cases where refunds of fines are permitted to be made direct from Treasuries of Sub-Treasuries other than those at which they were credited, the entry in column 5 should include the name of the Treasury or Sub-Treasury in which the amount was credited and column 6 should be filled up by the Treasury Officer at the Headquarters (Not Sub-Treasury).

Chairman District Council

APPENDIX – XVII
(See rule 114)
Deposit Ledger / Register
Name

Deposit refunded to the depositor or, lapsed to revenue depositor

Deposit received from the

Name	Particulars	No. of	Amount	Total	Date	Particulars	No. of items in pass book if received in cash of No. of voucher if by deduction from bills	Amount	Total	Amount remaining at depositors credit after each transaction
1	2	3	4	5	6	7	8	9	10	11

APPENDIX – XVIII
[See rule 115 (2)]
Register of Interest Bearing Securities

Sl. No.	Name of Party	Date of Deposit	Particulars of securities receipts	Dated Signature of the Secretary	No. & Date of release order	Dated Signature of Secretary	Dated Signature of the party	Remarks
1	2	3	4	5	6	7	8	9

APPENDIX – XIX
[See rule 141 (1)]
ESTABLISHMENT RETURN FORM

FORM 'A'

Orders of Competent authority creating the post	Date of appointment of present incumbent to the post with indication of nature of appointment (e.g. officiating, provisional or permanent)	Name of sanctioned post	Date of incumbent's birth by Christian era	Serial No. of post in each class	Name of post	Pay of post	Pay of present incumbent (total of each sanctioned)	Date of last increment	Remarks (including note of efficiency bar where applicable)
1	2	3	4	5	6	7	8	9	10

Compared with Service Book and found correct.

Signature of the Head of Office

APPENDIX – XX
[See rule 141 (2)]
REGISTER OF SERVICE BOOK

Office of the
Proforma

Sl.	Name of the employee	Designation	Date of appointment	Date of birth	Date of superannuation	Initial of the Head of Office	Initial of the inspecting Auditor
1	2	3	4	5	6	7	8

- Note :-
- (i) Column 7 should be initiated by the Head of Office in token of having done the verification.
 - (ii) Column 8 should be initiated by the Inspecting Auditor in token of having done the verification.
 - (iii) The register should contain sufficient pages (inner sheets) to cover a number of years, say 20 to 25.

APPENDIX – XXI

(See Rule 143)

Register of Land and Buildings and other properties

Sl. No. of entry	Date of acquisition	Particulars of property	Price paid	Where placed or situated	Date	Disposal		Signature of Secretary	Remarks
						Manner of disposal	Amount realized, if sold		
1	2	3	4	5	6	7	8	9	10

APPENDIX – XXII

[See Rule 148 (1)]

General Ledger**Receipt
Expenditure****According to the classification
under budget heads Item-wise**

Date	Brief Particulars	Amount	C.B. Folio	Progressive Total
1	2	3	4	5

APPENDIX – XXIII

[See Rule 148 (2)]

Control Ledger**Receipt
Expenditure****Group of Items
(as per Budget)**

Month	Brief Particulars	Amount	Progressive Total
1	2	3	4

ANNEXTURE - A

[See Rule 7 (1)]

HEADS OF ACCOUNTS FOR DISTRICT COUNCIL**PART I : DISTRICT FUND OF THE COUNCIL****(A) RECEIPT HEAD (REVENUE ACCOUNT)**

Major Head	Minor Head	Detailed Heads
1	2	3

- I. Taxes on Income and Expenditure
- Taxes on profession Trade, Callings and Employment
- (i) Share received from the State Government on Taxes on profession, Trade, Callings and employment.
- (ii) Direct collection of taxes on profession, trade, callings and employment.

Major Head	Minor Head	Detailed Heads
1	2	3
		(iii) Collection of professional Tax. (iv) Trade license fees.
	Income Tax Deducted at Source	(i) Income Tax collection. (ii) Deduct-amount paid to Income Tax Department
II. Land and Revenue	Land Revenue / Tax	(i) Ordinary Revenue. (ii) House Tax (iii) Conversion of annual land into periodic patta (iv) Premium for settled land. (v) Share from Income from Elakas.
	Other Receipts	(i) Income from cattle pounds and grazing fees. (ii) Receipt from Survey and Demarcation fees. (iii) Other Miscellaneous receipts.
III. Stamps and Registration fees	Court fees realized in stamps	Sale proceeds of Court fee stamps.
	Other Receipts.	Sale of other stamps.
IV. Taxes on Vehicles	Share of Motor Vehicles Tax received from Govt. Other Receipts	Share of Motor Vehicle Tax received from Government. Taxes on carts, cycles and boats.
V. Interest Receipt	Interest on Loans and Advances to District	Interest on Loans and Advances to District Council Employees.
VI. Stationery and Printing	Stationery Receipts	(i) Sale of Stationery. (ii) Sale of Forms, Rules etc.
	Other Receipts	(i) Any other receipts.
VII. Public Works	Rents	(i) Rents received from the employees. for occupation of Council Buildings. (ii) Recoveries from Central and State Government. (iii) Rents for other residential and non residential buildings.

Major Head	Minor Head	Detailed Heads
1	2	3
	Other Receipts	(i) Income from Motor Workshop. (ii) Receipts on account of lapsed deposit fines for bad works. (iii) Other items.
VIII. Other Administrative Services.	Service and Service fees	(i) Certifying fees, (ii) Application fees.
A. Administration of Justice	Fine and forfeitures	(i) Fines and confiscations imposed realized by Judicial Officers of the District Council.
B. Other Services	Other Receipts	(i) Income from Members' Hostels. (ii) Income from District Council lakes. (iii) Other miscellaneous receipt.
IX. Education	Tuition and other fees	(i) Tuition fees. (ii) Examination fees.
	Other Receipts	Other Receipts
X. Public Health, Sanitation and Water Supply	Receipts from Rural Water Supply Schemes	(i) Water tax and water connection charge under Rural Water Supply Scheme. (ii) Service fees, fines etc.
	Other Receipts	Other Receipts
XI. Other General Economic Services	Grants-in-aid from non-Govt. bodies	(i) Receipts from District Council Markets (ii) Rent from Bazar Stalls. (iii) Share from other Markets. (iv) Taxes/Tolls on entry of goods into markets.
	Other Receipts	(v) Other Receipts.
XII. Fisheries	Rents License fees, fines etc. Sale of Fish, fish seeds etc. Other Receipts	Receipts from auction of Fishing rights. Receipts from license fees, fines etc. Receipts from sale of fish, fish seeds etc. Other receipts.
XIII. Forest	Sale of timber and other forest produce	(i) Royalty on timber and other forest produce. (ii) Sale proceeds of timer, fire woods, bamboo, cane, thatch, patinds bark etc. (iii) Receipts from sale of coups, mashals.

Major Head	Minor Head	Detailed Heads
1	2	3

		(iv) Receipts from drift and waif wood, confiscated forest produce.
	Other Receipts	(i) Share of elephants mahal, fees for elephant hunting operation, receipt from elephant grazing permit. (ii) Rent of District Council elephant. (iii) Receipts from minor minerals of the Forest Department. (iv) Receipt on account of Forest offences (v) Share from private forest. (vi) Hammer registration and renewal. (vii) Misc. forest receipts.
XIV. Mines and minerals	Mineral concession fee, Rents and Royalties.	(i) Royalty on Major minerals. (ii) Royalty on Minor Minerals. (iii) Share from Government on mineral receipt.
XV. Roads and Bridges.	Tolls on Roads	(i) Ferry receipts and sale proceeds of Ferry Ghats. (ii) Tolls and passengers and goods.
	Other receipts.	Receipts that partake the scope of the above two items.
XVI. Roads and Transport Services.	Road Transport servies.	(i) Income from Road Transport. (ii) Share from Govt. Road Transport.
XVII. Grants-in-aid From State Government	1. Land Survey	Grants for land survey under Hills plan.
	2. Forests	Grants for Hill development Scheme (Forest).
	3. Social Security and Welfare	(i) Grants for construction of Cultural Club, Children Park, Play grounds etc. (ii) Grants for self-help Schemes, model Village Schemes, Beautification Schemes, etc.
	4. Roads and Bridges.	(i) Grants for construction, repairs, Maintenance of major and minor bridges roads etc. (ii) Grants for Rural Communication.
	5. Public Health, Sanitation and Water Supply.	Grants for construction of Water supply Schemes, sanitation, drainage.

Major Head	Minor Head	Detailed Heads
1	2	3
	6. Education	(i) Grants for Primary Education. (ii) Grants for Middle education.
	7. Agriculture	Grants for land reclamation and other agriculture schemes.
	8. Minor Irrigation	Grants for minor irrigation schemes.
	Other grants	Grants for meeting the normal expenditure of the District Council.
(B) REVENUE – EXPENDITURE HEADS		
1. District Council	District Council	Pay and allowances of the Chairman, Dy. Chairman and Members of the District Council.
	Secretariat	Pay and allowances "Other Expenditure".
	Election	Expenditure on election to District Council
2. Executive Members	Salary of Executive Members.	Pay and allowances of the Chief Executive Member and Members of the Executive Committee.
	Discretionary grants by Executive Members.	Discretionary grants by Chief Executive Member and other Executive Members.
3. Administration of Justice	Judicial Courts	(i) Pay and allowances of the Judicial Officers and establishment of the Judicial Department. (ii) Other Charges.
4. Land Revenue	Direction and Administration.	(i) Pay and allowances. (ii) Other Charges
	Survey & Settlement operation	(i) Pay and allowances. (ii) Other Charges
	Land Records.	(i) Pay and allowances. (ii) Other Charges
	Other Expenditures.	(i) Feedings charges of impounded Cattles. (ii) Expenditure on eviction charges.
5. Stamps & Registration.	Cost of Stamps.	(i) Value of Stamps purchased from Government. (ii) Discount to vendors.
6. Interest payment.	Interest on State Govt. Loans.	(i) Interest on Loans from Government. (ii) Interest on contributory provident fund.

Major Head	Minor Head	Detailed Heads
1	2	3
7. Secretariat General Services.	Secretariat.	(i) Pay and allowances. (ii) Other Charges
8. Stationery & Printing	Council Press.	(i) Pay and allowances. (ii) Other Charges
9. Public Works.	Direction and Administration. Maintenance & Repair. Furnishing public Works Shops.	(i) Pay and allowances. (ii) Other Charges (iii) Expenditure on construction of buildings. (iv) Expenditure on construction of approach Road to Buildings. Expenditure on the maintenance and repairs to Buildings. Cost of furniture and other Services Expenditure on Vehicle & Workshop, Establishment of P.W.D.
10. Pension & Other Retirement Benefits.	Superannuation & retirement allowances and gratuities. Contributions to Pension & Gratuities. Contributions to contributory provident Fund.	(i) Pension paid to District Council Employees. (ii) Gratuities paid to District Council employees. Contributions to Pension & Gratuities paid to other Govt. Department. District Council's share of Contribution to Contributory provident Fund.
11. Education.	Direction and Administration. Inspection District Council Primary Schools. Assistance to Non-District Council Primary Schools. Pre-Primary Education. Promotion of Modern Language & Literature Welfare	(i) Pay and allowances of the Executive Staff & Establishment of the Education Department. (ii) Allowances for Education Board. (iii) Contingencies. Pay and allowances of Inspecting Staff. (i) Pay and allowances. (ii) Other Charges Grants-in-aid for Primary Education. (i) Pay and allowances. (ii) Other Charges Contribution towards, literary, historical & Cultural activities. (i) Grants to Text Book Committee. (ii) Expenditure on Sports & Games.

Major Head	Minor Head	Detailed Heads
1	2	3
12. Art & Culture	Promotion of Art and Culture	(i) Grants to Cultural Institutions. (ii) Maintenance & Preservation of ancient monuments, relics etc. (iii) Other works.
	Other misc. works	(iii) Other works.
13. Public Health, Sanitation & Water Supply	Other Rural Water Supply Schemes	(i) Construction of Water Supply Schemes. (ii) Expenditure on sanitation, drainages etc. (iii) Other works.
14. Urban Development	Assistance to Urban Development Organisation	(i) Grants to Urban Development Organisations. (ii) Grants to Municipalities & Town Committees for general purposes. (iii) Other works.
15. Information & Publicity.	Direction & Administration.	(i) Pay and allowances. (ii) Other charges.
	Publicity	(i) Grants for publication of Newspapers and Magazines. (ii) Other works. (iii) Cost of publicity films & Operational charges.
16. Social Security	Social Welfare.	(i) Construction and maintenance of children Parks, playgrounds etc. (ii) Expenditure on materials purchased for recreation education. (iii) Pay & Allowances of Shais. (iv) Grants for construction of Cultural Clubs, Children Parks, Playgrounds etc. (v) Grants for Self Help Schemes, Model Village Schemes. (vi) Grants to Village Committee for General Purposes. Other grants for specific purposes will be classified under functional Major Heads. (vii) Other works.
	Other Expenditure	(i) Other expenditure.
17. Relief on Account of Natural Calamities.	Gratuitous Relief	Relief to victims of Natural Calamities.

Major Head	Minor Head	Detailed Heads
1	2	3
18. Other General Economic Services	Other Expenditure	(i) Expenditure of improvement of Markets. (ii) Pay & allowances of Bazar Supervision. (iii) Other charges. (iv) Expenditure on election to bodies other than District Council. (v) Other charges.
19. Agriculture.	Direction & Administration. Agricultural Education. Other Expenditure	(i) Pay & allowances. (ii) Other charges. Stipends for Agricultural Students. (i) Land reclamation. (ii) Other works.
20. Soil Conservation & Minor Irrigation	Minor Irrigation Schemes.	(i) Expenditure on land reclamation and minor irrigation schemes. (ii) Other works.
21. Fisheries	Direction & Administration. Inland Fisheries	(i) Pay & allowances. (ii) Other charges. (i) Expenditure on improvement of Fisheries. (ii) Other works.
22. Forest	Direction & Administration. Forest Conservation Plantation Schemes, Communications and Building	(i) Pay & allowances. (ii) Other charges. (i) Expenditure on improvement of Forests. (ii) Hills Dev. Schemes (Forest). (iii) Survey & Demarcation of Reserve Forests. (iv) Other works. (i) Forest Plantation works. (ii) Construction, repair & maintenance of Departmental Buildings & forest boundary check gates.
23. Roads & Bridges	District and other Roads	(i) Construction of Roads & Bridges. (ii) Maintenance and repair of roads, bridges, foot paths. (iii) Other works.

Major Head	Minor Head	Detailed Heads
1	2	3
24. Road Transport services	Direction & Administration	(i) Pay and allowances of Driver, Handyman & other staff. (ii) Other charges.
	Working Expenses	(i) Management. (ii) Operation. (iii) Repairs and maintenance. (iv) Other expenditure.
25. Rural Development	Direction and administration	(i) Pay and allowances of employees.
	Rural Communication	(i) Construction of Jeep Roads (ii) Construction of Boats (iii) Maintenance of Roads in the interiors. (iv) Maintenance of Ferris. (v) Other works.
26. Industry	Promotion of small scale Industries	(i) Grants-in-aid to small scale Industries Units.
	Working Expenses	(i) Expenditure on Industrial Demonstration. (ii) Other Expenditure.
27. Animal Husbandry & Veterinary	Direction & Animal Husbandry	Pay and allowances of Officer and staff.
	Promotion of Animal Husbandry & Veterinary	(i) Expenditure on purchase of improved breed of cattle. (ii) Grants-in-aid to Cattle Farmers. (iii) Other Expenditure.
28. Community Development.	Direction and Administration	(i) Pay and allowances of Officers and staff. (ii) Construction of Community Hall, Playgrounds. (iii) Purchase of Musical Instruments. (iv) Other Expenditure.

C – CAPITAL ACCOUNTS (RECEIPTS AND DISBURSEMENT)

(Transactions classed as Capital by the Council under the provision of note below Rule 8)

The Expenditure on Capital Outlay shall be classified with relevance to the functions and objects in the Revenue Accounts and the code number assigned to the Capital Major Head should be double of the code number assigned in the Revenue Section and the detailed heads along with their number followed as far as practicable. Additional detailed heads may be opened, if necessary, to suit with the objectives of the expenditure. For instance, the expenditure under Capital Outlay of 'Forest & Conservation' shall be assigned Major Head of '44 Forest & Conservation', that of 'Roads and Bridges', that of Road Transport Services', '48 Road Transport Services', and so on. Receipt under this Major Head of Account other than revenue of the Council will be credited to the works concerned under this major Head of Account and will be taken as reduction of expenditure.

D – PUBLIC DEBT :-

- (a) Internal Dept of the Council
- (b) Loans and Advances from the Sate Government
- (c) Other Loans and Advances.

PART – II

E – DEPOSIT FUNDS

- (i) Savings Deposits
- (ii) Provident Funds
- (iii) Pension Funds
- (iv) Insurance Funds
- (v) Other Funds

F – ADVANCES

- (i) Council Advances
- (ii) Civil Advances
- (iii) Other Advances

Sd/-
Commissioner / Secretary
District Council Affairs Deptt.,
Govt. of Mizoram

.....

APPENDIX – E

[An extract from ‘The Mizoram Municipalities Act, 2007 (Act No. 6 of 2007)]

RULE 90

- (1) The Municipal accounts as contained in the annual financial statement shall be examined and audited by an Auditor appointed in that behalf by the State Government.
- (2) The Executive Council shall submit such further accounts to the Auditor as may be required by him.
- (3) The Auditor so appointed may -
 - (a) require, by written notice, the production before him or before any officer subordinate to him of any document which he considers necessary for the proper conduct of the audit.
 - (b) require, by written notice, any person accountable for, or having the custody or control of, any document, cash or article to appear in person before him or before any officer subordinate to him.
 - (c) require any person so appearing before him to make or sign a declaration with respect to such document, cash or article or to answer any question or prepare and submit any statement, and
 - (d) cause physical verification of any stock of articles in course of examination of accounts.
- (4) The Auditor may, after giving the person concerned an opportunity of being heard, disallow any item of accounts contrary to the provisions of this Act, and surcharge the amount of any illegal payment on the person making or authorizing it, and charge against any person responsible therefore the amount of any deficiency or loss incurred by the negligence or misconduct of such person or any amount which ought to have been, but is not, brought into accounts by such person, and shall, in every such case, certify the amount due from such person.

Provided that any person aggrieved by an order of payment of certified sums may appeal to the State Government whose decision on such appeal shall be final.
- (5) Any person who willfully neglects or refuses to comply with the requisition made by an Auditor shall, on conviction by a court, be punishable with fine which may extend to one hundred rupees in respect of each item included in the requisition.

RULE 91

- (1) As soon as practicable after the completion of the audit, but not later than three months thereafter, the Auditor shall prepare the report on the accounts audited and examined, and shall send such report to the Chairman and a copy thereof to the Director of Local Bodies of the Government of Mizoram or such other officers as the State Government may direct.
- (2) The Auditor shall include in his report a statement showing :
 - (a) every payment which appears to him to be contrary to law,
 - (b) accounts of any deficiency or defalcation or loss which appears to have been caused by the gross negligence or misconduct of any person.
 - (c) the account of any sum received, which ought to have been, but have not been, brought into any account by any person.
 - (d) any other material impropriety or irregularity which may be observed in the accounts.

APPENDIX – F

(An extract from 'Mizoram Grants-in-aids to Village Councils Rules 2007)

Rule 8. Audit and Accounts :

- (1) The accounts shall be audited by Auditor appointed by the State Government or Accountant General.
- (2) The Village Council shall submit all accounts to be audited to the District Level Controlling Authority within a stipulated time as called for. Audit will be conducted in the Office of the District Level Controlling Officers concerned. The auditor if felt necessary can visit the Village Council for physical inspection.
- (3) The auditors shall specify all cases in respect of -
 - (a) Irregular, illegal or improper expenditure.
 - (b) Failure or omission to recover money or other properties belonging to the Village Councils.
 - (c) Loss or waste money or other property thereof.
 - (d) State whether such expenditure, failure, omission, loss or waste was caused in consequent of Breach of Trust of misapplication of money or other property belonging to the Village Council or of any other misconduct on the part of Village Council or any other persons.
- (4) Auditor shall submit the reports and audited account showing the exact state of financial affairs of the Village Councils to the State Government failing which grants shall not be realized by the State Government.

APPENDIX – G

[An extract from *The Mizoram Societies Registration Act, 2005 (Act. No. 13 of 2005)*]

Rule 16. Books of accounts and audit :

(1) Every society shall keep at its registered office proper books of accounts in which the following shall be entered accurately -

(a) all sums of money received and the source thereof and all sums of money expended and the object or purpose for which such sums are expended;

(b) the assets and liabilities of the society.

(2) Every society shall have its accounts audited once a year by a duly qualified auditor and have a balance sheet prepared by him. The auditor shall also submit a report showing the exact state of the financial; affairs of the society.

Three copies of the balance sheet and the report shall be certified by the auditor.

(3) Explanation :-

“A duly qualified auditor” means a chartered accountant within the meaning of the Chartered Accountant Act, 1949 or a person approved by the Register in this behalf.

(4) For contravention of any of the provisions of this section every officer in default shall, from the date the default is detected, be punishable with fine which may extent to twenty rupees for each day the default continues.

ANNEXURE-I

**No.B.14020/2/06 – RFS/113
GOVERNMENT OF MIZORAM
OFFICE OF THE REGISTRAR, FIRMS AND SOCIETIES
MIZORAM : AIZAWL**

Dated Aizawl, the 21st November, 2007

Notification

In exercise of the powers conferred by Explanation Clause of Sub-section (2) of Section 16 of the Mizoram Societies Registration Act 2005, the Registrar of Firms & Societies, Government of Mizoram is pleased to approve the Auditors of the Department of Accounts & Treasuries, Government of Mizoram as duly qualified Auditors for the purpose of sub-section (2) of Section 16 of the Mizoram Societies Registration Act, 2005 with immediate effect and until further orders.

Sd/-
(LALBIAKTLUANGA KHIANGTE)
Registrar, Firms & Societies
Government of Mizoram
Aizawl.

Memo No. B.14020/2/06-RFS/113

Dated Aizawl, the 21st November, 2007

Copy to :

1. P.S. to the Governor of Mizoram.
2. P.S. to the Chief Minister of Mizoram.
3. P.S. to the Ministers/Minister of States, Mizoram.
4. P.S. to Speaker/Deputy Speaker of Mizoram.
5. P.S. to the Chief Secretary to the Government of Mizoram.
6. All Administrative Departments.
7. All Heads of Departments.
8. Controller, Printing & Stationery with 6 (six) spare copies for publication in the Gazette with a require to furnished at least 20 (Twenty) copies of the Gazette so published.
9. The Deputy Examiner of Local Accounts Government of Mizoram, Aizawl.
10. The Joint Commissioner of Taxes, Taxation Department, Mizoram, Aizawl.
11. The Deputy Commissioner of Taxes (Admn) Taxation Department, Mizoram, Aizawl.
12. The Deputy Commissioner of Taxes (E) Taxation Department, Mizoram, Aizawl.
13. The Assistant Commissioner of Taxes, Aizawl North/South/Lunglei Zone.
14. The Superintendent of Taxes Champhai/Kolasib/Vairengte/Serchhip/Mamit/Saiha/Lawngtlai/Melbuk
15. Guard File.

Registrar, Firms and Societies
Government of Mizoram, Aizawl

ANNEXURE-II

No.G.25012/52/96-F.APF
GOVERNMENT OF MIZORAM
FINANCE DEPARTMENT
(APF BRANCH)

OFFICE MEMORANDUM

Dated Aizawl, the 10th July, '97

The Auditors of the Local Audit Wing in the Directorate of Accounts & Treasuries, Govt. of Mizoram are acting as Local Audit Department and conducting from time to time audit of the accounts of local bodies, institutions etc. They are also entrusted to conduct internal auditing of the accounts of receipts and expenditure of the Government Department offices and development schemes. The Auditors normally check the initial accounts being maintained in the executing offices to see that the system and procedure in accounting on financial matters as per the Rules and Regulation are enforced. They have not been so far empowered to conduct inspection of the physical achievements of the Departments. In some cases, proper maintenance of accounts does not necessarily ensure the corresponding actual physical achievements for the purposes for which expenditure had been incurred. To enable the Auditors to act as adviser and to suggest appropriate improvement in financial management, maintenance and observance of office procedure and financial propriety, it is felt necessary to empower the Auditors to inspect and verify the physical achievements of the Departments, whenever felt necessary.

It is, therefore decided that henceforth the Local Auditors are empowered to inspect and verify the physical achievements of the Departments, for which the accounts are examined and audited, whenever necessary. The Auditors in their audit reports should reflect their findings of the financial and physical aspects as far as practicable for further appropriate action by Government.

Sd/-
(HAUKHUM HAUZEL)
Finance Commissioner,
Govt. of Mizoram.

Memo No. G.25012/52/96-F/APF/

Dated Aizawl, the 10th July '97.

Copy to :-

- 1) Secretary to Governor, Govt. of Mizoram, Aizawl.
- 2) P.S. to Chief Minister, Govt. of Mizoram, Aizawl.
- 3) P.S. to Ministers/Minister of State, Govt. of Mizoram, Aizawl.
- 4) P.S. to Speaker/Deputy Speaker, Govt. of Mizoram, Aizawl.
- 5) P.S. to Chief Secretary, Govt. of Mizoram, Aizawl.
- 6) P.A. to Finance Commissioner, Govt. of Mizoram, Aizawl.
- 7) All Administrative Departments.
- 8) Secretary, MPSC.
- 9) All Head of Departments. He is requested to inform all his subordinate officers.
- 10) Director, Accounts & Treasuries for information and necessary action.
- 11) Accountant General (Audit) Mizoram etc. Shillong.

Sd/-
(HAUKHUM HAUZEL)
Finance Commissioner,
Govt. of Mizoram.

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ANNEXURE-III

No. G.11023/4/2008 – FCC

**GOVERNMENT OF MIZORAM
FINANCE DEPARTMENT**

(Finance Commission and Project Monitoring Cell)

Dated Aizawl, the 18th June 2010

To,

The Examiner of Local Accounts,
Office of the Chief Controller of Account,
Chanmari, Aizawl

Subject :- Audit of Local Bodies

Sir,

As you may be aware, the 13th Finance Commission in its report at Para 10.161 (II) required the State Government to put in place an audit system for all local bodies. To fulfill this recommendation, your Annual Report on the Local Fund Audit must be placed before the State Legislature alongwith the report of the C & AG. In the context of Mizoram, the local body means the Village Council, Aizawl Municipal Council, LADC/MADC/CADC and SHDC. Further, the municipality is expected to adopt accrual basis of accounting while other Local Bodies may adopt cash base accounting system.

Therefore, I am directed to request you to take initiative for audit of the above mentioned Local Bodies starting from the current fiscal year. The concerned Nodal Department may also be consulted.

Copy of the report of the 13th Finance Commission is enclosed for your ready reference.

Yours faithfully,

Enclose : As above

Sd/-
(VANLALNGHAKA)
Additional Secretary &
Member Secretary of HLMC
Finance Department
(FC & MC)

Memo No. G.11023/4/2008 – FCC

:

Dated Aizawl, the 18th June, 2010

Copy to :

- 1) Principal Secretary, GAD, for information and necessary action.
- 2) Secretary, LAD, for information and necessary action.
- 3) Secretary, UD & PA Department, for information and necessary action.
- 4) Secretary, DCA, for information and necessary action.
- 5) Director, LAD, for information and necessary action.
- 6) Director, UD & PA Department, for information and necessary action.

(VANLALNGHAKA)
Additional Secretary &
Member Secretary of HLMC
Finance Department
(FC & MC)

ANNEXURE-IV

No. G.11023/4/2008 – FCC
GOVERNMENT OF MIZORAM
FINANCE DEPARTMENT

NOTIFICATION

Dated 1st June 2011

1. Whereas the Thirteenth Finance Commission of India in its report at paragraph 10.121 and 10.161 recommended that the State Government must put in place an audit system for all the local bodies;
2. And whereas the Thirteenth Finance Commission further recommended that the Technical Guidance and Supervision over the audit of all the local bodies shall be entrusted to the Comptroller & Auditor General of India, and his Annual Technical Inspection Report as well as the Annual Report of the Examiner of Local Fund Accounts must be placed before the State Legislative Assembly;
3. And whereas the Accountant General (Audit) of Mizoram vide his letter No.AG-MIZ/Local Bodies Audit/2011-12/33, dated 31.05.2011, in response to the request made by the State Government pursuant to the recommendations of the Finance Commission vide No.G.11023/4/2008-FCC, dated 18.06.2010, requested the State Government to issue formal notification for entrusting the responsibility of technical supervision and guidance over the audit of all the local bodies within the State of Mizoram to the Comptroller & Auditor General of India (that is the Accountant General (Audit) of Mizoram);
4. Now, therefore, the Governor of Mizoram is pleased to entrust the Technical Guidance and Supervision over the audit of all the local bodies within the State of Mizoram to the Comptroller & Auditor General of India (that is the Accountant General (Audit) of Mizoram) with immediate effect and until further order. The Governor of Mizoram is further pleased to empower him to conduct the Annual Technical Inspection/Audit under the provisions of section 20 of the C & AG (Duties, Powers and Conditions of Service) Act, 1971. Over and above the audit of the C & AG, the Examiner of Local Fund Accounts will be remained statutory auditor for the audit of the accounts of the local bodies.
5. The scope of the Technical Guidance and Supervision by the Comptroller & Auditor General of India (that is the Accountant General (Audit) of Mizoram) should be broadly as under :
 - (i) The audit methodology and procedures for audit of the accounts of Village Councils, Urban Local Bodies and any other local bodies audit by the Examiner of Local Fund Accounts will be as per the

audit guidelines/standards prescribed by the Comptroller and Auditor General and various Acts / Statutes enacted by the Government.

- (ii) The nature, extent and scope of audit including form and contents of the report of Examiner of Local Fund Accounts will be as per the guidelines given by the Accountant General and various Acts / Statutes enacted by the Government.
- (iii) The Examiner of Local Fund Accounts will prepare annual audit plan under intimation to the Accountant General, indicating the particulars of the Local Bodies that would be audited during the year.
- (iv) The Accountant General would conduct test-check of some of the units audited by the Examiner of Local Fund Accounts, in order to provide technical guidance. The report of the test-check conducted by the Accountant General would be sent to the Examiner of Local Fund Accounts for pursuance of action taken by the Local Bodies. The Examiner of Local Fund Accounts will pursue the compliance of such paras in Accountant General's inspection report in the same manner as if these are his own reports.
- (v) Accountant General will monitor the quality of the inspection reports issued by the Examiner of Local Fund Accounts by calling for some of the reports for his scrutiny. The Examiner of Local Fund Accounts will furnish returns in such form as may be prescribed by the Accountant General for the purpose of monitoring.
- (vi) Copies of issued Audit Reports in respect of 5% of Local Bodies should be forwarded by the Examiner of Local Fund Accounts to the Accountant General for advice on system improvements and the Accountant General would make suggestions for improvement of existing manuals etc. followed by the State Audit Department.
- (vii) Irrespective of the money value of the objections, any serious irregularities noticed such as system defects, serious violation of rules, frauds noticed by Examiner of Local Fund Accounts will be intimated to the Accountant General.

By Order, etc

Sd/ LALMALSAWMA
Finance Secretary
Government of Mizoram

ANNEXURE-V

**No. G.11023/4/2008 – FCC
GOVERNMENT OF MIZORAM
FINANCE DEPARTMENT
(FC & MC)**

Dated Aizawl, the 24th June 2011

CORRIGENDUM

It is hereby notified to all concerned that Notification No. G.11023/4/2008 – FCC dated 1-6-2011 Para 4 may be read as :-

“Now therefore the Governor of Mizoram is pleased to entrust the Technical Guidance and Supervision over the accounts and audit of the Local bodies within the State of Mizoram to the Comptroller and Auditor General of India under the Section 20 (1) of the Comptroller and Auditor General (Duties, Powers and conditions of Service) Act 1971, with immediate effect. The responsibility of Certification of accounts and the statutory audit of the Local bodies shall however rest with the Examiner of Local Funds Accounts who will continue to function under the administrative control of the Finance Department.”

Sd/- LALMALSAWMA
Finance Secretary to the Govt. of Mizoram
Finance Department
(FC & MC)

Memo No. G.11023/4/2008 – FCC

:

Dated Aizawl, the 24th June, 2011

Copy to :

- 1) Secretary to Governor.
- 2) P.S. to Chief Minister.
- 3) P.S. to Speaker/Deputy Speaker.
- 4) P.S. to all Minister/Minister of State/Parliamentary Secretary
- 5) P.S. to Chief Secretary, Government of Mizoram.
- 6) Accountant General (Audit) Mizoram.
- 7) All Administrative Departments.
- 8) All the District Commissioner.
- 9) All Head of Departments.
- 10) ELFA, CCA office for necessary action.
- 11) C.E.O. Aizawl Municipal Council.
- 12) E.S. LADC/MADC/CADC.
- 13) Development Officers, SHDC.
- 14) Controller, Printing and Stationery with 6 (six) spare copies for publication in the O.G.
- 15) Guard File.

(Dr. P.C. LALAWMPUIA)
Under Secretary to the Govt. of Mizoram
Finance Department

ANNEXURE-VI

IMMEDIATE

No. G.11023/4/2008 – FCC
GOVERNMENT OF MIZORAM
FINANCE DEPARTMENT
Finance Commission & Monitoring Cell

Dated the 7th June 2011

To

The Examiner of Local Fund Accounts,
Office of the Chief Controller of Accounts
Mizoram : Aizawl

Subj : Audit of Local Bodies

Sir,

Kindly refer to the telephone conversation we had on 06.06.2011 regarding the audit of the Local Bodies. As per our discussion on the subject, the same of which was also discussed with the Senior Deputy A.G., audit may be conducted at once by selecting the Local Bodies (Village Councils/AMC, etc) at random. Audit reports on 5% of the randomly selected and audited local bodies will be sent to AG for his Technical Inspection as per the provisions of this Department's notification of even number dated 03.06.2011. Your audit reports shall be laid in the next session of the Legislative Assembly while the Technical Inspection Report of the AG on the basis of 5% of reports submitted to him by you should also be laid in the State Legislature. As you would be aware, time available for completion of the whole process is seriously limited, and the need to expedite the process needs not be exaggerated.

In this context, I am directed to request you to kindly undertake the audits as a time bound programme so that the conditions laid down by the XIII-FC are fully fulfilled.

Yours faithfully,

Sd/-
(Dr. P.C. LALAWMPUIA)
Under Secretary to the Government
Finance Department

Memo No. G.11023/4/2008-FCC:

Dated the 7th June, 2011

Copy to:

1. Sr. Deputy Accountant General (Audit), Dintnar, Aizawl
2. Chief Controller of Accounts
3. CEO, Aizawl Municipal Council for information and necessary action
4. Director, LAD with a request to give full co-operation to the ELFA

(Dr. P.C. LALAWMPUIA)
Under Secretary to the Government
Finance Department

FORM NO. 1
INTIMATION OF AUDIT
(Reference Para 9.6)

MOST IMPORTANT & IMMEDIATE

GOVERNMENT OF MIZORAM
OFFICE OF THE CHIEF CONTROLLER OF ACCOUNTS
ACCOUNTS & TREASURIES
MIZORAM : AIZAWL

Dated Aizawl, the

ORDER

No..... The following Auditors are detailed to conduct Audit of Accounts of the for the period from to under the supervision Shri....., Account & Treasuries with effect from Dt.....

1. Shri, Auditor, Accounts & Treasuries
2. Shri, Assistant Auditor, Accounts & Treasuries
3. Shri, Assistant Auditor, Accounts & Treasuries

2. It will facilitate work and reduce subsequent correspondence if previous audit objections duly noted at Form-4 enclosed herewith are taken up promptly for settlement.

3. It is, therefore, requested to render all possible help and to prepare and make available in advance all the related/relevant documents that may be required by the Audit Party and to complete the audit of accounts within the stipulated period.

4. Receipt of this intimation may kindly be acknowledged.

Director, Local Fund Audit,
Accounts & Treasuries
Mizoram, Aizawl

Memo No..... Date

Copy to :-

1. The Accountant General (Audit), Mizoram, Aizawl for information and necessary action.
2. The Secretary to the Government of Mizoram, Finance Department, Aizawl for information and necessary action.
3. The Director,
4. The
5. All person concerned for information and necessary action.

Deputy Director/Assistant Director, Local Fund Audit

FORM No. 2
(Reference Para 9.19.1(b)(ii) & 10.4)
IRREGULARITIES IN PAYMENT AND ADJUSTMENT VOUCHERS
(TO BE DISPOSED OF FINALLY BEFORE THE NEXT AUDIT)

Sl. No	Voucher			Particulars	Nature of objections and instructions
	No	Date	Amount		
1	2	3	4	5	6

Signature of Audit Officer

F O R M No. 3
(Reference Para 9.19.1(b)(ii) & 10.4)
IRREGULARITIES & OMISSIONS IN ACCOUNTS AND REGISTERS
(OTHER THAN THOSE DETAILED IN FORM No. 2)
WITH INSTRUCTIONS AND SUGGESTIONS FOR FUTURE GUIDANCE

Sl. No	Sub. Vr No & Date/ Page No	Particulars of Transaction	Amount	Objection	Instructions/ Suggestions
1	2	3	4	5	6

Signature of Audit Officer

F O R M No. 4
(Reference Para 9.14)
FOR IMMEDIATE ATTENTION

Preliminary Objection Statement on the accounts of the for the period from to

Date of Transactions and No. of Vouchers	Particulars of Transaction	Objection or Suggestions	Reply of Local Authority	Notes of admission or further remarks by Audit Officer	Final Remarks of Audit Officer
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>

Time & Date of submission by Audit Officer	Received on.... Initial.....	Received on.... Initial.....	Received on.... Initial.....	Received on.... Initial.....
Sig. of Audit Officer	Designation....	Designation....	Designation....	Designation....

Signature of Audit Officer

F O R M No. 5
(Reference Para 9.19.2)
(To be put up to the next Audit)
UNSETTLED AUDIT OBJECTIONS OF PREVIOUS AUDIT REPORTS

Sl. No	Reference of Audit Report	Outstanding Para No.	No. of Paras outstanding	Remarks
1	2	3	4	5

Signature of Audit Officer

F O R M No. 6
(Reference Para 9.34)
REGISTER OF SEIZED RECORDS
(TO BE MAINTAINED IN THE HEADQUARTER OFFICE)

Sl. No	Name of Seized accounts with period	Name & Designation of the Officer who seized the records	Date of Seizure	Date of receipt of seizure list, keys etc., in the Directorate	Signature of the Audit Officer	Date of release of seizure list, keys and formal receipt	Signature of the officer receiving back the seizure list, keys and formal receipt	No and Date of the order of the Director	Remarks
1	2	3	4	5	6	7	8	9	10

Signature of Audit Officer

NOTE :- It is necessary to inspect the seized records by any authority while it is still under seized, the fact of such inspection(s) should be briefly recorded in the remarks column.

F O R M No. 7
(Reference Para 9.13)
EMBEZZLEMENT REGISTER

Sl. No	Stations	Name and the accounts and period of audit	Particulars	Embezzlement report received from the	
				Accounting Authority on	Audit Officer on
1	2	3	4	5	6

Name of Audit Officer investigating the embezzlement	Date of receipt of further report from Accounting authority/Audit Officer	Result of investigation of Final result of the embezzlement case	Remarks
7	8	9	10

Signature of Audit Officer

F O R M No. 8
[Reference Para 10.14.2 (9)]
UTILIZATION AND UNSPENT BALANCES OF GOVERNMENT
GRANTS/OTHER GRANTS

Sl. No	Name of Accounts	Period of Audit	Amount Sanctioned	Amount Spent	Unspent Balance	Remarks
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>

Signature of Audit Officer

F O R M No. 9
[Reference Para 9.19.1(b) (ii)]
DEFALCATION/MISAPPROPRIATIONS OF GOVERNMENT GRANT/OTHER
FUNDS

Sl. No	Name of Accounts	Period of Audit	Amount Sanctioned	Amount Spent	Unspent Balance	Amount of defalcation/ misappropriation	Remarks
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	

Signature of Audit Officer

F O R M No. 10
(Reference Para 9.41)
PROGRESS REGISTER OF AUDIT REPORTS AND AUDIT CERTIFICATE

Sl. No	District	Name of the Audit Officer Conducting Audit	Name of Accounts	Periods/Date up to which previously audited	Periods/Date upto which now audited	Date of completion of Audit
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>

Date of submission of draft audit report by the Audit Officer	Date of passing the audit Report	Date of Despatch to Accounting Authority	Date of receipt of replies from the Accounting Authority	Date of final disposal	Remarks
<i>8</i>	<i>9</i>	<i>10</i>	<i>11</i>	<i>12</i>	<i>13</i>

Signature of Audit Officer

F O R M No. 11
[Reference Para 9.19(i)]
STATEMENT SHOWING DRAFT AUDIT REPORT SUBMITTED DURING THE
MONTH.....

Sl. No	Name of the accounts and period of Audit	Date of commencement of the Audit	Date of completion of Audit	Letter No & Date forwarding the draft audit report	Remarks
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>

Signature of Audit Officer

F O R M No. 12
[Reference Para 9.19(i)]
STATEMENT SHOWING DRAFT AUDIT REPORTS PENDING AT THE END OF THE
MONTH.....

Sl. No	Name of the accounts and period of Audit	Date of commencement of the Audit	Date of completion of Audit	Explanation for delay in submission	Remarks
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>

Signature of Audit Officer

F O R M No. 13
(Reference Para 9.46)
STATEMENT SHOWING THE TENTATIVE PROGRAMME OF NEXT MONTH OF
THE AUDIT OFFICER FOR THE MONTH OF.....

Sl. No	Name of Audit Officer	Name of accounts proposed to be audited	Period of Audit	Total expected time	Proposed date of commencement	Anticipated date of completion	Proposed place of Audit	Remarks
1	2	3	4	5	6	7	8	9

Signature of Audit Officer

F O R M No. 14
[Reference Para 9.40(iii)]
DEMAND NOTE FOR AUDIT FEES RECOVERABLE FROM ACCOUNTING AUTHORITY

GOVERNMENT OF MIZORAM
OFFICE OF THE CHIEF CONTROLLER OF ACCOUNTS
ACCOUNTS & TREASURIES
MIZORAM : AIZAWL

No..... Dated Aizawl, the

To,

The
.....

Subject : Demand Note of Audit Fees recoverable from Accounting Authority.

Sir,

With reference to subject cited above, I have the honour to state that your accounts for the period fromto.....is to be audited by the Audit Party by this Department with effect from.....to.....

2. As per provision of Paraof the Mizoram Audit Manual, you are inform to pay the required Audit Fees for conducting audit by this Department.

3. You are, therefore, requested to deposit an amount of Rs..... (Rupees.....) only in favour of Chief Controller of Accounts, Accounts & Treasuries, into the Treasury through Challans as Audit Fees under the appropriate Head of Accounts on or beforeas per details shown in Form No. 15 enclosed herewith.

4. Copy of the challan(s) may be furnished to the undersigned for necessary record.

Enclosed : Form No. 15

Yours faithfully,

Director, Local Fund Audit,
Accounts & Treasuries.

F O R M No. 15
[Reference Para 9.40(iii)]
DETAILED CALCULATION OF AUDIT FEE

Name of Office	Name of the Accounting Authority and period of Audit	No. of Working Days	Rate per day	Total Amount of Audit Fee	Remarks
1	2	3	4	5	6

Signature of Audit Officer

F O R M No. 16
[Reference Para 9.19(i)]
STATEMENT SHOWING THE AUDIT REPORTS ISSUED DURING THE MONTH
OF.....

Sl. No	Name of Audit Officer	Name of Accounts	Period of Audit	Date of Completion	Date of issue with issue No.	Remarks
1	2	3	4	5	6	7

Signature of Audit Officer

F O R M No. 17
(Reference Para 11.1.6)
REGISTER OF GRANTS-IN-AIDS SANCTIONED TO VARIOUS INSTITUTIONS
DURING THE YEAR.....

Sl. No	Name of Department	Name of Institution	By whom sanctioned and sanctioning Letter No & Date	Particulars of the Grants with conditions, if any	Period for which sanctioned	Amount Sanctioned	Remarks
1	2	3	4	5	6	7	8

Signature of Audit Officer

F O R M No. 18
[Reference Para 10.14.2(11)]
STATEMENT SHOWING THE DRAWAL AND UTILIZATION OF GRANTS-IN-AID
FOR THE PERIOD FROM.....

Sl. No	By whom sanctioned and S/letter No & Date	Particulars of the Grants-in-aids	Amount Sanctioned	Amount drawn	Tv. No & Date or Cheque No & Date	Amount Spent or utilized	Unspent balance till the close of the period of audit	Balance refunded to the sanctioning authority	Remarks
1	2	3	4	5	6	7	8	9	10

Signature of Audit Officer

F O R M No. 19
[Reference Para 9.40(iv)]
REGISTER OF AUDIT FEE REALISED

Name of Office	No. of Working Days	Amount of Annual turn over	Rate per day	Total amount of Audit Fee	Name of Treasury with Challan No & Date	Remarks
1	2	3	4	5	6	7

Signature of Audit Officer

F O R M No. 20
[Reference Para 9.19(i)]
STATEMENT SHOWING TIME TAKEN IN THE AUDIT

Name of accounts (Entered the name of office audited)	Date on which taken up	Date of completion of audit	Number of days taken up to date or to end of audit	Period for which audited	Remarks
1	2	3	4	5	6

Signature of Audit Officer

F O R M No. 21
[Reference Para 11.1.5(i)]
ANNUAL PROGRESS REGISTER

Sl.No	Category of Accounts	No. of Accounts as per previous P/R	No. of new accounts added during the year	No. of accounts deleted during the year	Total No. of Accounts
1	2	3	4	5	6

Signature of Officer-in-Charge of P.R Signature of Director, Local Fund Audit

F O R M No. 23
Reference Para 9.10)
SPECIMEN FORM FOR AUDIT REQUISITION

AUDIT REQUISITION No.....

Dated

Subject : Supply of information for conducting the audit of (Name of the Accounting Authority) for the period from to (Period to be covered by Audit).

Please provide the following information relating to accounts of your office :-

(Strike off whichever is inapplicable)

1. Name of the Head of Department, DDO and staff responsible in maintaining the account along with their time period.
2. Complete list of auditable documents/records, Balance Sheet, Income & Expenditure, Receipts and Payments along with Schedules and other connected records.
3. Reconciliation of Accounts with Accountant General or other Authority.
4. Detail of Budget allocation and expenditure incurred against budget allocation for the period cover under audit. Sanctioned of Expenditure or Head-wise allocation of fund and expenditure may be furnished.
5. Details of Loans and Advances received from Government/HUDCO/LIC during the period of audit.
6. Details of GPF Advance and NRW sanctioned along with sanction orders.
7. Cadre-wise sanctioned strength of the staff in various wings and position of actual posting/deployment against cadre strength.
8. Details of staff employed on Deputation with payment of Pension & Leave Salary Contribution to the Government.
9. Details of Contract Employees with sanction orders.
10. Details of Muster Rolls engaged with sanctioned orders.
11. Total Nos. of Service Books maintained in the Department/Office.
12. Number of vehicles maintained in the Department/Office along with their Log Book.

13. Details of Contract and Agreements entered into with various agencies during the period under audit.
14. Details of Grants-in-Aid received from Government/Other Agencies with sanction orders.
15. Loans, if any, taken from Government/other Institutions :
16. Loans given to third parties and their recoveries :
17. Advances given to Officers and Staff :
18. Income generated by way of Departmental charges like – fees, fines, rent etc.
19. Income generated from other sources like sale of tender and other miscellaneous income during the period under audit (specifying the nature of income)
20. Fixed Assets acquired during the year.
21. Details of Demand and Collection of Taxes.
22. Name of Schedule banks where accounts of Head of Office are operated during the period under audit along with pass books/bank statements of each bank.
23. Bank Reconciliation Statement at the end year under audit.
24. Details of Professional Tax along with deposit challans.
25. List of Advance Payments paid and adjusted/regularized during the year.

Head of Department or Office/DDO/Executive Authority

Audit Officer

Note :- Auditable accounts may consist of various books of accounts, vouchers, supporting documents and Registers, etc., it is the duty of Audit Officer to submit further requisitions according to the merit of the case.

While checking accounts it should be kept in mind that all relevant information should be completely and clearly recorded and pointed out in the POS/Work sheet or Rough papers so as to avoid re-examination of the same audit objection.

FORM No. 24
[Reference Para 9.21(ii)]
SPECIMEN FORM FOR
DRAFT ANNUAL AUDIT REPORT

TABLE OF CONTENTS

PREFACE

- (i) Brief details of report to be prepared under the Rules or relevant Act and its presentation to the Authority concerned.
- (ii) Particulars of Officers served in the Local Authority along with their time period. This may be mentioned in Local Authority wise.

EXECUTIVE SUMMARY/OVERVIEW

A synopsis of the important findings contained in the report is presented in this summary or overview.

CHAPTER – I

- 1.1 Introduction
- 1.2 Financial Position of the Local Authority
 - 1.2.1 Autonomous District Council**
 - 1.2.1.1 Lai Autonomous District Council
 - 1.2.1.2 Mara Autonomous District Council
 - 1.2.1.3 Chakma Autonomous District Council
 - 1.2.2 Aizawl Municipal Council**
 - 1.2.2.1 Chief Executive Officer, Aizawl Municipal Council
 - 1.2.2.2 Local Councils under Aizawl Municipal Council
 - 1.2.3 Shinlung Hills Development Council**
 - 1.2.3.1 Nodal Department/Office
 - 1.2.3.2 SHDC Office

1.2.4 Village Councils

1.2.4.1 Nodal Department/Office

1.2.4.2 Village Councils in District-wise

CHAPTER – II

This Chapter shall comprise Local Authority-wise audit observations relating to irregularities other than Works, Store and Stock Accounts, detected during each audit.

CHAPTER – III

This Chapter shall comprise Local Authority-wise audit observations relating to Works, Store and Stock Accounts detected during each audit.

CHAPTER – IV

Position of old observations (latest position of old audit observations).

Sl.	Period of Audit	Para No.	Present position with brief detail
1	2	3	4

CHAPTER – V

This Chapter shall contain Local Authority-wise detail of record not submitted (Non-submission of audit records).

CHAPTER – VI

This Chapter shall contain Appendices referred to in the various audit observations.

F O R M No. 25
(Reference Para 2.4.9)
SPECIMEN FORM FOR SURPRISE VERIFICATION OF CASH AND BOOK BALANCES

1. Date and Time of Verification :
2. Name of Department/Office :
3. Name of DDO with Designation & Period :
4. Name of Accountant with Designation & Period :
5. Name of Cashier with Designation & Period :
6. Position of Security Deposit to be furnished by Cashier :
7. **Checking of Cash Book :**
 - (i) Whether Page Nos. of Cash Book have been verified or not :
 - (ii) Whether Transactions have been entered as soon as they occurred :
 - (iii) Whether Daily Closing of Cash Book have been done regularly :
 - (iv) Whether entries made on the payment side of the Cash Book have been initiated by the DDO in token of checked :
 - (v) Whether Bank Account No. with name of Bank, if any, have been recorded on the Cash Book :
 - (vi) Whether instructions regarding corrections and overwriting have been followed :
 - (vii) Whether Monthly verification of Cash Balances have been done regularly :
8. Preparation of Bank Reconciliation Statement :
9. **CLOSING BALANCE OF CASH BOOK :**
 Cash Book Page No as on : Rs
 (If there are more than one Cash Book, it may be recorded in separate Sheet)
10. **Actual Cash-in-hand :**
 - (i) Cash : Rs..... (Denomination-wise list may be prepared by Auditor)
 - (ii) Cash Certificate :
 - (iii) Cheque Not yet encashed : Cheque No..... Dt..... Amount
 (Particulars of cheques & Certificate may be completely recorded)

11. Position of Bank Account :

- (i) Permission for opening Bank Account :.....
 - (ii) Name of Bank : Bank Account No.
 - (iii) Nature of Bank A/C : Saving/Current Account.
 - (iv) Closing Balance as on : Rs
- (If there are more than one Bank A/C, it may be recorded in separate Sheet)

12. Difference in Cash Book & Bank A/C including Cash-in-hand, Cash Certificates and Cheques not encashed but entered on receipt side in the Cash Book = Rs

13. Reason of Difference :

14. Investment Account :

- (i) Name of Bank (ii) Certificate No.
- (iii) Nature of Investment : (a) Deposit at Call Receipt (b) Fixed Deposits (c) Others
- (iv) Deposit Amount (v) Maturity Value and Date of Maturity

15. Bank Interest :

- (i) Interest accrued up to the date of Verification : Bank A/C No..... = Rs
- (ii) Whether interest have been reflected in the Cash Book :
- (iii) Whether any amount have been utilized out of interest accrued :
- (iv) If so, permission for utilization of Bank interest by competent authority :

(Photo copies of any documents which is considered necessary may be collected)

16. Books of Accounts/Accounting Records :

Whether the following Registers have been maintained or not :

- (i) Stock Register (ii) Cheque Issue Register (iii) Bank Interest Register (iv) Investment Register
- (v) Any other records which are consider necessary

17. Procedure followed in keeping of Chest Keys :

18. Checking of Service Books :

19. Other Observations :

Signature of Auditor who conducts verification