

# AUDIT OF MUNICIPAL BODIES

## Conceptual Framework

Concepts of Local Body and Local Fund are derived from rule 188 of O.G.F.R., Vol-1 and Section 2 of Odisha Local Fund Audit Act, 1948 respectively.

Municipal Bodies have been entrusted with the responsibilities for providing basic amenities to urban population. Also, 12<sup>th</sup> schedule of the Constitution (after 74<sup>th</sup> Amendment) focuses on decentralization of powers, infrastructural development in urban areas and the like.

Following Categories of Municipal Bodies are functioning under the Government of Odisha with respective statutes.

1. Municipal Corporation,

(*Odisha Municipal Corporation Act, 2003*)

2. Municipality, 3. Notified Area Council

(*Odisha Municipal Act, 1950*).

(*Odisha Municipal Rules, 1953*)

- Odisha Municipal Account Rules, 2012

**Important Accounts Records to be maintained**  
*(rule 4 to 14 of O.M. Accounts Rules, 2012 ibid).*

- (1) The Municipalities shall maintain their Books of Account on accrual basis under the double entry system of book-keeping.
- (2) Separate Books of Accounts shall be maintained for each year.
- (3) Forms in which accounting data shall be compiled and the Books of Accounts to be maintained by the Municipality are given in Annexure-I (Form ACNT-1 to 36) of O.M. Accounts Rules 2012.

# **Books of Account:**

- (1) The primary Books of Accounts and supporting documents under the double entry accounting system shall be:—
  - (a) Cash Book;
  - (b) Bank Book;
  - (c) Journal Book;
  - (d) General Ledger and Sub-ledger; and
  - (e) Vouchers.
- (2) The Books of Accounts, Forms and Registers may be maintained either in Odia or English.

**(3) Wherever the Books of Accounts are maintained manually, the Books of Accounts, Registers, Receipts, Bill books and other Accounting Records and Registers shall be affixed with the Seal of the Municipality and each of the pages of the aforesaid records shall be serially numbered. The number of pages of each Book or Register shall be certified in writing on the last page, by the Executive Officer or any other person duly authorized.**

# Cash Book

- (1) The Cash Book shall be maintained by the Cashier and shall record the transactions pertaining to cash receipts and disbursements of the Municipality in Form ACNT-1.
- (2) All amounts received in cash by the Municipality including cash withdrawals from Bank/Treasury Saving Account(s) shall be entered on the debit side of the Cash Book.
- (3) The Cash Book shall be closed and balanced daily, with details to show unremitted and undisbursed cash, if any.
- (4) The Accounts Officer shall daily examine the entries and the closing balance in the Cash Book and affix his signature in token of such examination.

# Bank Book:

- (1) The Bank Book shall be maintained by the Accountant and shall record all amounts deposited or withdrawn, either in cash or cheque, from Bank/ Treasury Saving Account(s) in Form ACNT - 1 with a series of folio reserved for each bank account and designated as Bank Book of Bank, Account No.

- (2) The following items of Receipts shall be accounted on the debit side of the Bank Book:—
    - (a) The total amount of Cash collection remitted into Bank / Treasury Saving Account(s);
    - 
    - (b) The total amount of Cheques deposited into Bank / Treasury Saving Account(s);
- and
- (c) Any other collections, demands, warrants, etc., received in the Bank / Treasury Saving Account(s) as given in Form ACNT-23 & ACNT-24.



# Ledger and Journal

- (1) The General Ledger shall be maintained by the Accountant in Form ACNT-3, with separate folios for each Head of Account which have an opening balance or transaction entry.
- (2) At the end of every day the transactions recorded in the Cash Book, Bank Book and Journal Book shall be posted to the appropriate ledgers to complete the double entry bookkeeping.

# Vouchers:

- *A voucher is a standardized form for recording the debit and credit aspects of every financial transaction in the Books of Account. Type of Voucher to be used shall depend on the nature of transaction.*
- (a) A receipt voucher in Form ACNT - 4
- (b) A payment voucher in Form ACNT -5 shall be prepared in respect of all transactions involving payment by cash or cheque or direct debit by Bank or Treasury;

- (c) A contra voucher in Form ACNT - 6 shall be prepared in respect of all transactions between cash and bank accounts only; and
- (d) A journal voucher in Form ACNT - 7 shall be prepared in respect of transactions which do not involve cash or bank accounts.
- (e) Vouchers shall be numbered separately for each type and shall be distinctly coded for each Fund

# Books of accounts to be separately maintained for Funds:

- (1) Municipal Fund shall be the main Fund maintained by the Municipalities as mentioned in Section 114 of the Odisha Municipal Act 1950 & Corporation Fund for Municipal Corporation as per section 147 of the Odisha Municipal Corporation Act, 2003 ,
- (2) The Government may prescribe Funds for which separate Books of Accounts have to be maintained.
- (3) The Municipality shall prepare separate Financial Statements for each Fund as defined in rule 2 (4) of O.M. Accounts Rules 2012.
- (4) Separate Bank accounts shall be maintained for each Fund.

# Other Important records

- Besides above, other records, registers and statements as mentioned below are required to be maintained.
  - (1) Demand, collection & Balance Register of Taxes and fees.
  - (2) Advance Ledger
  - (3) Loan ledger
  - (4) Grant Register
  - (5) Stock registers
  - (6) Measurement Books
  - (7) Property Register
  - (8) Daily Collection Register
  - (9) Assessment List
  - (10) Stamp Account Register Annual
  - (11) Financial Statements:

*(The Executive Officer shall cause to prepare, the Financial Statements for the preceding year in respect of the accounts of the Municipality, in the format provided in Annexure I-A. as required u/r 100 of O.M. Account Rules 2012)*

(12)Bank Reconciliation Statement

(13)Register of Works.

*(Audit is to see that all such records have been maintained. In case of non-maintenance, necessary comments to be given)*

# **Audit Criteria**

**Audit criteria have been derived from the following Acts and Rules.**

- Odisha Municipal Act,1950.
- Odisha Municipal Rules,1953.
- Odisha Municipal Corporation Act,2003.
- Odisha Municipal Accounts Rules,2012.
- Odisha General Financial Rules,Vol. I &II
- Delegation of Financial Power Rules.
- Odisha Treasury Code.
- O.P.W.D. Code.
- Odisha Service Code.
- General Provident Fund Rules
- Odisha Pension Rules,1992.

# **Accounting of Income, custody of money and audit of receipts**

*(Rule 19 to 27 of O.M Accounts Rules 2012)*

- **Modes of collection of Receipts**

- (1) The Municipality shall accept collections through various options such as bill collectors, citizen facilitation centres, direct credit through Bank, collection by Bank branches, collection through internet, for the citizens.
- (2) All collections made on behalf of the Municipality shall be entered in the Cash/ Bank Book on the same day as of the collection. All moneys to be brought to account:
- (3) All money transactions to which any member, officer or employee of a Municipality in his official capacity is a party shall without any reservation, be brought to account.



- (4) All moneys received shall be lodged in a Government Treasury Savings Account(s) or Scheduled Bank Account to the credit of the Municipality.
- (5) Executive Officer shall draw any money required for disbursement from the Treasury Savings Account(s), Banks or State Treasury by cheques/bills. No moneys received on behalf of the Municipality shall be utilised for its expenditure without first being brought into account and paid or remitted into the Treasury Savings Account(s) or Banks.

# Issue of Receipts for moneys received:

(1) All moneys received in the Municipality or by any member of the outdoor staff authorised in this behalf, in cash or in the form of cheques, demands, Indian postal orders, collection through internet, collection through bank branches, direct credit in bank, etc., shall without exception be acknowledged by a Receipt in Form ACNT - 8.

(2) The Receipts shall be pre-numbered and written up by using double sided carbon paper, when issued manually.

(3) No duplicate or copy of a Receipt shall be issued on the ground that the original has been lost. If any necessity arises for such a document, a certificate may be given that on a specified day certain sum on certain account was received from a certain person.

## Receipt of Municipal dues by cheques/ demands:

- (1) Crossed cheques/ demands may be accepted in payments of Municipal dues or in settlement of other transactions with the Municipality. On receipt of crossed cheque/ demand, a receipt shall be issued, specifically indicating there in, that the amount is subject to realisation".
- (2) Outstation cheques may be accepted provided that the Bank Charges are included in the cheque amount.
- (3) The Municipality shall maintain a record of all cheque/ demands and other bank instruments received.

# Sources of Receipts in Municipal Bodies

Main Sources Of Income of Municipal Bodies are –

- Grants received from Government.
- Taxes and fees collected from public.
- Revenues and Accruals from Investments etc.

# Audit Approach:

## Audit is to see :

- Whether all amounts collected through receipts have been brought to account and remitted to bank. For this purpose, auditor shall check the receipt books with Daily Collection Register and then with Cash Book. He/She is also to examine the assessment position of Taxes. The cases of underassessment should be reported as loss.
- In case of Grants, the auditor shall verify the Bill Register, Bank Book and Register of Grants etc.
- Interest Accruals and Investment Position should be thoroughly checked. Cases of premature withdrawals without valid reason should be commented upon properly.

# Accounting of Expenditure and Audit

(rule 28 to 48 of O. M. Account Rules 2012)

## *Payments from Municipal Funds:*

- (1) All payments from the Municipal Funds shall be made in cash, by cheques, demands or other means such as Electronic Clearing System/ Direct Credit to Bank Account of payee, etc., with a view to facilitating convenience of payees. Payment Voucher to bear acknowledgments of payees:
- (2) Every Cash Payment Voucher shall bear or have attached to it an acknowledgment of the payment, signed by the person for whom or on whose behalf the claim is put forth. No cash payment shall be made in the absence of necessary acknowledgment.

# Types of Expenditures in Municipal Bodies

Usually, following types of expenditures are being incurred in municipal bodies:

- Expenditures by utilizing Govt. Grants
- Payment of Salary/remuneration
- Maintenance expenditures (Light, road, tools, plants, sanitation, solid waste management etc.)
- Procurement of goods and hiring of vehicles.
- Execution of works projects.
- Miscellaneous.

# *Audit Approach*

Audit is to see :

- That, all expenditures have been covered under sanction.
- That, funds are available by budget provision, grants etc.
- That grants have been utilized for the purpose for which those are sanctioned as per norms prescribed in sanction orders.



- That, Utilisation Certificates have been submitted to proper quarters.
- That, salaries and other establishment claims have been entertained after fulfilling eligibility and entitlement criteria.
- That, necessary budget provisions have been made for maintenance and procurement expenditures.
- That, procurement guidelines have been followed to observe economy.

# Other Aspects to be covered in Municipal Audit

## 1. Audit of DCB Position (*rule 49 To 58*)

### *Duty of the Municipality:*

- As per rule 49 of O.M. Accounts Rules 2012, it shall be the duty of the Municipality to enumerate all persons or things that are liable for tax and maintain their record in a manner that amounts due, collection made and balances due are ascertained for all such persons or things.
- Thus, audit is to see that Demand, Collection and Balance position of all taxes, license fees have been maintained up-to-date.

## • 2. Audit of Stock and Stores

Audit is to see:

- That, articles purchased through vouchers have been entered into stock.
- That, stock registers have been balanced properly.
- All issues have been acknowledged by the recipients.
- Physical verification has been conducted by the head of office or any authorized officer at the year end.

## Miscellaneous Items

1. fee for installation of telecom towers, ground rent for electrical installations by CESU
2. Rent for erection of Advertisement hoardings
3. fines arising out of violation of solid waste management rules
4. Income from Trading Accounts e.g. Petrol pump, Town Bus Service etc. as per prescribed norms etc.

**THANK YOU**