

# SIKKIM

## GOVERNMENT GAZETTE



EXTRAORDINARY  
PUBLISHED BY AUTHORITY

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Gangtok	21 <sup>st</sup> August, 2014	NO. 359
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GOVERNMENT OF SIKKIM  
FINANCE REVENUE & EXPENDITURE DEPARTMENT  
MANAN KENDRA, GANGTOK

### NOTIFICATION

NO. 11/FIN/ADM

Dated 20<sup>TH</sup> August 2014

In exercise of the powers conferred by section 22 of the Sikkim Local Fund Audit Act, 2012, (22 of 2012), the State government hereby makes the following rules, namely:-

1. *Short title*                      (1) These rules may be called the Sikkim  
*and*    Local Fund Audit Rules, 2014.  
*Commencement*                      (2) They shall come into force at once.  
*nt*

2. *Definition*                      In these rules, unless the context otherwise requires;

- (a) 'Act' means the Sikkim Local Fund Audit Act, 2012;  
(b) 'Form' means the form appended to these rules;

- (c) 'Local Audit' means audit conducted at the office of any institution in the Schedule as defined under clause (j) of Section 2 of the Act;
- (d) 'report' means report sent under section 13 of the Act and includes reports sent by the auditor on conduct of special or test audit of accounts of any institutions, for a specified period, included in the Schedule;
- (e) 'section' means a section of the Act;
- (f) Words and expressions used herein and not defined in these rules but appended on the Act, shall have the meanings respectively assigned to them in the Act.

3. *Audit of accounts:*

The accounts of local authorities whose accounts are subject to audit under section 4 and 5 and the Schedule to the Act shall be audited by auditors of Sikkim Local Fund Audit Directorate, who are empowered to perform the functions of an auditor under clause (a)

of section 2 of the Act, under the direction and control of the Director of Local Fund Audit:

Provided that nothing in this rule shall prevent the Director from varying out himself an inspection or audit of accounts of any local authority included in the Schedule at his discretion.

4. *Audit of  
accounts of  
stock and  
store and  
verification of  
cash balance*

The auditor shall audit and report on the accounts of stock and stores relating to public work plant and machinery money value, forms etc. kept by the local authorities specified in the Schedule by virtue of powers conferred under section 6 of the Act. At the commencement of or during the audit or at the time of inspection, the auditor shall verify the cash balances including the unspent balance of permanent or other advances and the securities held by the local authority specified in the Schedule.

5. *Notice for  
commencement  
of audit*

Notice of audit as required under subsection (3) of section 11 of the Act, shall be given in writing at least 14 (fourteen) days in advance to the Executive Authority of the Institution concerned.

6. *Procedure of audit:*

Except in cases where the Director, or the officers authorized by him, in consultation with the Head of Office of the local authority, decides otherwise, the auditor shall, for the purpose of conducting audit, attend the office of the local authority during office hours.

(2) The local authority shall make suitable arrangements to enable the auditor to conduct the audit.

(3) The auditor shall not remove any book, voucher or document from the office of the local authority whose accounts are being audited by him:

Provided that if, in case of fraud or for other genuine reasons, he considers it necessary to keep any book, voucher or other document in his possession, he may remove it after giving a receipt thereof and shall forthwith report the matter to his Controlling Authority.

7. *Manner of audit:-*

(1) The system of concurrent audit shall be followed in the case of the local authorities/local funds where such system of audit was in vogue at the commencement of this Act. In the case of

all other local authorities/local funds, the accounts shall be audited annually in arrears during local audit:

Provided that the Government shall, in consultation with the Director introduce the system of concurrent audit in such of those local authorities/local funds as are found necessary under the provisions of any law governing them.

(2) The audit of accounts of local authority/local fund shall be a detailed audit unless otherwise decided by the Director:

Provided that the Director shall when the circumstances so warrant dispense with detailed audit of any account or a class of transaction and apply such limited check in relation to such accounts or class of transactions as he may deem fit.

(3) The auditors shall take up the audit of any local authority/local fund for a period shorter than one accounting year or the audit of any particular transaction or a series of transactions as they may deem fit if the circumstances so warrant.

(4) The auditors shall look into any other matter relating to the accounts of a

local authority/local funds as may be required by the Government and a report thereon shall be furnished to the officer authorized to receive it.

(5) The auditors shall visit any unit/Zonal/division/sub-division office or any other institution under the control of a local authority/local fund and to verify the books of account, stock and stores and connected records.

(6) The auditors shall audit the accounts of any special fund maintained by a local authority/local fund and kept separate from the general funds of the institutions.

(7) In the case of Panchayats and Municipalities whose accounts are audited annually by local audit, the auditors shall at the time of such local audit check the details of collection of revenue, remittance of collection and withdrawals from accounts up to the date of commencement of audit and shall incorporate in the audit report the defects or loss of money detected in audit.

#### *8. Manner of*

(1) The Auditor shall make requisition

*making  
requisition  
under Section  
11:-*

referred to in clause (a) of sub-section (1) of section 11 of the Act, in Annexure 1 and shall send to the Executive authority of local authority/local fund in duplicate. An acknowledgement from the officer concerned with date of receipt, shall be obtained in the duplicate copy.

(2) A notice referred to in clause (b) of sub-section (1) of section 11 for personal appearance addressed to an employee of a local authority/local fund shall be made by the auditor in Form I and shall be sent through the Executive Authority, if addressee is not the Executive Authority.

(3) The invitation issued in pursuance of clause (c) of sub-section (1) of section 11 to any officer or member of a local authority/local fund shall be in the form of a letter addressed to such officer or member. A copy of every such letter shall be retained in the case file. The letter shall be sent either by registered post or by messenger, and in the latter case, an acknowledgment duly signed and dated shall be obtained in transit book. Every requisition or invitation under section 11 shall be signed and dated by the auditor

and shall specify a period not less than 3 (three) days, within which it shall be complied with.

9. *Report of non-compliance with requisition*

If a notice under clause (a) or clause (b) of sub-section (1) of Section 11 of the Act is not complied with, within the period specified therein the auditor shall send the papers to his Controlling Authority concerned, with a brief statement of facts, for further action.

10. *Objection statement and replies there of:*

(1) All enquiries which are necessary for the auditor to make in the course of audit and all remarks shall be made through an objection statement in Form II.

(2) The auditor shall issue such objection statements with his dated signature day by day, as the audit proceeds and shall obtain an acknowledgement from the Head of Office of the local authority/local fund with date of receipt.

(3) The auditor shall as far as practicable, issue separate objection statements for each department of the local authority/local fund so that the



department concerned can proceed to take action as soon as objection statement is received:

Provided that the procedure in sub-rules (1) and (2) above shall be relaxed in the case of Municipalities, Panchayats and other local bodies where only local audit is conducted.

(4) The objection statements, shall be returned within the time specified by the auditor with dated signature of the Head of Office of the local authority together with an explanation to the objection, or a statement of the action taken or proposed to be taken to settle the objections raised and where necessary, shall also contain replies to the enquires made by the auditor.

(5) On receipt of the replies to the points raised by the auditor, he shall, wherever necessary re-issue for further action, any items on which final or sufficient action has not been taken or on which enquires made have not been satisfactorily answered. Such re-issues shall be marked for further 'remarks' in the Objection Statement.

(6) All objection statements issued

during the course of audit shall be returned to the auditor within the time/specified irrespective of the question whether all the objections have been fully answered or not.

*11.Manner of  
report of  
fraud or  
misappropri-  
tion or  
serious  
irregularities:*

(1) When a fraud or misappropriation is detected or may reasonably be inferred from any suspicious circumstances or there is very strong evidence to raise suspicion thereof or where any serious irregularity is noticed in accounts, the auditor shall at once confidentially report the circumstances, in writing to Executive Authority or the Head of Office and also to the Director of Local Fund Audit.

(2) When a fraud or misappropriation has been fully investigated by the auditor, he shall submit a complete report on the case to the Director, who shall send copies thereof either to the Controlling Authority or the Government as the case may be:

Provided that where the Executive Authority or the Head of Office of a local authority is involved or there are grounds for suspecting his complicity in

the fraud or misappropriation or the serious irregularities, neither the preliminary nor the complete report shall be sent to any of these officers.

*12.Objections*

*settled to be  
included in  
report in  
certain  
circumstance  
s:*

Objections which have been settled on the spot shall be included in the report if the irregularities are of a serious nature or point to any defect in procedure or error in principle.

*13.Draft audit*

*report to be  
shown to the  
Executive  
Authority on  
the close of  
audit*

Draft audit reports of all institutions included in the Schedule shall be shown to the Executive Authority of the respective institutions on the close of audit and proper acknowledgement shall be obtained in the draft audit report itself.

*14.The form and  
the manner in  
which the  
accounts are  
to  
be prepared  
and  
presented for*

*audit:*

(1) The annual account presented for audit by Panchayats, Municipal Councils, Nagar Panchayats and Municipal Corporations shall include:-

- (i) a statement of grants received and utilized;
- (ii) a statement of loans availed and utilized;

(iii) 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;

(iv) the statement of grants and statement of loans prepared in Form III and IV;

(v) a statement of receipt and payment.

(2) Where the amount at the credit of a local authority/local fund at the end of a year as per the pass book differ from the amount shown in the books of accounts maintained by the said local authority/local fund, a reconciliation statement shall be attached with the annual accounts presented for audit.

(3) The accounts relating to a financial year shall be presented for audit within 3 (three) months from the close of the financial year concerned.

(4) The Director shall require the preparation and presentation of any further statement of accounts which he considers necessary for the proper conduct of audit of accounts of a particular local authority/local fund.

*15.Procedure to  
be followed  
when the  
annual  
accounts  
presented for  
audit are  
defective/  
incomplete:-*

The annual accounts of a rural local bodies/urban local bodies presented for audit in a defective or incomplete manner shall be returned to the Executive Authority concerned for rectification of the defects detected on scrutiny or for supplying omissions noticed. Such annual accounts shall be deemed to have been presented for audit only on the date of receipt of the annual accounts after rectification of the defects/omissions pointed out by the audit.

*16.Issue of Audit  
Report*

(1) As soon as practicable after the completion of audit, but not later than 6 (six) months thereafter the auditor shall send to the head of the local authorities/local funds concerned, a report on the accounts audited and examined by him and the copies of the report shall also be sent to the Controlling Authorities/Government or as may be specified under the law governing the local fund. The report shall be, as concise as possible but shall

contain all the relevant facts.

(2) The audit report shall be sent to the head of the local authorities of local funds concerned either in person or by registered post with acknowledgement due.

(3) When the audit report is delivered in person, dated acknowledgement of the head of the local authorities/local funds for the receipt of the same shall be obtained in the transit book.

*17.Contents of  
the audit  
reports:-*

Unless otherwise provided in these rules, the audit of accounts of the local authorities/local funds shall be conducted by the auditors in such manner as may be specified by the Director. The instructions issued by the Director from time to time with regard to the form of audit report, drafting of audit paras, compilation of audit report, contents of the audit report, and the enclosures to the audit report shall be followed unless otherwise specified in these rules or in the Act.

There shall be two separate parts in the audit reports.

(1) Part showing the details of clear

cases of loss on receipt side which shall be incorporated;-

(i) cases in which the amount if any received which is required to be brought into account but has not been brought into account by any person;

(ii) the case of misappropriation of collections made; and

(iii) cases of any deficiency or loss of money due to short realization/non-realization of dues which appears to have been caused by the negligence or misconduct of any person.

(2) The part showing details of clear cases of loss in payment side which shall be incorporated;-

(i) cases of misutilisation of funds;

(ii) cases of payments which appears to be contrary to law;

(iii) cases of any deficiency/loss of any property, stock etc;

(iv) cases of excess payment made and

(v) cases of avoidable expenditure.

*18.Procedure to  
be followed  
after getting*

(1) On receipt of a report under section 12, the Executive Authority concerned

*the report of  
Director  
under  
section12:-*

shall remedy the defects or irregularities pointed out in the report and send to the auditor within 3 (three) months of receipt of report, a rectification report in regard to the defects or irregularities.

(2) On receipt of such rectification report, the auditor shall send within 3 (three) months. 'Further remarks' to the Executive Authority, with copies to the Officers to who audit reports are issued. He shall either;-

(a) accept the intimation or explanation of the Executive Authority and drop the objection; or

(b) hold the defects or irregularities pointed out in the report and specify whether the amounts involved in such defects or irregularities should be recovered from the concerned official.

(3) If no such rectification reports are received from the Executive Authority within 3 (three) months of receipt of the audit report, the auditor shall send a 'further report' on expiry of the 3 (three) months in the manner of further remarks and shall state in his report;-

(i) whether the defects or irregularities can be regularized by any method;



(ii) whether they can be condoned by any authority, if not admitted of being regularized;

(iii) whether the amounts to which defects or irregularities relate, should be recovered from the concerned official.

*19.Laying of  
Audit Report:*

The Director shall, not later than 31<sup>st</sup> March every year, send to the Government a consolidated report of the accounts, audited by him during the previous financial year, containing such particulars which he intends to bring to the notice of the Government.

**BY ORDER AND IN THE NAME OF GOVERNOR**

**(M.G.KIRAN) IAS  
Principal Secretary**

## ANNEXURE - 1

Name of registers/records/documents/files etc. to be produced to audit.

- 1 Cash Books
- 2 Register of Imprest Account
- 3 Salary Audit Register
- 4 Contingent Audit Registers/Ledgers
- 5 Security Deposit/TDR Registers
- 6 Bill Registers
- 7 Paid vouchers for the period covered by the Audit
- 8 Bank Receipts/ Challans
- 9 Counterfoils of Cheques
- 10 Bank Pass Book/Bank Scroll
- 11 Budget file
- 12 Monthly progress report
- 13 Stock Registers
- 14 Tools and Plant Registers
- 15 Purchase file relating to purchase of stationery, uniform, furniture & fixture, machine & equipment, store & stock etc.
- 16 Files/Records relating to the appointment of office bearers, if any.
- 17 Files/Records relating to the implementation of schemes/projects.

- 18 Files/Records relating to the Utilisation Certificate.
- 19 Register of Advances
- 20 Register of Postage Stamp
- 21 Register of Assets/Valuables
- 22 Telephones Register.
- 23 Works files along with MBs, project reports, paid vouchers, details, estimates, etc.
- 24 Documents of fund received / guidelines of the various scheme for utilization of funds
- 25 List of Government properties vested with the institution within its jurisdiction.
- 26 Details of Fund Receipts and Payments in the enclosed format.
- 27 Details of Revenue receipts in the enclosed format.

**Government of Sikkim**

-----**Department**

**Liability statement for the month of -----, 20**

**(` in Thousands)**

Sl. No.	Nature of Liability/Nature of Work	Indent		Name of agency on which indent/work order is placed	Estimated cost	Contingencies if any	Total Liability	Probable month in which the expenditure will be accounted in the departmental expenditure statement		Remarks
		No.	Date					Month	Expenditure likely to be	

									incurred	
1	2	3	4	5	6	7	8	9	10	11

**LOCAL FUND AUDIT DIVISION, F. R. & E. D, SIKKIM**

**FORM - II**

**OBJECTION STATEMENT**

(See Rule 10)

**No.** \_\_\_\_\_

**Date** \_\_\_\_\_

Sl.No	Vr. No.	Particulars of Payment	Amount	Objection/Suggestion made by Audit (with signature & date of Auditor)	Reply of Local Authority/ Local Fund (with signature, date & designation )	Further/Final Remarks of the Auditor
1	2	3	4	5	6	7

**LOCAL FUND AUDIT DIVISION, F. R. & E. D, SIKKIM**

**FORM - III**

**ANNUAL ACCOUNTS (Statement of Grants)**

**(See Rule 14)**

**Name of Local authority:**

Sl.No	Name/Purpose of Grant	Opening Balance (if any)	Source of Funding	No & Date of Sanction Order & Date of Receipt by the Local Authority	Amount of Grant	Name of work for which utilised	Amount expended	Unspent Balance	Remarks (extention of period of utilisation/diversion of purpose lapses of grant etc. may be specified)
1	2	3	4	5	6	7	8	9	10
							<b>Executive Authority</b>		

**LOCAL FUND AUDIT DIVISION, F. R. & E. D, SIKKIM**

**FORM - IV**

**ANNUAL ACCOUNTS (Statement of Loans)**

**(See Rule 14)**

**Name of Local authority:**

Sl.No	Name/Purpose of Loan	Source of Loan	No & Date of Sanction Order & Date of Receipt by the	Opening Balance (if any)	Amount of Loan	Total	Amount utilised during the	Unspent Balance
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			Local Authority				year	
1	2	3	4	5	6	7	8	9
						Executive Authority		