TAMIL NADU LOCAL FUND AUDIT RULES 2016 **CONTENT**

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[Subject: ACT - Tamil Nadu Local Fund Audit Rules 2016 (Tamil Nadu Act 24 of 2014) – Notification under sub section (1) of section 26 of the said Act – Notified.]

[G.O.(Ms).No.240, Finance (Local Fund) Department,dated.24.08.2016.] [Published as Notification No.SRO16(a)/2016 in Part –III- Section 1(a) of the Tamil Nadu Government Gazette Extraordinary No.186, Dated .24.08.2016] **NOTIFICATION.**

[G.O.(Ms).No.240, Finance (Local Fund) Department,dated.24.08.2016.] In exercise of the powers conferred by sub- section (1) of section 26 of the Tamil Nadu Local Fund Audit Act, 2014 (Tamil Nadu Act 24 of 2014), the Governor of Tamil Nadu hereby makes the following rules.—

Tamil Nadu Local Fund Audit Rules, 2016

1. Short title and commencement.— (1) These rules may be called the Tamil Nadu Local Fund Audit Rules, 2016.

(2) They shall come into force on the 24th August, 2016.

2. Definitions. — In these rules, unless there is anything repugnant in the subject or context, —

(a) ‘‘Act” means the Tamil Nadu Local Fund Audit Act, 2014 (Tamil Nadu Act 24 of 2014) ;

(b) “Auditor” means the Director of Local Fund Audit or an officer includes an individual auditor or audit party or group of auditors of the Local Fund Audit Department authorised by him, entrusted with the audit of the local or other authorities or local funds under section 4 of the Act;

(c) “Audit Party” means the team of auditors carrying out the audit of local authority or local funds as specified in the Schedule to the Act;

(d) “Audit Report” means the report sent under section 11 of the Act and includes reports sent by the auditor on conduct of annual audit, concurrent audit, special audit, test audit of accounts of any institution for a specified period, included in the Schedule to the Act;

(e) “Audit notes” means the notes sent by the auditor on conduct of annual audit, half-yearly audit, quarterly audit, transaction audit and special audit;

(f) “Cent per cent audit” means complete scrutiny and check of records and registers pertaining to the audit period of any local authority or local fund;

(g) “Charge” means any amount for which the Director makes any person liable for loss caused by negligence or misconduct and due to defalcation or misappropriation of revenue of a local authority or local fund;

(h) “Controlling Authority” means the Higher Administrative Officers having control of any local authority or local fund specified in the Schedule to the Act;

(i) “Director” means the Director of Local Fund Audit;

(j) “Local Audit” means audit conducted at the office of any institution in the Schedule as per the approved audit programme;

(k) “Local Authority” means the authorities specified in the Schedule appended to the Act;

(l) “Man days” means the number of days required for conducting the audit of a local authority or local fund and includes the number of days worked by each auditor for conducting audit as per the audit programme and for audit related activities entrusted;

(m) “Performance Audit” means an independent and systematic examination to assess the performance of a local authority in implementation of various schemes, activities or functions that require public accountability;

(n) “Post Audit” means the audit conducted on transactions of all accounts of any local authority or local fund after completion of a financial year;

(o) “Review” means check by higher authority wherever necessary of the audit work done by an auditor or audit party who conduct the basic work on items most susceptible of misapplication of rules or orders which lead to illegal payments;

(p) “Section” means a section of the Act;

(q) “Special Audit” means an audit or re-audit of a particular transaction or all the transactions of an account or Scheme requiring thorough examination,

of a local authority or local fund for a financial year or part thereof or for a period already covered by audit or such period as may be specified by the Director or by the Government;

(r) “Special Letter” means the letter or letters containing the list of audit objections of surchargeable nature;

(s) “Special Report” means the report containing the list of audit objections for which the executive authority is jointly and severally responsible for the loss incurred;

(t) “Surcharge Certificate” means the certificate by which the charge or the liability of the surcharged is communicated;

(u) “State” means the State of Tamil Nadu;

(v) “Test Audit” means a random audit conducted on the accounts of any local authority or local fund for a financial year or specified period as directed by the Director, carried out without cent per cent scrutiny and check on the records and registers;

(w) The words and expressions used in these rules but not defined therein shall have the same meaning respectively assigned to them in the Tamil Nadu Local Fund Audit Act, 2014(Tamil Nadu Act 24 of 2014).

3. Duties of the Director.— (1) The Director or such other officer appointed by the Government under section 3 of the Act shall audit or cause to be audited, the accounts of a local authority or other authorities or local fund in the manner provided in the Act by the auditor authorized by him.

(2) The Director or an officer not below the rank of Deputy Director may inspect the accounts of local authorities and local funds specified in the Schedule appended to the Act.

(3) The Director may condone the audit of accounts of any local authority or other authority, where the audit is not possible due to loss of records on account of floods, fire and theft and other natural calamities in consultation with the heads of administrative departments of the local authorities or other authorities concerned:

Provided that the Director shall report such action to the Government, wherever necessary.

(4) The Director may call for all the files including the files relating to confidential nature which are not produced to auditors, by the Executive

authority and deal with them in accordance with the standing instructions for the handling and custody of such documents issued from time to time in this regard.

(5) (a) In respect of Village Panchayats and other authorities of smaller transactions, and where the individual audit or audit by the audit party is not considered desirable or feasible in terms of time spent on transits the Director may through his subordinate staff organize to conduct the audit of the said authorities, at the Panchayat Union Council headquarters or district headquarters or at such other places as specified;

(b) The responsibility for making available and production of records to audit at headquarters or at the specified places shall continue to rest with the Executive authority concerned;

(c) The Controlling Authority of the said local authorities or local funds shall take all necessary measures to ensure production of all records as desired by the auditors.

(6) (a) The Director shall inspect or cause to be inspected by his subordinates or by the Executive authority of any local authority, any asset or place of work to confirm the genuineness of any asset or execution of work during the year under audit, if circumstances so warrant and ensure the propriety of the expenditure incurred;

(b) The details of such inspection and the findings thereon shall be incorporated in the audit report or audit notes:

Provided that the Director shall report the findings of such inspection to the Controlling Authority or to the Government as the case may be.

(7) The Director shall, in addition to the powers vested in him under the Act and the rules made thereunder, exercise the powers and perform the functions of the Head of the Department under the various rules, codes and orders of the Government.

4. Audit of Accounts.—The accounts of the local authorities and other local funds whose accounts are declared to be subjected to audit under sections 4 and 5 and Schedule to the Act shall be audited by the Director, or cause to be audited by an officer (Joint Director, Deputy Director, Assistant Director, Inspector, Deputy Inspector, Assistant Inspector or other officers, by whatsoever name or names they are called) of the Local Fund Audit Department, who are empowered to perform the functions of an auditor under section 4 of the Act on the direction and control of the Director.

5. Audit of Institutions not included in the Schedule.— The Director, may with the prior permission of the Government, audit the accounts of any authority, body, institution or fund not included in the Schedule to the Act in accordance with section 5 of the Act.

6. Manner of Audit.— (1)The audit shall be a detailed audit as indicated below unless otherwise decided by the Director. —

(a) Post Audit of all transactions on the accounts of local authorities and local funds for a financial or accounting year;

(b) Cent per cent audit of transactions on the accounts or a particular account of local authorities or local funds for the whole financial year or such period;

(c) (i) Concurrent audit of the accounts of Municipal Corporations, Municipalities, Panchayat Union Councils, Universities and other Institutions:

Provided that the Government shall, in consultation with the Director introduce the system of concurrent audit in such of those local authorities or local funds as are found necessary;

(ii) Immediate post audit of the vouchers relating to the expenditure in the institutions where concurrent audit is done shall be conducted by the auditor;

Explanation.— The system of concurrent audit shall be followed in the case of the local authorities or local funds where such system of audit was in vogue before the date of commencement of this Act.

(d) Special Audit on the accounts or records of a local authority or local fund, appears to be necessary in any case at the discretion of the Director, the Controlling Authority or the Government may, in special circumstances, require the Director to arrange for a special audit of the accounts of a local authority;

(e) Transaction audit on the accounts or records of a local authority or local fund relating to retiring or retired officials for a specific period for specific purpose on the request of the controlling authority or under the orders of the Government:

Provided that the transaction audit is carried out for the period upto six months before the retirement of the officer concerned;

(f) Performance Audit of scheme expenditure in a local authority or any authority wherever necessary, to ascertain whether the desired results or benefits were achieved in utilizing the grants or loans sanctioned for specified purpose —

(i) performance audit shall also be conducted by the Director on the orders of the Government;

(ii) performance audit of the schemes implemented by local authority may be confined to a particular period or specific scheme, in a particular district or throughout the State as a whole;

(g) Pre-audit of any local authority or local fund where extraordinary circumstances or special cases so warrant, with the permission of the Government.

(2) The auditors shall take up the audit of any local authority or local fund for a financial year or for a specified period of 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 —

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

(b) Wherever the accounting year of any local authority differs from the financial year, the auditor shall take up the audit of that accounting year;

(c) The Director may with the permission of the Government change the type of audit of any local authority or local funds.

(3) The auditors shall look into any other matter relating to the accounts of a local authority or local fund as may be required by the Government and a report thereon shall be furnished to the officer authorised to receive it.

(4) The auditors shall have authority to visit any unit or zonal or division or sub-division office or any other institution under the control of a local authority or local fund and to verify the books of accounts, and connected records.

(5) The auditors shall have authority to audit the accounts of all funds and any special fund maintained by a local authority or local fund and kept separate from the general funds of the institutions.

(6) (a) In the case of Town Panchayats and Municipalities whose accounts are audited annually in 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 completion of audit and shall incorporate in the audit report the defects or loss of money detected in audit. The details of loss of revenue if any found should be reported to the Director and the Executive authority through a special letter by the auditor through the controlling officers;

(b) In case of Corporations, Municipalities (concurrent audit), Universities and Panchayat Union Councils the details of daily collection of revenue, remittance of collection in respect of all funds shall be verified on day to day basis and the defects or loss of money detected in audit shall be reported to the Executive authority then and there. The defects or loss of revenue shall also be reported to the Director immediately by the controlling officer.

(7) (a) The paid vouchers of Town Panchayats for every month shall be submitted by the Executive authority of the Town Panchayats along with the monthly accounts or monthly trial balance and the resolution of the council duly enclosing the vouchers before the 25th of the succeeding month to the audit office. Such vouchers shall be scrutinized by the Assistant Director and caused to be audited in his office by his subordinates;

(b) Audit notes on the findings of the vouchers during such audit shall be written up by the auditor and reviewed by the reviewing officer. The Audit notes shall be approved by the Assistant Director or his subordinates as directed and shall be communicated to the Executive authority with a request to furnish replies to the audit observations within a month time:

Provided that a detailed audit of such vouchers shall be done during the local audit:

provided further that each auditor shall audit not less than 150 vouchers per day;

(c) The paras pending in the voucher audit notes at the closure of Annual Audit or Special Audit or Transaction Audit shall be incorporated in the Audit Reports or Audit notes.

(8) Notice of audit under sub-section (1) of section 6 of the Act, shall be given to the auditable institution in the Form-A not less than fifteen days in advance before commencement of audit, in writing:

Provided that the notice may be dispensed with or notice for the lesser period may be given for which valid reasons shall be recorded in writing.

(9) (a) Except in cases where the Director or the officers authorised by him, in consultation with the Head of Office of the local authority, local fund decides otherwise, the auditor shall, for the purpose of conducting audit, attend the office of the local authority or local fund during office hours;

(b) The local authority or local fund shall make suitable arrangements to enable the auditor to conduct the audit;

(c) 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.

(10) The auditor shall arrange for a discussion with the Executive authority before the commencement of the audit of any local authority regarding the course of audit, duration and production of records for the smooth conduct of audit.

(11) (a) Annual Audit Plan shall be prepared by the Director or by his subordinate officers as per the direction of the Director for each calendar year containing the list of institutions, the audit of which are to be taken up during the year, the date of commencement and completion of audit, details of auditor, man days to be allowed and the list of institutions the audit of which will be in progress at the completion of the year. Provision shall also be made for the completion of the audits in progress at the beginning of the year;

(b) Quarterly audit programme shall be prepared for each quarter, based on the annual audit plan by the concerned authorities and sent to the authority for approval before the 15th of the month preceding to the commencement of the quarter. The Director or his subordinate officers shall approve the quarterly audit programme within fifteen days from the date of receipt;

(c) Deviation from the approved programme shall be got approved by the Director or approving authority in advance:

(d) Monthly audit programme shall be prepared based on the approved quarterly programme by the head of office with details of institutions to be audited during the month by the audit party and communicated in writing to the head of the audit party and members and their signature to be obtained. Man days allotted for each institution should also be specified.

Explanation — I.— Distribution of audit work among the audit party shall be made by the head of audit party during the commencement of audit. The work distribution shall be scientific and of even nature.

Explanation — II.— Reports on the commencement and completion of audit shall be sent by the head of audit party to the head of office with a copy to the Director.

(12) (a) At the commencement of or during the annual audit or at the time of inspection of any local authority or local fund, the auditor shall verify the cash balances including the unspent balance of permanent or other advances and the securities

(including investments, security bonds, debentures, fixed deposits, shares etc.,) held by the local authority specified in the Schedule and record in the relevant registers under his signature;

(b) In the institution where concurrent audit is conducted the auditors shall verify the cash balance periodically and at the closure of annual audit and record in the relevant registers under his signature. Physical verification of the securities shall also be made at the closure of the annual audit.

(13) (a) Man days for audit of each local body or local fund shall be prescribed by the Director for the annual audit, based on the grade of the institution and also the volume of the transactions;

(b) In case of concurrent audit of Corporations, Universities, Municipalities and Panchayat Union Councils, the Director shall prescribe the man days on the basis of the annual transaction and work involved if the circumstances so warrant;

(c) Man days for special audit, transaction audit and test audit shall be fixed by the Director according to the needs;

(d) Power to curtail the allowed man days and sanction excess man days vests with the Director.

(14) (a) The power to divert the audit officers for any kind of audit within or outside the district or region and from the concurrent units and also from Internal Audit shall vest with the Director or his subordinate officers as per the delegation of the Director:

Provided that the period of such diversion and the purpose shall be specified in the orders;

(b) The Director shall also have the powers for diversion of auditors under the control of the Chief Internal Auditor and Chief Auditor of Statutory Boards within a district or region for carrying out the audit of local authority or local fund audit, with the prior approval of the Chief Internal Auditor and Chief Auditor of Statutory Boards:

Provided that such diversion shall be required only for completion of arrears or backlog in audit;

(c) The Director shall also divert the audit officers under his control to the Chief Internal Auditor and Chief Auditor of Statutory Boards to clear the arrears in audit.

(15) (a) The progress of audit shall be reviewed by the controlling officer or any other higher authority directed by the Director, at the institution where audit is in progress, periodically as specified by the Director;

(b) The Director may himself or through his subordinate officers cause to conduct surprise check on the process of audit done by the auditors at any local authority during the course of audit.

7. Preparation and submission of annual accounts for audit.— (1)The annual accounts of a local authority or local fund shall be prepared or caused to be prepared by the Executive authority and presented for audit under sub-section (1) of section 7 of the Act within three months from the close of the financial year in the form and manner prescribed by the respective Administrative Departments:

Provided that in cases where the accounting year followed by a local authority or local fund differs from a financial year, the annual accounts of such institutions shall be presented for audit within four months from the closure of the accounting year.

(2) The annual account presented by a local authority and local fund shall include**.—**

(a) opening balance or opening balance sheet for the year showing the balance in each bank or treasury account;

(b) statement of receipts and payments or income and expenditure under each head of account with Schedules;

(c) the amount at the credit of the local authority or local fund on the date of closure of the financial year showing the balance in each bank or treasury account;

(d) statement showing the demand, collection and balance of revenue collection including arrear collection;

(e) statement of investments made;

(f) statement showing the outstanding loans on the date of beginning of the accounting year, repayments made during the year and outstanding loans on the date of end of the accounting year;

(g) statement of assets and liabilities as on the date of closure of the accounting year;

(h) trial balance and balance sheet along with Schedules as on the date of end of the financial or accounting year;

(i) statement of grants received and utilized;

(j) statement of loans availed and utilized;

(k) statement showing the details of works undertaken during the financial year concerned, amount expended for each work and balance of fund, if any, available;

(l) any other records required for undertaking and completion of audit by the Director or his subordinates.

(3) Where the amount at the credit of a local authority or local fund on the date of end of a financial year or accounting year as per the pass book differ from the amount shown in the books of accounts maintained by the said local authority or local fund, reconciliation statements for all accounts shall be prepared and attached with the annual accounts presented for audit.

(4) The annual accounts presented for audit by the University shall include.—

(a) demand collection balance statement of all receipts (including of tuition fee, entrance fee, examination fee and other fees) collected;

(b) demand collection balance statement of University affiliation fee and sports affiliation fee (to be collected by the Principals of affiliated colleges) remitted to University fund;

(c) demand collection balance statement of fees and other dues collected by the teaching departments of the University including distance education;

(d) the accounts and statements of expenditure relating to the grants sanctioned to the Universities by the University Grants Commission or the State Government or other funding agencies for specified schemes. In the case of continuing schemes, the accounts of such schemes shall be presented for audit as required by the funding agency;

(e) in the case of grants sanctioned by other agencies (including the State Committee of Science and Technology) the accounts relating to the research schemes projects or seminars shall be presented for audit as soon as the research work, projects or seminars is finalised or the grant received is utilised as the case may be.

(5) The Director shall have authority to 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 or local fund or Universities.

(6) (a) Non preparation and non presentation of annual accounts shall be reported to the Director by the subordinate officers in-charge of the audit of the local authority or local fund;

(b) Show cause notice under sub-section (2) of section 7 of the Act shall be issued by an officer not below the rank of Deputy Director to the executive authority with an opportunity to furnish the reasons within fifteen days in Form-B;

(c) If the reasons are not satisfactory, penalty may be imposed by the Director as per the provisions of the Act and such action shall be reported to the Controlling Authority and the Government;

(d) The penalty under sub-section (2) of section 7 of the Act shall be levied as detailed below:-

(i) For non-preparation and presentation before the due date : Rs.1,000/-

(ii) For non-presentation of accounts upto 15 days after the due date : Rs.2,000/-

(iii) For delay exceeding 15 days upto 30 days : Rs.3,000/-

(iv) For delay exceeding 30 days : Rs.5,000/-

(7) (a) Whereas the annual accounts of a local authority or local fund 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 within ten days after the receipt of the accounts in audit office. The Executive authority shall rectify or cause to rectify the defects pointed out by audit and resubmits the rectified annual accounts within fifteen days. 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 or omissions pointed out by the audit;

(b) Cases of non-presentation and non-resubmission of annual accounts by the Executive authority within the due date and non-submission or re- submission even after imposing penalty, such cases shall be reported by the Director to the Government with the recommendation to withhold release of funds to any authority which fails to furnish accounts for audit on expiry of three months from the specified period.

8. Production of records to audit .— (1) The Executive Authority shall cause to produce the genuine or bonafide manual and electronic records and registers and to provide access to electronic data stored in server relevant to accounts and audit. He shall verify that the records and registers are completely written up and closed for the accounting year and bear the authentication of the Executive authority or the persons authorised and shall also ensure that no unauthorized or false records and registers are produced to audit.

(2) All enquiries regarding production of records vouchers and any other documents which are necessary for the audit and all remarks shall be made through a requisition letter referred to in clause (a) of sub-section (1) of section 8 of the Act. The requisition shall be made to the Executive authority of local authority or local fund in duplicate. An acknowledgement from the officer concerned with date of receipt, shall be obtained in the duplicate copy.

(3) A notice referred to in clause (b) of sub-section (1) of section 8 for personal appearance addressed to an employee of a local authority or local fund having custody or control of any records required for audit shall be issued by the Director or his subordinates as per the delegation given by the Director and shall be sent through the Executive authority, if addressee is not the Executive authority.

Form-C, signed and dated by the auditor and shall specify a period not less than three days, within which it shall be complied with. A copy of every such letter shall be retained by the auditor. The letter shall be sent either by registered post or by messenger, and in the latter case, an acknowledgement duly signed and dated shall be obtained in transit book.

(5) The Director or his subordinate officers as per the delegation given by the Director shall also invite any officer or member of a local authority or local fund of an explanation is required from him specifying the point needed to be explained, in writing in

Form-D under clause (c) of sub-section (1) of section 8 of the Act.

9. Penalty for disobeying requisition under section 8.— (1) If a notice under clauses (a) and (b) of sub-section(1) of section 8 of the Act is not complied with, within the period specified therein the auditor shall send the papers to his controlling authority, with a brief statement of facts for further action.

(2) The controlling officer, not below the rank of Assistant Director or the officer delegated by the Director to do so, on receipt of the brief statement from the auditor, shall issue show cause notice in Form-E under section 9 of

the Act calling for explanation with a reasonable time limit of fifteen days and on receipt of explanation, may either accept the reasons if genuine or if found unacceptable, proceed to impose penalty as follows: -

(a) (i) in cases of non-production of records, where man days for audit exceed fifteen days, the penalty imposed shall be a minimum of one thousand rupees upto a maximum of five thousand rupees proportionate to delay of the man days and the number of days of non-production of records;

(ii) in cases where man days for audit is less than fifteen days the penalty imposed shall be one thousand rupees only.

(b)(i) in cases of non-appearance, where man days for audit exceed fifteen days, the penalty imposed shall be a minimum one thousand rupees upto a maximum five thousand rupees proportionate to delay of the man days and the number of days of non-appearance;

(ii) in cases where man days for audit is less than fifteen days the penalty imposed shall be one thousand rupees only.

(3) The penalty specified above shall be imposed on each individual officer or member of any local authority or local fund responsible for non-production of records or failure to appear in person separately for each case.

(4) The penalty imposed against any person shall be recovered from the salary of the individual and not from the funds of the local authority or local fund.

10. Completion of Audit.— (1) The audit on the accounts prepared and presented for audit under section 7 of the Act shall be completed by the Director or the officer delegated by the Director within a period of six months.

Explanation.—The period of six months in respect of annual accounts returned for rectification shall be calculated only from the date of resubmission after rectification.

(2) (a) The auditor shall prepare the audit report with due care that the objections are stated clearly and precisely as possible and no indisputable facts and figures find place in the report and submit the draft audit report along with the audited accounts to the authority as specified by the Director, for review and approval. The draft audit report shall be submitted within thirty days on completion of audit or on the date communicated by the approving authority, whichever is earlier, by the auditor or audit party;

(b) Audit reports or audit notes shall be approved by the Head of office concerned in the following manner**:—**

(i) by scrutiny of the draft audit report or audit notes at the office itself and offering review remarks;

(ii) by conducting local passing for one or two days at the institution to verify the records;

(iii) after rectifying the defects pointed out by the Director on scrutiny of the draft audit report wherever applicable;

(c) The approving authority shall scrutinize the draft audit report and complete the review:

Provided that the draft audit reports shall be returned to the auditor with objections by the competent authority for rectification of defects within fifteen days and the rectified draft audit report shall be resubmitted by the auditor within a period of seven days from the date on which the auditor receives such reports;

(d) On receipt of rectification report from the auditor, the correctness should be verified by the competent authority and draft audit report may be approved or local passing shall be done at the institution whenever found necessary: Provided that wherever such review is conducted the draft audit report shall be approved and issued without delay;

(e) If the reports are further returned for rectification, such returned reports shall be resubmitted within a period of three days from the date of receipt by the auditor. If such reports are still found to be not free from the defects as earlier noticed, the auditors are liable for penal action;

(f) The Director may with specific reasons to be recorded in writing and in exceptional cases, grant extra time, for submission of the reports.

(3)(a)The auditor shall issue audit slips containing details of audit observations or objections with his dated signature day by day, as the audit proceeds, in duplicate and shall obtain an acknowledgement from the Head of Office of the local authority or local fund with date of receipt in one copy; (b) The auditor shall as far as practicable, issue separate audit slips for each department of the local authority or local fund so that the department concerned can proceed to take action as soon as the audit slip is received;

(c) All audit slips issued during the course of audit shall be returned to the auditor by the Executive authority with replies to the objection, and a statement of the action taken or proposed to be taken to settle the objections raised;

(d) On receipt of the replies to the points raised by the auditor, the auditor shall, wherever necessary re-issue for further action, any items on which final or sufficient action has not been taken or on which enquiries made have not been satisfactorily answered;

(e) All the audit slips pending at the close of audit shall be compiled and incorporated in the audit report or audit notes without any omission.

(4) (a) In the local authorities where immediate post audit is conducted audit slips shall be written up then and there on completion of voucher audit and the audit slips written during a fortnight shall be communicated to the executive authority on fortnightly basis. In case of Panchayat Union Councils, audit slips shall be written up then and there on completion of the audit of each transaction and communicated to the Executive authority;

(b) The Executive authority shall rectify the defects and furnish replies to the audit slips within fifteen days;

(c) On receipt of the reply the correctness should be verified and remarks on the settlement or non acceptance of the reply shall be communicated to the Executive authority;

(d) The audit slips pending settlement on the date of closure of the annual audit of a financial year should be consolidated and incorporated in the audit report or audit notes. Based on the reply if any audit slip is dropped after due satisfaction such objections also appended to the original audit report.

(5) The auditor or reviewing authority shall show the draft audit report or audit notes to the Executive authority of the respective institutions on the closure of audit and obtain acknowledgement in the draft audit report. He shall have exit level conference on the concluding day of the audit, with the Executive authority and discuss regarding the findings of audit, audit slips issued, audit observations and non-production of records if any and closure of audit.

(6) 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.

(7) The Director or the officer delegated by the Director shall verify the correctness of the annual accounts during annual audit and certify the annual

accounts as prescribed below and append the certified copy of the accounts with the audit report:-

(a) Unqualified Certificate**.—** If the auditor is satisfied in all material respects of the annual accounts, and found that accounts have been compiled properly with reference to subsidiary registers, book of accounts, the financial statements, and Schedules and that the accounts have been prepared according to the Act and rules, unqualified certificate shall be given;

(b) Qualified Certificate**.—** If during verification in local audit, it was found out that there are serious mistakes in the annual accounts such as uncertainly with the amounts, non-tallying with subsidiary registers, books of accounts and other relevant records, the auditor shall issue a qualified certificate pointing out the defects noticed;

(c) Disclaimer Certificate**.—** If in the opinion of the auditor, there is no possibility of the audit to give a clear opinion about the annual accounts, for want of any details, or due to non-closure or non-tallying of subsidiary records, demand, collection, balance statement, disclaimer certificate shall be given by the auditor:

Provided that the reasons leading to the disclaimer are mentioned in writing with the details of discrepancies found out in respect of each transaction;

(d) Adverse Certificate **.—** If the auditor cannot agree with the fundamental aspects of the annual accounts and if the accounts are found to be not acceptable due to the reasons that the account books, subsidiary registers and other relevant records have not been written up, demand, collection, balance statement not prepared for revenue items, reconciliation not struck and the figures in the annual account did not match with that of the Financial Statements presented to audit, an adverse certificate shall be given:

Provided that the specific reasons thereon shall be recorded in writing and appended to the audit report.

(8) The Director shall arrange to complete the audit of local authority and local fund, of which the annual accounts relating to a financial year were not prepared and presented to audit within prescribed time limit, and if the audit could not be completed within a period of two years from the completion of the financial year, he shall report the fact in the annual report being presented to the Legislative Assembly.

11. Issue of Audit Report .— (1) As soon as practicable after the completion of audit, but not later than three months thereafter the auditor shall

send to the head of the local authorities or local funds or standing committees of local authority 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 or 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 or local funds or standing committee 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 or local funds for the receipt of the same shall be obtained in the transit book.

(4) (a) Annual audit notes or audit notes shall be prepared by the auditor, incorporating audit observations of routine nature and objections involving lower value and issued along with the annual audit report;

(b) Audit notes shall also be prepared in case of concurrent audit units as prescribed and issued to the Executive authority;

(c) Transaction audit notes shall also be prepared in cases where transaction audit is done incorporating the detected audit objections or observations and issued to the Executive authority copy of transaction audit note shall also be sent to the Director.

12. Contents of the Audit Report .— (1) Unless otherwise provided in these rules, the contents of the audit reports of the local authorities or local funds shall be in such manner as may be prescribed by the Director. The instructions issued by the Director from time to time with regard to the form of audit report, drafting of audit para, compilation of audit report, contents of the audit report, and the enclosures to the audit report shall be followed unless otherwise specified in the Act or in these rules.

(2) There shall be seven separate parts in the audit reports**,—**

Part-1: containing review of annual accounts, financial statements, balance sheet and its Schedules, income and expenditure statement, receipts and charges and cash flow statements.

Part-2: containing the following details of objections in receipts or revenue items:-

(a) clear cases of loss of receipt shall be incorporated;

(b) cases in which the amount if any received which ought to have been brought into account but not brought into account by any person;

(c) cases of misappropriation of collections made; and

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

Part-3: containing the following details of objections in payment or expenditure:-

(a) clear cases of excess payment shall be incorporated;

(b) cases of improper utilization of funds;

(c) cases of payments which appears to be contrary to the Act or rules; (d) cases of any deficiency or loss of any property, stock and the similar items; and

(e) cases of avoidable expenditure.

Part-4: containing the details of objections relating to grants, loans and the similar items utilized for execution of works or schemes.

Part-5: containing the details of observations and objections relating to deposits and advances.

Part-6: containing the details of observations and objections relating to Provident fund, contributory pension scheme and other miscellaneous funds.

Part-7: containing computation of audit fees due, result of audit and details of pending objections and any other facts noticed during the course of audit which adversely affect the finances of the institution.

(3) The Director shall issue orders modifying the contents of audit report as and when found necessary.

(4) The Director or issuing authority shall be liable to issue the audit report within three months after completion of audit.

13. Procedure to be followed on receipt of audit report .— (1) On receipt of the audit report under section 11 of the Act, the Executive authority concerned shall take action to rectify the defects or irregularities pointed out in the audit report within a period of two months from the date of receipt of report, and place the audit report with a statement of action taken or action proposed to be taken before the council or governing authority. The Executive authority shall within

a month from the date of meeting of the council or governing authority, send a report of rectification and explanation thereon along with the resolution of the council or governing authority or other authority to the auditor.

(2) On receipt of such rectification report or explanation, the auditor shall either –

(a) accept the rectification of the defects or irregularities or explanation of the Executive authority and drop the objection; or

(b) hold that any or all the defects or irregularities pointed out in the report have not been rectified and specify whether the amounts involved in such defects or irregularities should be charged or surcharged and shall send 'further remarks' to the Executive authority, within a period of two months from the date of receipt of rectification report.

(3) (a) If no such rectification reports or explanation, are received from the Executive authority on the audit report, the auditor shall send a 'further report' on expiry of three months from the date of issue of audit report containing the following:-

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

(ii) whether they can be condoned or regularised by any authority;

(iii) whether the amounts to which defects or irregularities are to be charged or surcharged and if so against whom. In the case of charge or surcharge, the surcharge proposals shall be forwarded to the Director for further action;

(b) The Executive authority who is responsible for the loss and the Executive authority holding the office at the time of audit shall take suitable action to rectify the defects pointed out in the special letter and furnish compliance report to the Director within the specified period;

(c) The Administrative Authority to whom the special reports were made by the Director or his subordinate officers shall take necessary action to make good the loss pointed out in the special report or initiate disciplinary proceedings as per the rules applicable to recover the loss from the person responsible and report the fact to the Director.

(4) The person responsible and the extent of responsibility of such person for the loss detected by the auditor during the course of audit of accounts of a local authority or local fund shall be fixed correctly by the time of audit by verifying the records concerned. The name of the person held responsible shall

be incorporated in the audit reports as well as in the proposal for charge or surcharge action to be forwarded to the Director.

(5) As soon as the audit of accounts of a local authority or local fund is completed, the auditor shall require the Executive authority of the institution concerned to intimate the address of the person held responsible for the losses detected in audit. The addresses of such person shall be ascertained and intimated to the auditors by the Executive authority concerned within one month or such shorter period as may be required by the auditor.

(6) (a) The Director shall authorize any of his subordinate officers to issue special letters on the audit reports to the authority concerned of any local authority or local fund who held the office during the period under audit within one month from the date of issue of the audit report as per the norms and conditions prescribed by the Director. The special letter shall consist of gist of audit paras of serious nature involving loss of money, misappropriation, revenue loss, mismanagement, irregularities in making expenditures, violation of Act or rule provisions or Government orders etc;

(b) The special letters shall also be issued to the non-officials of any local authority:

provided that special letters to officers belonging to Indian Administrative Service cadre shall be issued by the Director;

(c) A copy of the special letter issued shall be sent to the Executive authority in office along with a covering letter;

(d) (i) The officer or non-official on whom the special letter is issued shall rectify or cause to rectify the defect pointed out by audit and furnish a compliance report within a period of two months from the date of receipt of the special letter;

(ii) The Executive authority in office shall also rectify or cause to rectify the defects pointed out in the audit paras and intimates the fact to the Director within two months;

(e) The replies to the special letter shall be scrutinized by the issuing authority and he shall offer further remarks regarding acceptance or otherwise within fifteen days of receipt of reply.

(7) (a) In the event of non-compliance of the defects reported in the special letter, within a period of three months, the auditor or authority may issue a special report to the controlling authority or local authority to take necessary

action for rectification of the defects or make good the loss from the officers concerned with recommendation to initiate disciplinary action against the officer who failed to respond the special letter;

(b) In the case of non-compliance by non-officials, special report shall be issued by the Director to the non-officials on the pending paras in the special letter;

(c) Whenever transaction audit is taken up, special report shall be issued directly to the controlling authority with the details of audit paras of serious nature included in the transaction audit notes or audit reports within fifteen days from date of issue of transaction audit notes or audit report:

Provided that the details of pending paras in the special letter issued to officers belonging to Indian Administrative Service, even after a period of three months from the date of issue shall be reported by the Director to the Government;

(d) The objections of the audit report which are not rectified and which had been included in the special letter or special report shall be subjected to surcharge under section 14 of the Act. Special letters and special reports issued by the Director or his subordinates and the special letter or special report made consequent to conducting of special audit or transaction audit shall also be treated as part of the audit report.

14. Procedure for charge or surcharge proceedings.— (1) The Director, may disallow any payment which appears to him to be contrary to any law or order of the Government, or the amount of any deficiency or loss caused by negligence or misconduct or any sum received, which ought to have been brought into account but not brought into account and surcharge the person or the persons authorizing the same and shall, in every such case, certify the amount due from such person:

Provided that no such surcharge shall be imposed unless an opportunity of not less than fifteen days is given to show cause as to why it may not be imposed.

(2) The officer authorised to issue the report or special report on the audit reports of a local authority or local fund, shall while issuing the further remarks, forward to the Director a proposal for charge or surcharge action in respect of the pending cases of losses pointed out in the audit report concerned. The auditor shall state in writing the reasons for his decision in respect of every such disallowance, charge or surcharge and serve the surcharge notice in the

manner laid down for the service of summons in the Code of Civil Procedure, 1908(Central Act V of 1908). When a decision is taken that a surcharge notice should be issued in respect of an objection included in the special letter or special report, a surcharge notice should be drafted and submitted to the Director. The surcharge file should be distinct and separate from the special letter or special report and audit report files.

(3) The office copy of the surcharge notice and the correspondence in connection with it should form the surcharge files. The surcharge notice shall be prepared, with the upto date information on the objection in respect of which a surcharge notice is proposed to be issued, if necessary by issuing a memorandum to the Executive authority and obtaining his reply. In the case of an item of expenditure, which is held under objection for want of competent sanction, it should be made sure that sanction has not been obtained and communicated to audit and in the case of an objection dealing with time-barred arrears, the latest demand,

collection and balance statement received should be verified to. The auditor shall ensure that the amount held under objection and proposed to be surcharged has not subsequently been collected. The correct position of the objection shall be ascertained as far as it is possible so that the person surcharged may not challenge the surcharge notice. The correct name, designation and address of the person to be surcharged should be noted in the surcharge notice.

(4) The Director or the person empowered to issue a surcharge notice, before issuing a surcharge notice, shall give a show cause notice to the person concerned calling upon him to state his defense about the proposed notice in writing within a specified time which shall not be less than fifteen days. If such person desires to be heard in person, the opportunity of personal hearing shall be given by the auditor. In such a personal hearing the auditor shall record the proceedings of such hearing. The auditor shall issue surcharge notice after taking into consideration of the representation, if any given by the person concerned and the proceedings of the personal hearing.

(5) Unless the person served with a charge or surcharge notice remit to the Executive authority concerned the amount involved in the notice and furnish the details thereon to the Director within thirty days, from the date of receipt of the notice, or furnish satisfactory explanations, such person shall be served with charge or surcharge notice with copy to the Executive authority concerned.

(6) The Director shall issue, charge or surcharge notices to the officer or person held responsible for the losses and shall in every case, certify the amount due from such person, and cause to serve surcharge notice in duplicate along

with extracts of the relevant objections in the audit report by Registered Post with Acknowledgement due, under section 14 of the Act. A copy of the charge or surcharge notice shall be issued to the Executive authority concerned. The duplicate copy of the charge or surcharge notice shall be returned to the Director by the person receiving it, with his dated acknowledgement in proof of having received the notice. The Director shall authorise any of his subordinate officer to exercise the above powers wherever necessary.

(7) If the person, to whom a copy of the surcharge notice is furnished, refuses or refused to receive it, he is deemed to have been duly furnished with a copy of the surcharge notice and the period fixed for appeal is in such cases calculated from the date of such refusal. If the letter containing the surcharge notice was returned on the ground that the whereabouts of the person surcharged is not known, steps should be taken to ascertain the whereabouts of the surcharged by addressing the Collector or Executive authority of the local authority or local fund concerned. Director may forward to the Collectors for arranging for service of the copies of the documents on the parties concerned and for obtaining their acknowledgements and for sending them to the Director or his subordinates:

Provided that if the person to whom the surcharge notice is issued is a detenu and refuses to receive it while in detention, it should be served after his release.

(8) Every sum certified to be due from any person by the Director under the Act shall be paid by such person to the Executive authority within one month from the date of intimation to him of the decision of the Director unless, within that time, such person has filed an application before the District Court against the decision under sub-section (2) of section 14 of the Act and such amount, if not so paid, or such amount as the District Court shall declare to be due, may be recovered as if it were an arrear of land revenue and for the purpose of such recovery the Director shall have the powers of a Collector under the Tamil Nadu Revenue Recovery Act, 1864(Tamil Nadu Act XI of 1864).

(9) All payments made by the person surcharged shall be reported to the authority who issued the surcharge notice, by the Executive authority soon after such payments are made.

Explanation - I. — Person making payments or responsible for deficiency, loss or waste, originating from his own neglect, misconduct or misinterpretation of the provisions, viewed in terms of the relevant provisions of the Act, rules or

orders governing the local authority or local fund concerned, is said to be the person authorising such illegal payments or deficiencies.

Explanation-II.— When there is more than one person charged to have authorised or made illegal payments, all such persons shall equally be treated for purpose of surcharge.

Explanation-III.— It shall not be open to any person whose negligence or misconduct has caused or contributed to any such deficiency or loss, to contend that not withstanding his negligence or misconduct, the deficiency or loss would not have occurred but for the negligence or misconduct of some other person.

15. Powers and functions of the Director.— (1) The Director shall have overall supervision and control over the officers and staff in enforcing the provisions of the Act and rules. The Director shall delegate any of his powers to the subordinate officers under specific written orders as per the provisions of section 16 of the Act.

(2) The Director shall authorise any of his subordinate officers to review, approve and issue audit reports or audit notes of any local authority or local funds.

(3) The Director shall review the audit report issued by the competent authority on his own or through his subordinate officers.

(4) The Director shall have power to initiate disciplinary action against the subordinate officers who are found negligent in enforcing and misusing the powers under the provisions of the Act and the rules made thereunder and they are liable for disciplinary action in accordance with the procedure laid down in the Tamil Nadu Civil Services (Discipline and Appeal) Rules, 1955:

Provided that in the cases where the Government is the disciplinary authority, such cases shall be referred to the Government for taking disciplinary action as per the Tamil Nadu Civil Services (Discipline and Appeal) Rules,1955:

Provided further that the disciplinary cases pending as on the date of commencement of these rules shall be finalized by the Director as per existing rules before the commencement of these rules.

(5) The Director shall initiate disciplinary action in cases of willful omission, commissions or dereliction of discharging duty in audit by any auditor under Tamil Nadu Civil Services (Discipline and Appeal) Rules, 1955:

Provided that the auditor shall not be liable for punishment for omission in cases of transaction and production of duplicate, unauthorised or fraudulent records that are beyond the purview of audit.

(6) The Director shall also initiate disciplinary action against the auditors or the authority reviewing or accepting the audit report, for non compliance of audit or non submission of audit report within the period specified in these rules. The Director shall also impose suitable penalty for such non compliance as deemed fit.

(7) (a) The Director has the power to insist the Executive authority to furnish replies to the audit objections. The Director or his subordinate officers are competent to settle the audit paras;

(b) Objections shall be settled by the following methods:-

(i) by verification of the replies furnished along with the relevant records in their office by the subordinate officers of local fund audit department;

(ii) spot verification of the replies at the institution at the time of local passing or review;

(iii) through joint sittings conducted periodically along with the administrative authorities;

(iv) through District High Level Committees formed for the purpose at district level;

(v) through State High Level Committees;

(c) On settlement of objections further remarks shall be issued by the competent authorities, with out delay, mentioning the details of the paragraphs settled.

(8) The Director shall approach the Principal Accountant General and obtain the advice and technical guidance and supervision under sub–section(3) of section 15 of the Act on matters relating to system improvement, audit procedure, maintenance of accounts and training to audit staff.

(9) The Director shall condone any payments made by a local authority or local fund up to a sum not exceeding rupees ten thousand only under sub– section (4) of section 15 of the Act.

(10) If any audit objection is found to be settled incorrectly and due to misinterpretation of rules or by persons not competent and by the persons not authorised to settle the objections, such objections shall be re-opened by the officer authorised for settlement or his immediate superior or by the Director.

(11) In case where the objections raised at the time of audit are found correct based on the orders prevailing at the time, but are found inapplicable or

not relevant due to subsequent orders or decisions of the Government or other authorities, as the case may be, such objections shall be treated as settled. The Director shall cause to issue instructions on closure of such objections without obtaining reply as and when deemed necessary.

16. Payment of cost of audit .—(1) The cost of audit of the accounts of any local authority or local fund is payable under section 17 of the Act. The rate of audit fees payable and the concerned authority on whom the audit fees is leviable shall be as follows:-

Serial. Name of the	**Cost of Audit Fee Number**	**Institution**
1.	Universities. Actual cost (100%) and Average	cost as per the orders of the Government.
2.	Municipal Corporations and Fifty per cent of the actual cost as prescribed in the G.O.(Ms).No.62 Finance (LF) Department., Dated. 17.01.1994	Municipalities.
3.	Market Committees. Two per cent of the expenditure as prescribed in G.O.(Ms).No. 566 Department., Dated. 25.07.1990	Agriculture
4.	(a) Local Library Authorities, Actual cost of audit i.e.,(100 %)	Chennai City.
	(b) Local Library Authorities other than Chennai City. as per G. O. No.1646/Education Department Dated: 14.07.1977. Free of cost as per G.O.No.1646/ Education Department , Dated:14.07.1977.	
5.	RajaVedaPadasalai, Twenty five per cent of standard	Kumbakonam.

cost of audit as prescribed in the G.O.(Ms). No.883/ Revenue and Endowment Department., Dated. 20.05.1954 and G.O.(Ms). No.60 Finance (LF) Department., Dated.29.01.1991.

6. Arasar Chatram, Thanjavur 0.75% of Gross receipts of a District. financial year as prescribed in the G.O.(Ms).No.1201, Finance Department., Dated. 02.07.1955.

7. Local Planning Authorities. Free of cost

(2) The audit fee shall be payable within one year from the date of receipt of the audit report or demand from the Director.

(3) The collection of revenue by way of audit fees shall be a responsibility vested with the Director. For prompt and correct recording of the demand and collection of audit fees from various institutions, necessary department instructions shall be issued from time to time by the Director.

(4) In case of non-payment within the time limit, the Director shall intimate the fact, to the controlling authority or Government. The Government or controlling authority shall adjust the charges for audit from the grants or other sums payable to local authority.

(5) If no grant or other sums is payable to such authority, the cost of audit shall be recovered by the Director from the own funds of such authority:

Provided that the audit fees livable on any local authority before the date of commencement of these rules shall continue to be collected as per these rules.

17. Dispensing with detailed audit .— Whenever circumstances so warrant and for compliance under sub-section (1) of section 10 of the Act, the Director shall pass orders to dispense with the detailed audit of any account and order audit by limitation of audit checks to the possible extent as deemed fit. The Director shall issue suitable orders in writing to his subordinate officer in this regard.

18. Report of defalcation or misappropriation or serious irregularities.— (1) Any defalcation or loss in money or stores of any local authority or local fund caused due to misappropriation, theft or natural calamities detected by the Executive authority shall be reported to the Director within three days along with the details of defalcation and circumstances leading to the loss. The report shall be made to the Director or his subordinate officer in charge of audit of the institution.

(2) (a) Special Audit of any local authority shall be taken up by the Director on receipt of report from the Executive authority;

(b) In cases of defalcation or misappropriation or major irregularities found during audit and at the request of the administrative authority or controlling authority of any local authority or local fund also, the Director shall conduct special audit;

(c) Special Audit shall also be taken up on the orders of the Government on any local authority or local fund by the Director;

(d) The Director shall direct his subordinate officer to conduct this special audit and issue suitable orders regarding the conduct of special audit in each case.

(3) When a defalcation 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 the Executive authority of the local authority as the case may be and also to the Director.

(4) When a defalcation or misappropriation has fully been investigated by the auditor, he shall submit a complete report on the case to the Director.

(5) The Director shall report to the Executive authority about the defalcation with a request to recover the loss caused to the local authority from the person responsible.

(6) The Director shall also report to the controlling authority, the details of the amount defalcated or misappropriated and the persons responsible thereon with a request to recover the loss from the Executive authority or person responsible.

(7) The controlling authority shall recover or cause to recover the loss from the Executive authority or official responsible for such loss by all possible means including initiating disciplinary action against the persons responsible for the loss and intimate the fact of recovery to the Director or Government.

(8) The Director shall report to the Government also about the defalcation or misappropriation and the loss caused to the local authority or local fund, which in his opinion deserves special attention or immediate investigation as per sub-section (5) of section 13 of the Act:

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

(9) Wherein defalcation or misappropriation of revenue was reported by the controlling authority or Executive authority and that were found out in audit at a later date, the cause for such defalcation or misappropriation and the period of occurrence shall be verified by the Director or his subordinate officer. For this purpose, the Director shall or cause to verify or re-audit the records of the earlier years relating to such defalcation or misappropriation, the audit of which were already completed, as a special case.

19. Laying of audit report.— The Director shall, not later than 30th September of every year , send to the Government a consolidated report of the accounts of local authorities audited by him during the previous financial year, containing such particulars which he intends to bring to the notice of the Government as per section 20 of the Act.

20. Amendments to audit reports.— Addenda or Amendments to the audit report should be issued within six months from the date of approval of audit report by the issuing authority. In the cases where amendments or addenda have to be issued after the said time limit, the specific orders of the Director shall be obtained.

21. Time Frame for Completion of Pending Audit.— All audit of account, that are pending at the commencement of this Act in respect of any local authority or local fund notwithstanding anything contained in the Act shall be continued and completed by the Director within a period of two years from the date of commencement of this Act.

22. Production of Document to Vigilance and Court .— In the cases where requisition from the Directorate of Vigilance and Anti Corruption, and Court of law are received for production of audit reports and related documents, the previous orders of the Director should be obtained in good time before complying with such requisitions by the subordinate officers. In cases of urgency, the officers concerned may pass orders directing production of records, in anticipation of the orders of the Director and get it ratified.

23. Issue of Audit Manuals.—The Director shall issue manuals on the audit of local authorities or local funds once in five years. He shall also issue corrections and amendments to and re-issue audit manuals as and when found necessary with the permission of the Government.

24. Preservation of audit report.— Audit reports issued are records of permanent nature, unless all the objections have been settled. The entire responsibility for their preservation shall rest with the auditors in charge of the audit of the local authorities or local fund under the supervision of the higher officers. Any violation of these rules shall be punishable under the relevant provision of the rules:

Provided that the audit reports in which all the paragraphs were settled shall be closed without any further action.

25. Closure of audit notes and audit reports.— The audit notes and audit reports shall be treated as closed only after the settlement of all the objections in the audit notes and reports.

26. Savings.— Consequent on framing of these rules, the matters relating to audit, settlement of audit objections, surcharge and disallowance covered in any provisions of the Act and these rules of the local authorities or local fund, shall to the extent they are not consistant with the Act and these rules be deemed to have ceased to be in force from the date of coming in to force of these rules and all orders, rules, amendments or enactments proposed to be made and bearing on the provisions of the Act and these rules, shall be made only with the approval of Government.

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FORM-A

[see sub-rule(8)of rule 6]

FORMAT FOR INTIMATION OF COMMENCEMENT OF AUDIT

From To

Joint Director / Deputy Director/ Assistant Director of L.F.Audit

The Executive Authority, Name and Address of the Institution.

Rc.No. / / 2014, dated

Sir,

Sub:	Audit - Commencement of Audit - Taking up of annual / half yearly / quarterly / test / special audit ----------intimation sent -reg.

The audit on the accounts of..... (Name of the institution to be mentioned) for the ..... (period / year to be specified) will be taken up under section 4 of the Tamil Nadu Local Fund Audit Act, 2014 by the audit staff of this office on ..... (15 days prior notice should be given).

It is requested that the subsidiary registers and other relevant records may be duly closed and authenticated and kept ready for production during audit without fail as required under section 8 of the above said Act.

The list of records and documents to be produced to audit is enclosed.

Authorized signatory

Encl: List of records.

FORM-B

[See sub-rule (6) of rule 7]

SHOW CAUSE NOTICE

No ..... Office of the .....

Dated .....

Sub :- Default in presentation of accounts of ..... for

the year ..... for audit - Reg.

Section 7 of the Tamil Nadu Local Fund Audit Act, 2014 requires the Executive authorities of all Local authorities / local funds, the accounts of which are subjected to audit by the Local Fund Audit Department to prepare and present for audit the accounts relating to an accounting year within three months from the close of the year. As such the accounts of ..... for the year ..... should have been presented by the Executive authority for audit before .....But the accounts for the year ..... have not been presented for audit till date.

As per sub-section (2) of section 7 of the said Act, the Executive authority is liable to be punished, for default in the presentation of accounts on the due date for audit with a fine of not less than one thousand rupees which may extend to five thousand rupees. Being the Executive authority, ... is responsible for the default in the presentation of accounts relating to the year ..... for audit. In these circumstances, ... is required to show cause within 15 days from the date of receipt of this notice why action as contemplated under sub-section (2) of section 7 of the Tamil Nadu Local Fund Audit Act, 2014 should not be initiated against him. If no written statement or explanation is received within the time allowed, the matter will be dealt with as per the provisions of the Act.

To

The Executive Authority Concerned.

Copy to :-

1. The Controlling Authority,
2. Director of LF Audit.

FORM - C

[See sub-rule (4) of rule 8] **SUMMON**

To

The Executive Authority.

Under section 8 of the Tamil Nadu Local Fund Audit Act, 2014,……. (Name, designation) is hereby summoned and required. to produce or cause to produce the records mentioned below to audit within three days, the perusal of examination of which is necessary for the elucidation of the following accounts of …… for the year ..... It is also informed that failure to comply this summon may subject you to penal action as provided by section 9 of the Act.

List of Documents to be produced:-

Head of Audit party To

The individual concerned

Copy to

Acknowledgement for receipt of summon:

I acknowledge the receipt of a copy of the summon .

Signature with date & time

FORM - D

[See sub-rule (5) of rule 8] **SUMMON**

To

1) The Executive Authority.

2) Name
Designation
Address

Under section 8 of the Tamil Nadu Local Fund Audit Act, 2014,…….. (Name, designation) is hereby summoned and required to appear in person on the ……..... day of …… at ……..... o' clock to answer audit enquiries in connection with the audit on the accounts of ---------- for the year ..... It is also informed that failure to comply this summon may subject you to penal action as provided by section 9 of the Act.

Head of Audit party To

The individual concerned
Copy to
Acknowledgement for receipt of summon:

I acknowledge the receipt of a copy of the summon.

Signature with date & time

FORM - E

[See rule 9]

SHOW CAUSE NOTICE

Rc.No ..... Office of the ……

Date .....

Sub:- Non Compliance of requisition made under clauses (a) and (b) of sub-section (1) of section 8 of the Tamil Nadu Local Fund Audit Act, 2014 -Regarding.

Ref:- Letter No. dated of the Head of the audit party.

During the course of audit on the accounts of …… (Name of institution) for the year …….. , ... (Name, designation) was required to produce at the place of audit the following records / to appear in person to answer audit enquiries, in connection with the audit of accounts of ..... for the year .....

1.

2.

3.

4.

But ..... has failed to comply with the requisition lawfully made upon him/her by the auditors and hence verification of the above records by audit is pending/ the audit enquiries issued to the Executive authority, ... on the dates ..... are pending clearance.

As per section 9 of the Tamil Nadu Local Fund Audit Act, 2014, any person who willfully neglects or refuses to comply with any requisition lawfully made upon him under clauses (a) and (b) of sub-section (1) of section 8 of the Act is punishable, on conviction, with fine of not less than one thousand rupees which may extend to five thousand rupees.

Non-production of records required by the auditors failure to appear in person to answer audit enquiries shows willful neglect and refusal on the part of…….. in complying with the requisition lawfully made upon him/her. Hence ..... is required to show

cause within 15 days from the date of receipt of this notice why action should not be initiated against him/her as contemplated in section 9 of the Act. If no written statement of explanation is received within the time allowed the matter will be proceeded with, on the presumption that he/she has nothing to offer in defense.

To :-

The Individual concerned (through the Executive Authority).

Copy to :-

The Executive Authority

Joint Director of L.F.Audit .....

.....

EXPLANATORY NOTE

(This does not form part of the notification. But it is intended to indicate the general purpose.)

In Government Order (MS)No.240, Finance(Local Fund) Department, dated 24.08.2016, orders have been issued to make The Tamil Nadu Local Fund Audit Rules, 2016 (Tamil Nadu Act 24 of 2014).

2. Accordingly a notification has been issued under sub section (1) of section 26 of the Tamil Nadu Local Fund Audit Act, 2014 (Tamil Nadu Act 24 of 2014) to make the following Rules, namely Tamil Nadu Local Fund Audit Rules, 2016

3. The Notification is intended to achieve the above object.

K. SHANMUGAM,

Additional Chief Secretary to Government, Finance Department.