AZADI KA AMRUT MAHOTSAV (AKAM)

AUDIT IN PANCHAYATS
ENABLING EFFECTIVE GOVERNANCE

DIRECTOR, STATE AUDIT DEPARTMENT, TELANGANA

STATE AUDIT - OVERVIEW

- State Audit Department previously called as "Local Fund Audit Department" is in existence from 1880
- State Audit Act came into force from 1989
- Statutory Auditing authority for various Local Bodies and other authorities (PRIs, ULBs, AMCs, Temples, Universities, e-seva, CDP etc)
- Places the Consolidated State Audit and Review Report in the State Legislature as required under TS State Audit Act 1989.
- During the financial year 2020-21, conducted audit of 14,393 auditable institutions

- No. of Districts which have Gram Panchayats in Telangana: 32 out of 33
- No. of GPs in Telangana: 12769
- No. of MPs in Telangana: 540
- No. of ZPs in Telangana: 32

Role of Audit

- To ensure that all revenues are collected and accounted properly without any leakages
- To ensure that the expenditure is incurred as per the provisions in vogue and for the intended purposes
- Reporting audit observations for corrective action
- To ensure financial discipline & accountability
- Making the executive accountable to the elected body

Accounts & Audit – Issues in PRIs

- Non-maintenance of Accounts by PRIs
- Each panchayat used to maintain their accounts as per their local needs and there was no commonality among PRIs
- Non / under utilization of funds
- Non-Maintenance / Non-Production of records
- Non-observance of timeliness in getting the audits done
- Manual processing of Audit Reports by the Audit Teams
- Delay in submission, approval and issue of Audit Reports
- Non-compliance to the Audit Observations
- Non-availability of IT application for conducting audits
- Inadequate Monitoring Mechanism
- Lack of data affecting improved policy decisions

Reforms

Major Recommendations by Central Finance Commissions

11th FC	12th FC	13th FC	14th FC	15th FC
Comptroller and Auditor General (CAG) should be entrusted with the responsibility of exercising control and supervision over the maintenance of accounts and audit	High priority should be accorded to creation of database and maintenance of accounts at the grass-roots level.	CAG should provide TGS to DLFA and all State Governments should strengthen their local fund audit departments	Accounts should distinctly capture income from own taxes, assigned taxes and all grants	Timely availability of accounts, both before and after audit, of individual local governments online in the public domain from 2021-22

Action taken on FC recommendations:

- Introduction of Accounting Codes (Model Account)
- Common accounting procedure across the country
- Technical Guidance and Supervision by CAG
- Development of Application (PRIA) for maintaining accounts
- Development of Audit Online application, a step towards e-Audit

Necessity for Automation of Audit

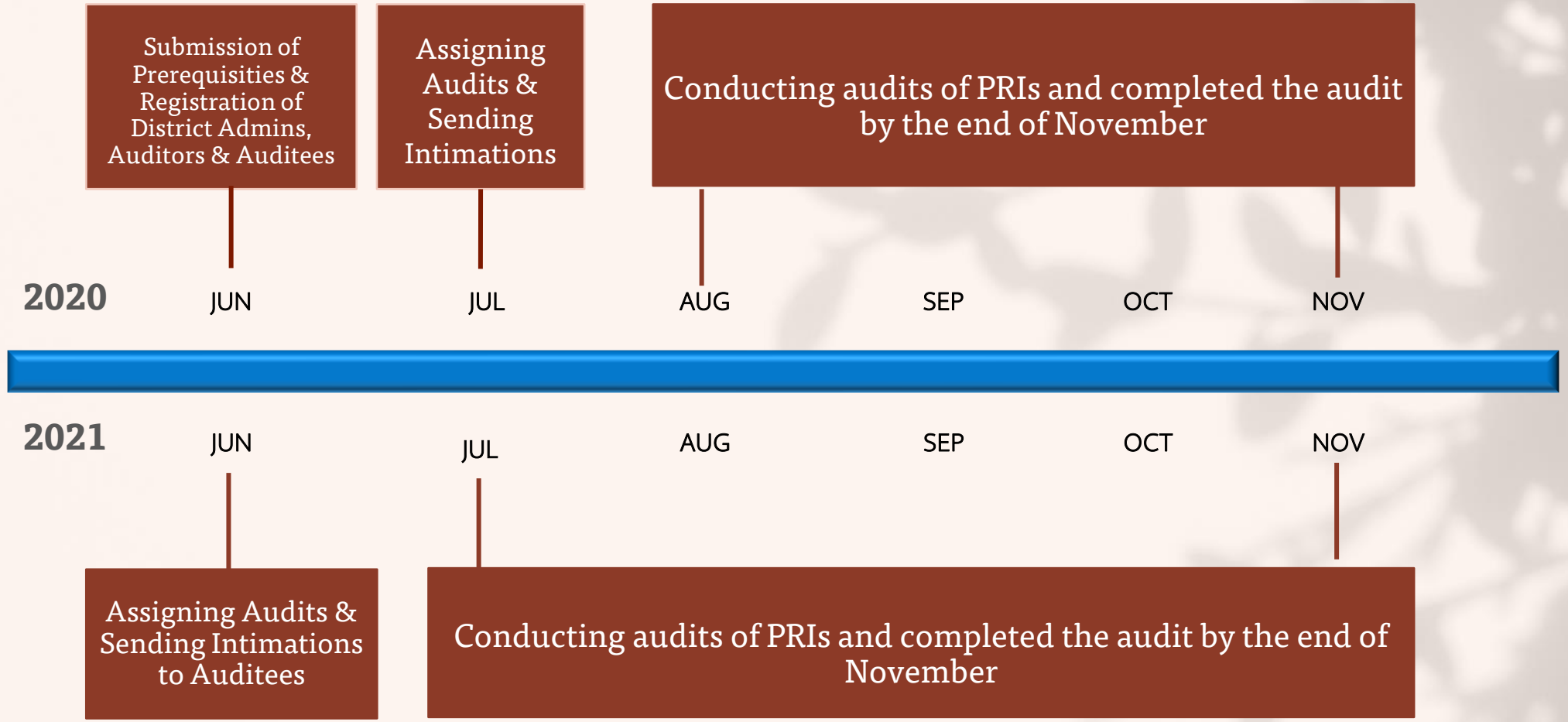
- Successive Central Finance Commissions emphasised timely submission of accounts and recommended for ICT initiatives to be in place for maintenance of accounts and their audits.
- Since the Accounts are maintained in PRIA Software there is every need to adapt ICT Initiatives in conducting audit and also for audit compliances.
- To overcome delays in rendering accounts, their audits and audit compliances, the ICT intervention is a necessity to enhance accountability and transparency.

ONLINE AUDIT –
A step towards smart governance

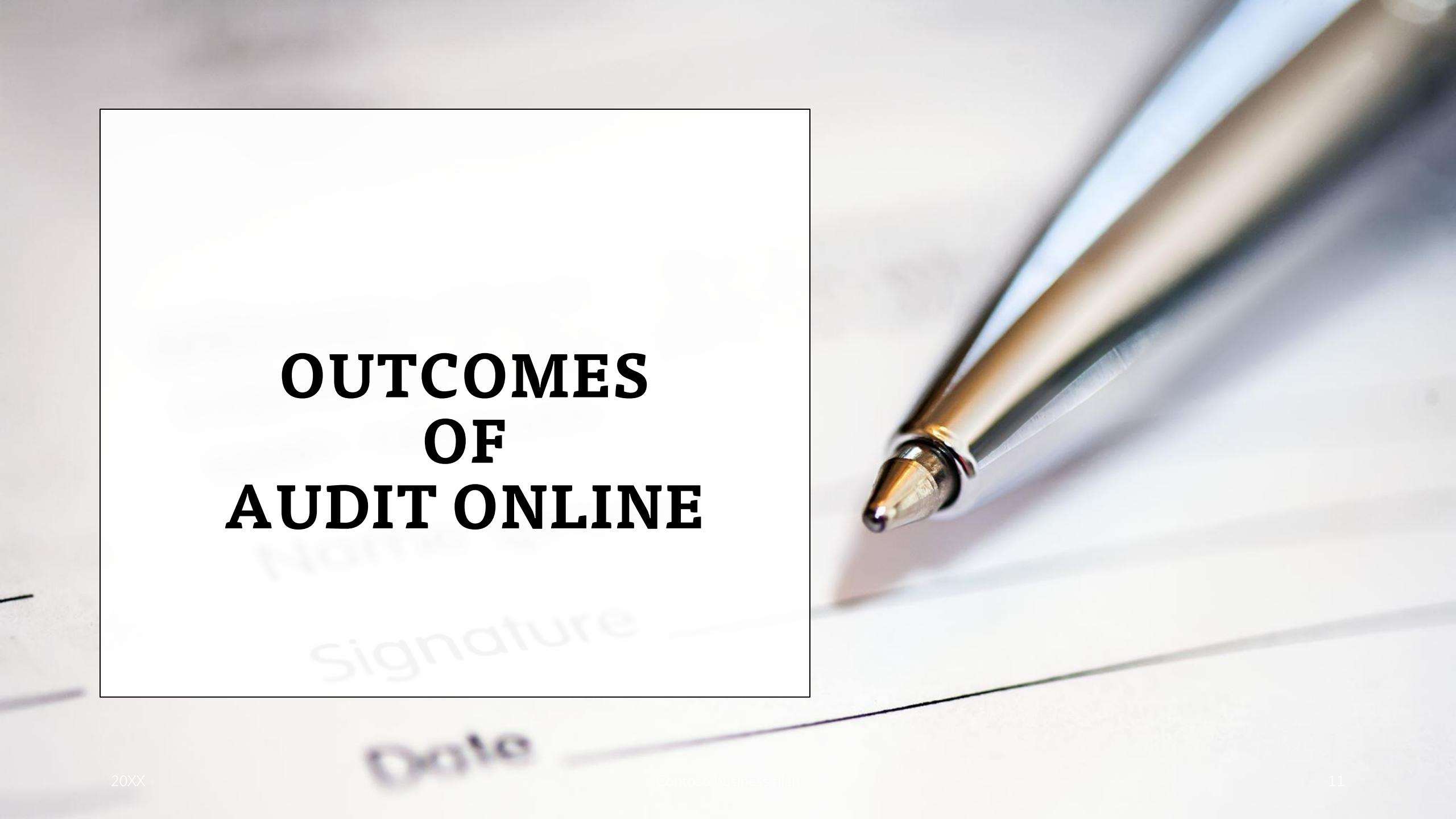
ADMINISTRATIVE APPROACH FOR IMPLEMENTATION OF AUDIT ONLINE

APPROACH	ACTIVITY	TARGET
Formation of a Core Team	Officers and Auditors included in the Core Team	Study of Audit online Processes and Finalization of Configuration Details
Preparation of Audit Plan	VC Meetings held with DDs & DAOs	1. Selection of GPs 2. Fixing Audit Schedule for each GP
Formation of a Technical Team	1. Selection of tech savvy employees from each District 2. Created Telegram group exclusively for this purpose	1. Imparted Training through Video Conferencing 2. Technical team to extend support to all Officers and Auditors in the District.
Capacity Building	Conducted phase wise trainings	Imparted trainings to all Officers & Auditors to complete required processes

Audit Online implementation



OUTCOMES OF AUDIT ONLINE



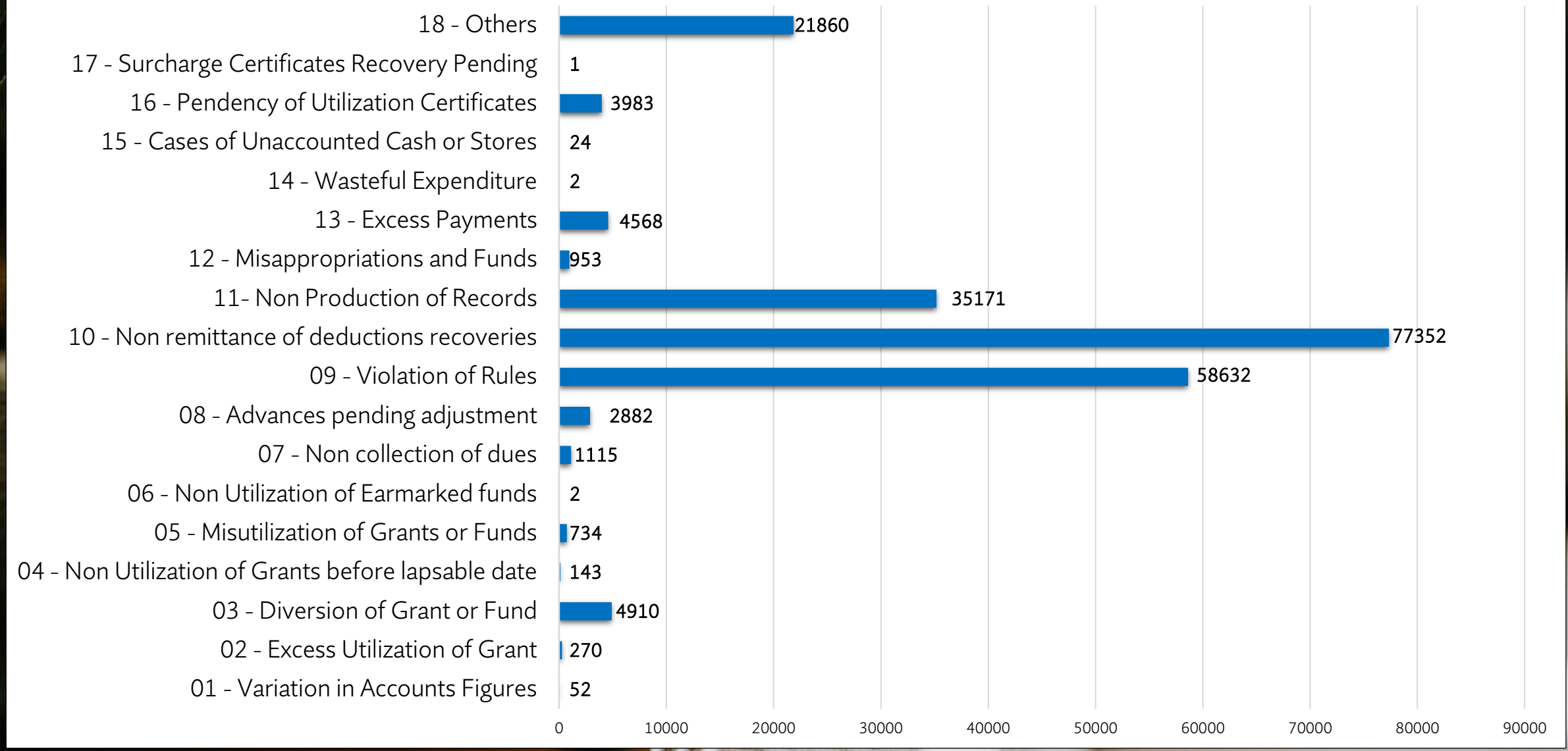
AUDIT - OLD SYSTEM Vs AUDIT ONLINE

Sl No	Process	Old System	Audit Online	Remarks
1	Preparation of Annual Action Plan	Manually	In the application	Time taken for all the processes will be reduced, quality & standard of audit will be improved and cost effective
2	Assigning Auditees to Auditors	Manually	In the application	
3	Sending Intimations to Auditees	Manually through register post (costly)	In the application (No cost)	
4	Conducting audit	Manually	Using the application	
5	Preparation of observations and draft audit report	Manually	In the application	
6	Verification and approval of draft audit report	Manually	In the application	
7	Issuing of Audit Report to Auditee	Manually through register post (costly)	In the application (No cost)	
8	Submission of replies to the audit observations by the auditee	Manually through register post (costly)	In the application (No cost)	
9	MIS Reports	Prepare manually as and when required	MIS reports are available	
10	Audit Tools	No such tools	Available in the application	

IMPACT OF AUDIT ONLINE

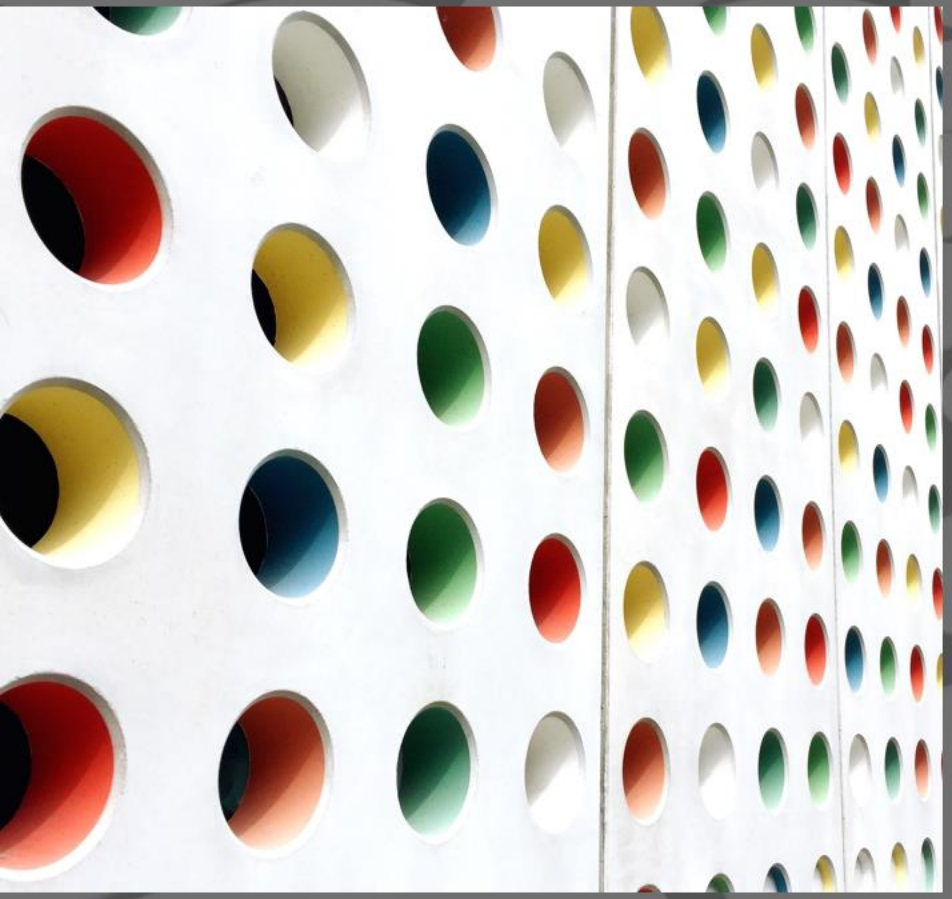
Sl	Component	Prior to Audit Online	Using Audit Online	Result
1	No. of Days required for completing audit of **12769 GPs** by 280 Audit Teams	180 days	112 days	**68 days saved**
2	Time Taken for submission of Draft Audit Report by Audit Teams	15 days from completion of audit	7 days from completion of audit	**8 days saved**
3	Time taken for Approval and Issue of Audit Report	15 days from receiving of draft audit report	7 days from receiving of draft audit report	**8 days saved**
4	No. of days taken for receiving audit report by Gram Panchayat through Post	4-5 days from dispatch of audit report	Instantly through Audit Online	**4-5 days saved**
5	Cost of Paper/Printing and Register Post for each audit report (Tentative for 12769 Audit Reports)	Rs.28,73,025	Zero	Rs.28,73,025 saved

2,12,654 - Audit Observations Recorded in Audit Online



KEY TAKEAWAYS FOR SMART GOVERNANCE

Closure and rendering of Accounts on time
Completion of audits in the fixed schedule & Issuing Reports immediately
Improved Quality in conduct of Audit & Audit Objections
Quick Compliance to Audit Observations enables improved functioning
Monitoring over proper utilization of funds
Improved skills among auditors and local body employees (Cross Learning)
MIS Reports enable data analysis, re-orientation of policy decisions
Saving of time money in terms of conducting audit and communicating audit report
Reduced instances of serious lapses as the audit reports are placed online
Impact on governance even in last tier of PRIs
Transparency and Accountability



THANK YOU

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