

ममता वर्मा
संयुक्त सचिव
MAMTA VARMA
Joint Secretary



सत्यमेव जयते



पंचायती राज मंत्रालय
भारत सरकार
11वीं मंजिल, जीवन प्रकाश बिल्डिंग,
25, के.जी. मार्ग, नई दिल्ली-110001
MINISTRY OF PANCHAYATI RAJ
GOVERNMENT OF INDIA
11th Floor, Jeevan Prakash Building
25, K.G. Marg, New Delhi-110001

D.O. No. R – 16012/1/2020-FD

Date: 12th June, 2023

Dear Ma'am / Sir,

Subject: Guidelines on ATR Module of AuditOnline Application.

As you are aware the AuditOnline application was launched in the year 2020 with the objective of facilitating online audits of Panchayati Raj Institutions (PRIs) including the Traditional Local Bodies (TLBs). AuditOnline has indeed paved the way for further transparency and accountability since its roll-out and States have been progressing well towards ensuring audits of Panchayat accounts. As per the last communication sent to the States; it was requested to carry out audits of 100% PRIs and as on date 1,38,387 Audit Reports have been generated for the audit period 2021-22 (~51%). The State wise progress on AuditOnline may be seen at **Annexure - I**.

A step towards strengthening financial management includes incorporation of a universalized "Standardized Auditor Certificate" that would be generated from the audit period 2022-23 along with the appended report and the financial statement of the Panchayats. This is in accordance with the 'Guidelines for Financial Audit of Panchayati Raj Institutions' of O/o C&AG.

Also, during the one-day conference held on 10th March 2023; it was again informed to the States that an Action Taken Report (ATR) Module would be soon incorporated into AuditOnline. This ATR Module is being introduced to bring in more structured culmination to the online audit process and also fulfils the condition of the XV Finance Commission recommendation to "ensure availability of audited accounts in public domain".

The aim of such an ATR Module is to bring in accountability through clarities on the actions taken by the Panchayats against the audit observations. An Action Taken Report (ATR) module on the Audit Observations shall not only strengthen the transparency and accountability at the grassroots level, but also aid in ensuring that the money is being utilized for public use.

In this regard, this Ministry has framed the "Guidelines on ATR Module of AuditOnline Application" with concurrence from the O/o C&AG. The copy of the same is enclosed for your reference. Both the 'Standardized Auditor Certificate' and the ATR Module were showcased on 9th June 2023, by Secretary, Panchayati Raj. The guidelines may be seen at **Annexure – II**.

It is requested to ensure that the guidelines are followed whilst preparing the ATR for the corresponding PRIs. Additionally, you are also requested to kindly provide your feedback / suggestions on the same, if any latest by 20th June 2023.

With regards,

Enclosed: As Above.

Yours Sincerely,

Mamta Varma

(Mamta Varma)

To,

The Additional Chief Secretaries / Principal Secretaries / Secretaries of State PR Dept. (All 28 XV FC States)

Copy to:

Principal Secretaries / Secretaries of State Finance Dept. (All 28 XV FC States)

Director, Local Fund Audits, State Finance Dept. (All 28 XV FC States)

Guidelines on Action Taken Module of the AuditOnline Application

In order to realize the principle of accountability through Audit, the Ministry is proposing to bring in a more structured culmination to the online audit process by incorporating the Action Taken Report (ATR) Module as under: -

1. Timely responses to the Auditors:

To ensure completion of the audit process on time and an appropriate Action Taken Report, it is essential for the auditees to act swiftly to the objections / observations of the Auditors raised including responding to the Intimation letter. The auditees shall respond to the Auditor within a stipulated time-period as laid down by the Auditor but not exceeding 15 days and failure to it should attract reprimand against the auditee.

2. Responsibility matrix:

The following responsibility matrix would be followed for timely responses to the Auditors across the three tiers of Panchayats

Panchayat Level	Responsibility
Gram Panchayats & equivalent	Panchayat Secretary
Block Panchayats & equivalent	Block Development Officer
Zila Panchayat & equivalent	CEO, ZP

3. Speedy action on closure of provisional accounts

The Panchayats (Auditees) would expedite the closure of their provisional accounts on 31st March of any given financial year so that the audit activities can commence on time.

4. Prompt audit of provisional accounts

State Audit Departments / DLFAs need to speed up the audit process for the Panchayat provisional accounts for the previous year gone-by and immediately commence the audit process in the financial year which follows. *For example, as per the XV FC guidelines, for the funds provided in the financial year 2021-22; the audit is currently in process for the next release of grants in 2023-24. However, since the provisional accounts for the year 2022-23 would have been completed on 31st March 2023; the audits of these provisional accounts shall also be required to commence. In such case, the Audit reports for the year 2022-23 would have to be generated by 30th September 2023.*

The same template would be followed for the subsequent years. If the Audit Report is not finalized by 30th September, a system generated alert would be sent to the concerned to complete it by 31st December 2023.

5. Standardized Auditor Certificate

The audited reports that would be generated from the audit period 2022-23 onwards would be as per the Standardized Auditor Certificate as prescribed by the O/o C&AG in their “Guidelines for Financial Audit of Panchayati Raj Institutions 2021” along with the appended report and the receipt and payment statement of the corresponding PRIs. The format is enclosed in Annexure. Further, any State chapterizations that are required by the auditors specific to that State shall be appended to the Standardized Auditor Certificate along with the appended report and the receipt and payment statement of the corresponding PRIs.

6. Magnitude of information to be made available to the auditors

The magnitude of information to be made available to the auditor is also a significant factor. The auditors have to be provided by the auditees all the possible information not limited to Panchayat account statements, voucher details, assets list of Panchayats but should also provide information on the following¹:

- (i) *the user charges collected,*
- (ii) *the demand generated vis-à-vis the collection / recovery,*
- (iii) *rebates provided to the user on account of paying advances against taxes or before the last date or in case of the Panchayat household falling under a particular beneficiary category, and*
- (iv) *penalty on late payment of user charges etc. Such observations would have to be recorded diligently by the Auditors, with all the possible relevant information.*

This would pave way for uniformity in terms of Audit observations / objections across the Panchayats.

7. Leveraging technology for speedier audit

- (i) With several ICT interventions developed by MoPR, all the possible relevant information would also be made accessible to the auditors, so that the audit exercise shall be carried out holistically. This will include information pertaining to the

¹List is indicative. Based on Auditor's requirement, list maybe exhaustive

respective Panchayat Development Plans including details on the administrative approvals and technical sanctions so as to ascertain whether expenditure has been incurred as per the approved costs. Also, the details and information of the corresponding Gram Sabha in which the activities / plans have been accorded approval.

- (ii) In addition to the ICT application such as *eGramSwaraj* and its various functional modules (i.e., planning, accounting, reporting, asset management etc.), the auditors may also make use of applications like Vibrant Gram Sabha portal so as to be able to get information on the Sankalp / Resolution taken by the Panchayats for preparing Panchayat Development Plans including video recordings done through Gram Sabha Nirnay App (GS Nirnay) for verification purposes².
- (iii) Moreover, in the present scenario, although the audit of PRI accounts primarily pertains to those of Central Finance Commission grants (i.e. 14th FC & XV FC), it is not restricted to only these CFC grants but all the Central and State schemes that are being implemented by the Panchayats which means eventually the auditors would have to begin carrying out audits for all of the Panchayat accounts (i.e., all the Panchayat implemented schemes) to give a holistic view of the Panchayat Finances in the country. It may be noted that the Panchayat account would essentially be the sum total of all the transactions of the Panchayat (*viz., salaries, office expenses, Honoraria, administrative expenses, grants-in-aid, wages etc.*) regardless of the source of funds. Therefore, the Auditors would be required to carry out audits of the Panchayat accounts in entirety.

8. Action Taken Report on Audit observations.

- (i) Once the audit process is completed and the audit report generated, it would be mandatory to initiate the Action Taken procedure on the audit observations recorded by the Auditors and finalize the Action Taken Report (ATR) by 31st December.
- (ii) Once auditee provides the response against each observation, the same shall be sent to the Audit Officer (AO) for verifying the Audit Report response by Auditee.
- (iii) The AO shall verify the audit report response provided by the Auditee. AO can forward the response received from auditee to DLFA
- (iv) DLFA shall receive the responses from the AO and can take the following actions after categorized the observations:
 - a. **Follow up:** Observations taken for further review between Auditee and Auditor, if auditor is not fully satisfied with the response. This communication will continue till the satisfaction of auditor. DLFA can ask for further reply

² Information would be made available in AuditOnline through means of integration.

from the auditee or can do the follow ups.

- b. **Drop Observation:**If fully agreed/satisfied with the response of Auditee.
- (v) Auditee shall receive the task to provide additional response on the observations, the same will be provided by the auditee and send it back to the Auditor (AO, DLFA) until the observation gets settled. Auditee can view the trails/history while preparing the Response.

9. Timelines to be followed for submission of Final Audit Report

- (i) DLFA shall prepare the draft Audit Report and forward it to DPRO/CEO-ZP by end of September.
 - a. DLFA will upload the draft Audit Report
 - b. The draft Audit Report will be forwarded to the auditee for response.
 - c. After Auditee`s verification, the draft will be forwarded to higher authority.
- (ii) The Audit Report, with the ATR, shall be finalized by DLFA by 30th November.
- (iii) This final Audit Report shall be provided to the corresponding Panchayats by 31st December to be placed before the subsequent Gram Sabha/Block Sabha/District Sabha scheduled.
- (iv) During the Gram Sabha, the members would be briefed on the Audit Report along-with the ATR.
- (v) The BDO of the respective Block Panchayats and Gram Panchayats would have to be present during theseSabhas.

10. Placing of audited accounts of the PRIs in the public domain

Prior to the placing of the audited accounts of the PRIs in public domain, the Action Taken Report (ATR) on the audit observations would be placed before the competent authority prescribed by the State Law such as Gram Sabha or Block/Zila Parishad or State Legislature etc. by 31st March of the ensuing year. If the issues / observations raised in the Audit Report are not addressed by the given timeline (i.e., 31stMarch of the year in which ATR is to be carried out), the ATR shall be deemed completed and the Audit Report along with the ATR would be published thereby making it accessible to the public.

Annexure I: State wise progress on AuditOnline for the audit period 2021-22

Sr. No.	States	Total No. of PRIs & equivalent	Total No. PRI Audit Reports generated	% of Audit Reports
1	Telangana	13,341	13,341	100%
2	Kerala	1,107	1,107	100%
3	Tamil Nadu	12,949	12,949	100%
4	Tripura	1,262	1,260	100%
5	Odisha	7,142	7,124	100%
6	Andhra Pradesh	14,044	13,973	99%
7	Sikkim	189	188	99%
8	Karnataka	6,232	5,951	95%
9	Himachal Pradesh	3,708	3,456	93%
10	West Bengal	3,706	3,442	93%
11	Gujarat	14,569	10,621	73%
12	Uttar Pradesh	59,090	40,032	68%
13	Bihar	8,749	5,333	61%
14	Rajasthan	11,726	4,665	40%
15	Madhya Pradesh	23,105	7,532	33%
16	Haryana	6,397	1,416	22%
19	Assam	2,415	471	20%
17	Maharashtra	28,276	4,324	15%
18	Punjab	13,436	795	6%
20	Chhattisgarh	11,831	403	3%
21	Uttarakhand	7,899	91	1%
22	Arunachal Pradesh	2,133	-	0%
23	Goa	193	-	0%
24	Jharkhand	4,638	-	0%
25	Manipur	167	-	0%
26	Meghalaya	9,018	-	0%
27	Mizoram	834	-	0%
28	Nagaland	1,289	-	0%
	Grand Total	269,445	138,474	51%

as on 9th June 2023

ANNEXURE-C

Format of Audit Certificate with appended report Receipt and Payment Accounts of (Name of PRI) Certificate of the (designation of auditor)

- (i) I have audited the attached Annual Receipt and Payment Accounts, with supporting forms, of the -----(*Name of PRI*) for the year ended on March as per provisions of (*the relevant authority i.e. Act/ Rules under which the audit is being conducted may be quoted*). Preparation of these accounts is the responsibility of the PRI's management. My responsibility is to express an opinion on these accounts based on my audit.
- (ii) I have conducted my audit in accordance with auditing standards issued by C&AG of India and Guidelines for Financial Audit of PRIs issued by C&AG. These standards/guidelines require that I plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall presentation of accounts. I believe that my audit provides a reasonable basis for my opinion.
- (iii) On the basis of the information and explanations that I required and have obtained, and according to the best of my information as a result of test audit of the accounts and on consideration of explanations given, I certify that, (*the auditor can use one of the four options below depending upon the nature of opinion he wants to express*).

subject to my observations in the appended report, the Annual Receipt and Payment Accounts give a true and fair view of the receipts and payments of the (name of PRI) ...for the year..... (Unqualified opinion)

Or

except for the matters described in the basis for qualified opinion in the appended report and subject to other observations therein, the Annual Receipt and Payment Accounts give a true and fair view of the receipts and payments of the (name of PRI) ...for the year..... (Qualified opinion)

Or

due to the material and pervasive misstatements pointed out in the appended report, the Annual Receipt and Payment Accounts do not give a true and fair view of the receipts and payments of the (name of PRI) ...for the year.....
(Adverse opinion)

Or

due to the material and pervasive insufficiencies in obtaining audit evidence, attributable to the faulty maintenance of accounting records, as pointed out in the appended report, it is not possible to express an opinion whether the Annual Receipt and Payment Accounts give a true and fair view of the receipts and payments of the (name of PRI) ...for the year.....
(Disclaimer opinion)

Place:

Date:

Signature of Certifying Authority

Format of appended Report

Audit Report appended to the Audit Certificate of (PRI name) for the Year

1. Major observations

Basis for Qualified Opinion (where applicable, for giving qualified opinion)

Or

Material and Pervasive Misstatements (where applicable, for giving adverse opinion)

Or

Material and pervasive insufficiencies in obtaining audit evidence, attributable to the faulty maintenance of accounting records (where applicable, for giving disclaimer of opinion)

Or

This part will be excluded in case the auditor is giving unqualified statement

2. Other observations

The auditor will record significant observations arising from the audit of the accounts

- (i) Comments relating to Receipt and Payment Account.
- (ii) Comments relating to Receipt Vouchers.
- (iii) Comments relating to Payment Vouchers.
- (iv) Comments relating to Bank Reconciliation Statement
- (v) Comments relating to Register of Immovable Property
- (vi) Comments relating to Register of Movable Property
- (vii) Comments relating to Inventory Register
- (viii) Comments relating to Demand Collection and Balance Register