



PERFORMANCE BUDGET

2018 - 2019

FINANCE DEPARTMENT

**(DIRECTORATE OF LOCAL FUND
ACCOUNTS AUDIT)**

(PUBLICATION No. 6)

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The Performance Budget of Finance Department

1	Finance Department , Mantralaya
2	Directorate of Accounts & Treasuries
3	Sales Tax
4	Small Savings & Lotteries
5	Insurance Administration
6	Directorate of Local Fund Accounts Audit

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PREFACE

The Directorate of Local Fund Accounts Audit functions under the Finance Department, Government of Maharashtra. The headquarters of the Directorate is at Konkan Bhavan, Navi Mumbai.

The Directorate of Local Fund Accounts Audit conducts audit of

- a) Institutions which are governed by the Maharashtra Local Fund Audit Act, 2011
- b) Village Panchayats as per the Village Panchayat Act, 1958
- c) Urban Local Bodies as per FD GR dt 31.03.2011 and relevant act provisions of Acts.
- d) Miscellaneous audits which have been entrusted to it under special or general orders of the Government .

This document explains in brief the history of the Directorate of Local Fund Accounts Audit, the present set up of the organization, major functions and activities assigned to the Directorate, its workload, staff strength, outlines OR audit and other activities to be undertaken in the year 2018-19 as per the broad objectives of the Directorate.

Chapter 1

Introduction

Directorate of Local Fund Accounts Audit

Brief history:

An External (outside) Audit Branch was created in the office of the Accountant General, Mumbai in 1884 to audit locally the accounts of certain Departments, Trust funds etc. which were not subject to the regular audit of the Accountant General. In 1894, this scheme was extended to the local audit of Municipalities in Sindh, and to the Municipalities in the Northern Division. As this experiment proved to be a success, the scheme was extended in 1907, to other Municipalities, District Local Boards and Cantonment Funds and the new Department was placed under an officer of the enrolled list of Finance Department of the Government of India, who was designated as the Examiner of Local Fund Accounts.

The Department was reorganized in 1913 and the audit of the Taluka Local Boards, Civil hospitals and some other accounts was added to its mandate. The post of an Assistant Examiner of Accounts was created who was in charge of the accounts of the city of Bombay.

Prior to the passing of Local Fund Audit Act, 1930, the Examiner was the Auditor for Local Boards vide General Department's GR No. 273, dt.12.01.1907 and for Municipalities, vide General Department GR No. 2092 dt.03.04.1907. The Examiner became the Statutory Auditor for Local Bodies, Municipalities, School Boards and Notified Area committees after promulgation of the Local Fund Audit Act Notification No. 7679 dt. 23.03.1931, and Notification no. 9270 dt. 04.11.1932 issued under Section 4 of the Act.

The Department was always under the administrative control of the Auditor General of India, since its creation. The Local Fund Audit Department was brought under the control of the State Government with effect from 01.05.1958; vide the Finance Department Resolution No TRO-1657/ 805-C / G-3, dt.30.04.1958 of the Government of Bombay.

The Audit of Local Bodies is under the control of State Government as per the provisions of Item 5 in List II State List in the Seventh Schedule to the Constitution of India.

As per section 6 of the Bombay Local Fund (Extension and Amendment) Act 1960, the Examiner, Local Fund Accounts was re-designated as the Chief Auditor of Local Fund Accounts.

The Directorate of Accounts and Treasuries Maharashtra State was established with effect from 01.01.1962 under the administrative control of the Finance Department, with the Director (A & T) as its head and the Local Fund Audit Department was brought under the control of this Directorate vide GR dt. 27.12.1961 of FD No. MAS - 1161/12791-XV.

Until 31st October 1964, the Audit of Village Panchayat accounts was being conducted by the auditors working under the control of Collector in each district. Thereafter the audit of Village Panchayats was entrusted to the Chief Auditor, Local Fund Accounts Audit, Maharashtra State, Mumbai from 1st November, 1964. The Maharashtra Village Panchayats (Audit and Accounts) Rules were accordingly amended to give effect to this decision vide Government Notification dt.19.10.1964 of Rural Development Department No. VPA-1164/GO-992 and the entire Audit establishment was transferred from the Collectors to the Chief Auditor vide GR dt. 20.10.1964 of FD No. DAT-1264 / 5789 / 65-Xii.

Formation of a Separate Directorate for Local Fund Audit:

The duties and functions of the Local Bodies has increased substantially due to the 73rd and 74th amendment to the Constitution. Accordingly the funding to these bodies also increased. Further the Chief Auditor (LFA) has to submit the Audit Review Report under his signature to the Legislature and has to advice the Panchayati Raj Committee on all the accounts matters pertaining to the Local bodies. Therefore the Government felt that it was necessary to create a separate Directorate of Local Fund to audit all the Local bodies and vide the GR dt. 28.05.2008 of FD No.सेवा.प्र.20.08 /प्र.क्र 79/2/कोषा.प्र-3, a separate Directorate for Local Fund Accounts was constituted and vide the GR dt. 01.08.2008 of FD No.सेवा-प्र.20.08 / प्र.क्र 197/कोषा.(प्र-3), the Chief Auditor (LFA), was declared as Head of the Department.

Further vide GR dt.18.04.2011 of FD No. सेवा प्र. 2011 /प्र.क्र.71/ कोषा.प्रशा-3, the Directorate of Local Fund Accounts was renamed as the Directorate Local Fund Accounts Audit (DLFAA). The designations such as Chief Auditor, Joint Chief Auditor, Deputy Chief Auditor (Senior), Deputy Chief Auditor (Junior) were changed to Director, Joint Director, Deputy Director, Assistant Director respectively.

Present set up of the Directorate:

This Directorate has six Regional Offices of the Joint Director at Konkan Bhavan, Navi Mumbai, Pune, Nashik, Aurangabad, Amravati and Nagpur. The Director (LFA), is responsible for the administration of all the offices under DLFAA. He / She also suggests the amendments in accounts matters based on the findings in the audit of Local bodies and advises w.r.t all audit matters pertaining to the Local Bodies. There are 6 Regional Offices and 34 District Offices in the State. The Directorate conducts Annual Inspection of the 6 Regional Offices every year & Regional Offices conducts Annual Inspection of all Districts Assistant Director, Local Fund Accounts working under them.

As per the recommendations of the 13th Finance commission and vide GR dt.31.03.2011 of FD No. Sthanile-1010/Pr.Kr.26 (b)/Vima Prashasan, the audit of all Municipal Corporations in the State is entrusted to the DLFAA. The Audit wing of the Municipal Corporation is under the control of the Joint Director (Municipal Corporation Audit) which is divided into three Sub Divisions vide GR dt.06.10.2012 of FD No.Seva.pra.2012/Pr.Kr.99/Kosha (Prasha-3). Each Sub Division is headed by a Deputy Director.

The total number of posts sanctioned for DLFAA are 1298, vide GR dt.28.05.2008 of FD No.Seva.pra.20.08/pa.kra.79 / kosha (pra-3). Further 119 posts were created in DLFAA for the Audit wing of Municipal Corporation vide GR dt.23.02.2012 of FD No.Misc.1011/Pr.Kr.1271/kosha.pra-3. Thirteen posts for the office of Assistant Director (LFA) were created for the newly formed Palghar District, as per GR dt.20.08.2014 of FD No.Napani.20.14/Pra.kra.79/kosha.pra-3, thus increasing the total posts under DLFAA to 1430. The Total Budget of the Department for the year 2017-18 and actual expenditure for the year 2016 - 17 is given in **Appendix 1** for ready reference. The detailed chart showing the number of posts, designation wise is given in **Appendix 2**. The details of the total number of women working in DLFAA are given in **Appendix 3**.

Chapter 2

Functions and Work

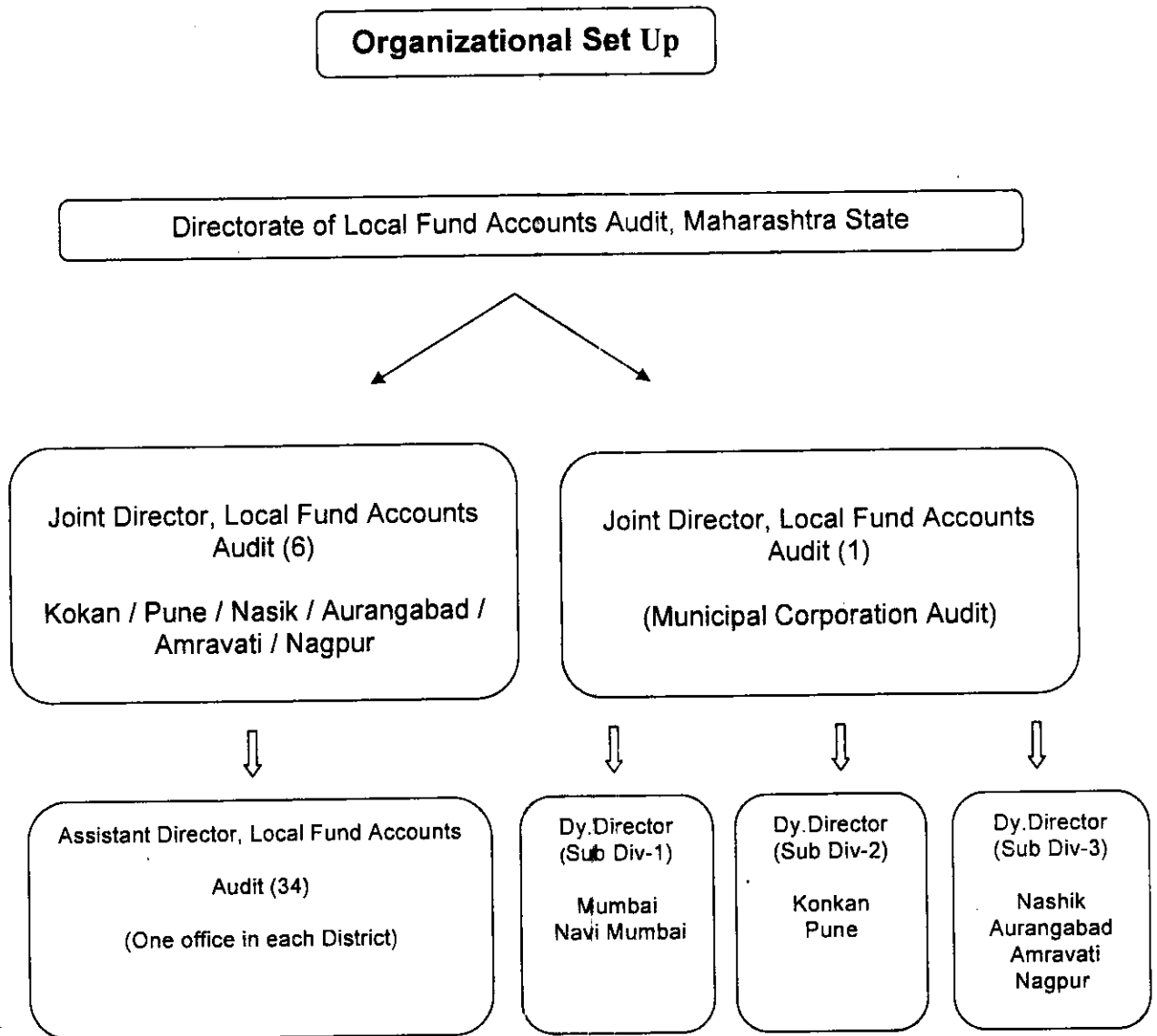
The DLFAA carries out the following functions:

- i. Audit of all Panchayati Raj Institutions in the State which includes the Zilla Parishads (34), the Panchayat Samitis (351) and Village Panchayats (27,850).
- ii. Audit of all Urban Local Bodies in the State which includes Municipal Corporations (27), Municipal Corporation School Boards (14) , Municipal Corporation Transport Projects (6), Municipal Councils (233), School boards (52), Nagar Panchayats (124).
- iii. Audit of Agricultural Universities (4), Maharashtra Veterinary and Fishery Science University (1) and other Miscellaneous Institutes (227).
- iv. Submission of Audit Review Reports based on Audit of Panchayat Raj Institutes and Urban Local Bodies.
- v. Conducts Special Audit as per the requirements under Rule no. 15 of Bombay Local Fund Audit Rule 1931.

The Regulatory Framework:

- i. The audit in the case of Zilla Parishads, Panchayat Samitis and all Urban Local Bodies, is conducted as per the Bombay Local Fund Audit Rules, 1931, Bombay Local Fund Audit (Amendment) Ordinance, 2011 and 13th Finance commission and vide dt. 31.03.2011 of FD No. sthanile-1010/Pr.Kr.26(b)/Vima Prashashan and the Local Fund office Manual of the DLFAA.
- ii. The audit in the case of Village Panchayats is conducted as per the Village Panchayat Act, 1958 and the Maharashtra Village Panchayat Audit Rules, 1961.

The Organizational Set up of the offices of the Directorate is as follows:



The total number of Institutes audited by the DLFAA are as follows:

Sr.No.	Type of Auditee Institute	No. of Institutions
1	Zilla Parishads	34
2	Panchayat Samitis	351
3	Municipal Councils	233
4	Nagar Panchayats	124
5	Municipal Corporations	27 #
6	School Boards under Municipal Corporations	14
7	Municipal Corporation Transport Projects	6
8	School Boards under Municipal Council	52
9	Agriculture Universities / Maharashtra Animal and Fishery Sciences University	5
10	Other Miscellaneous Institutions	227
11	Village Panchayats	27850*
Total		28923

The audit of Municipal corporations commenced from the year 2011-12 by DLFA.

* The number of Village Panchayats to be audited may vary from year to year as per the income of the Panchayat in a particular year.

Audit Procedure:

In the case of Zilla Parishads, Panchayat Samitis and Municipal Councils, while conducting the Audit of any year, the transactions for the month of March and any two random months are selected for detailed Audit. A cursory audit of financial transactions for remaining period is done.

In the case of Village Panchayats, the audit of transactions for the entire year is done every year.

In the case of Municipal Corporations, any one month in the entire year is selected for detailed audit & financial transactions for remaining period is cursorily audited. The detailed audit of expenditure related to grants received from both the State and Central Government by Municipal Corporations is also done every year.

Total workload for year 2018-19, including Audit in arrears:

A) The total workload for the year 2018 -19 detailing the number/ Categories of auditee Institutes except Village Panchayats as follows:

Sr.	Institutes	Audit in arrears upto 2016-17	Regular audit of 2017-18 (Expected)
1	Zilla Parishads (Departments)	232	440
2	Panchayat Samitis	32	351
3	Municipal Councils	421	233
4	Nagar Panchayat	174	124
5	Municipal Corporations	63	27
6	Municipal Corporation Transport Projects	19	6
7	Municipal Corporation School Boards	42	14
8	Municipal Council School Boards	96	52
9	Agriculture Universities Veterinary & Fishery Science Universities	18	5
10	Miscellaneous Institutions	420	227
Total		1517	1479

Note: - Information for the year 2016-2017 is up to the month of October 2017.

B) Audit of Village Panchayats :-

The DLFAA has been entrusted the wrk of Audit of Village Panchayats as per the Mumbai Village Panchayat Act, 1958 & Maharashtra Village Panchayat (Hisheb Tapasani) Rules 1961, with effect from 1st November 1964. Audit of all the transactions for the entire year is carried out. As per the Rule 4 of the Maharashtra Village Panchayat (Hisheb Tapasani) Rules 1961, the Village Panchayats having annual income over Rs.25,000/- are audited by this Directorate. The number of Village Panchayats to be audited may vary from year to year as per annual income of the Village Panchayats.

Audit of one year is treated as one unit. Special Audit of Village Panchayat is also conducted, if necessary. The Directorate does not monitor whether the audit paras raised by it are complied or not by the Village Panchayats. The compliance of Audit Report is monitored by the Standing Committee of Zilla Parishad.

The regular audit of 27850 village panchyats units for the year 2016-2017 and pending audit of 2911 village panchayats units for 2015-16 will be completed up to June 2018 .

The Chart showing annual income wise break up of Village panchayats to be audited is as follows:

Sr.No.	Annual Income of Village Panchayat	Number of Gram Panchayats to be audited in 2017-2018 (Expected)
1	Income from Rs.25,000/- to Rs.5,00,000/-	11847
2	Income from Rs.5,00,000/- to Rs.25,00,000/-	12074
3	Income above Rs.25,00,000/-	3929
	Total	27850

Man days for audit:

The Audit of Local Authorities / Institutions is conducted annually as far as possible before the close of the succeeding financial year. Considering the various holidays in a particular year, 185 man days are available for each Auditor.

Auditee Institutes for which fee is charged:

No audit fee is charged for audit of Institutions covered under the provisions of the Maharashtra Local Fund Audit Act, 2011 and Maharashtra Village Panchayat Audit Rules, 1961. However Audit fee is charged for the audit of those Institutions which are not covered under the above Act / Rules. For example Virmata Jijabai Technical Institute, Charity Commissioner, Mumbai.

Details of the Audit fees out standing with various such Institutions is given below:

(Amount in Rs.)

Sr. No.	Particulars	2016-2017	2017-2018
1	Number of Institutions	67	67
2	Opening Balance of outstanding fees (in Rs.)	12062841	16341062
3	Fees due for recovery for the Audit during the year	7552465	4623870
4	Total fees of the Audit (in Rs.)	19615306	20964932
5	Fees recovered (in Rs.)	3274244	2282640
6	Balance (in Rs.)	16341062	18682292

Note: - Information for the year 2017-2018 is up to the month of October 2017.

Information of Misappropriation cases, frauds or embezzlements detected in the Audit Report issued by the Directorate Local Fund Accounts Audit :-

Sr.No.	Particulars	2016-2017		2017-2018	
		Cases	Amount (Rs.)	Cases	Amount (Rs.)
1	Opening balance	31215	2654459978	32279	2854853300
2	New cases	1232	270087889	4571	429394691
3	Total no.of cases	32447	2924547867	36850	3284247991
4	Cases disposed of	168	69694567	57	8106395
5	Cases pending	32279	2854853300	36793	3276141596

Note: Information for the year 2017-2018 is up to the month of October 2017.

Special Audit :**A) Special Audit of Zilla Parishads, Panchayat Samitis & Urban Local Bodies :**

In addition to the regular annual audit, special audit conduction decision of PRIs and ULBs is taken as per Rule No.15 of the Bombay Local Fund Audit Rules, 1931 and Government Circular dt.30/05/2017 of FD No. sankirn2017/Pra. kra.36/kosha prasha4, on the basis from the proposal of the Urban Development Department / Divisional Commissioner / Collector

Status issued during last two years is shown as follows:

Sr.No.	Particulars	2016-2017	2017-2018
1	Units for Special Audit	25	8
2	Man days utilized	844	540

Note: Information for the year 2017 - 2018 is up to the month of October 2017.

B) Special Audit of Village Panchayats :

Special Audit conduction decision of Village Panchayat Accounts is taken as per Rule 8 of the Maharashtra Village Panchayat Audit Rules, 1961 and Government circular no. sankirn-2017/Pra.Kra.32/kosha prasha-4 dated 30/05/2017. Such Audit is conducted as per written request of Collector, or Panchayat Samiti or standing Committee of Zilla Parishad. The Special Audit of Village Panchayats conducted during last two years is shown as follows:

Sr.No.	Particular	2016-2017	2017-2018
1	Units of Special Audit	4	1
2	Man days utilized	4	59

Note: Information for the year 2017-2018 is up to the month of October 2017.

Chapter 3

Responsibilities of the DLFAA

The responsibilities of the Directorate of Local Fund Accounts Audit are as follows :

- a) Supervise and control the Audit conducted by the various Audit offices under the Directorate.
- b) To ensure that the audit is conducted according to the concerned Acts, Rules and Manuals.
- c) Issue orders regarding Special Audits of Local Bodies, whenever necessary.
- d) Preparation of Audit Review Report on the basis of Audit Reports of Zilla Parishads and Panchayat Samitis and submission of the report to the Legislature through the Rural Development Department.
- e) Preparation of Audit Review Report for Urban Local Bodies as per the Recommendations of 13th Finance Commission and submission of the report to Legislature through the Urban Development Department.
- f) Compilation of monthly / quarterly, half yearly and annual progress reports and various returns prescribed for this purpose.
- g) Administrative Control and Inspection of offices under its control.
- h) Scrutiny of Audit Reports on selective basis and issue guidelines for smooth conduct and improvement in Audit procedures.
- i) Sanctioning of additional Mandays for Audit.
- j) Coordination with the Accountant General.
- k) Conducting Training Programs for Staff and officers of the Department.

Audit Review Reports:**I) Audit Review Report on the audit of Panchayati Raj Institutes :**

This Review Report is placed before the Legislature every year by the Rural Development Department. The Report gives a comprehensive picture of the financial position of the Panchayati Raj Institutions with special focus on serious omissions and irregularities. The Audit Review Report of PRIs for the year 2014-2015, is placed before the Legislature. The preparation of the Audit Review Report for the year 2015-2016 is in progress.

II) Audit Review Report of Urban Local Bodies:

The Audit Review Report of all the Urban Local Bodies has to be tabled in the Legislature by the Urban Development Department. The Audit Review Report of all The Urban Local bodies for the year 2011-2012 is placed before the Legislature. The work of preparation of the Audit Review Report for 2012-13 is in progress.

Chapter 4

Computerization of the DLFAA

The Directorate has two main computer applications:

i) **Maharashtra Local Fund Audit (MahaLFA)**

www.mahalfa.maharashtra.gov.in :

This is a Web Portal for the DLFAA developed for uploading the monthly / quarterly progress reports by the subordinate offices to the Directorate. The information w.r.t. Citizen Charter, Seniority lists, vacancies, transfer and promotion orders, information under RTI etc. is displayed on this Web portal.

ii) **Maharashtra Audit Information Network System (MAINS)**

www.mains.maharashtra.gov.in

This application is developed with the help of NIC, Pune to automate the audit processes and generate database of audit paras. It captures the whole process of the Audit, right from planning to preparation of Audit Reports. It also facilitates compliance, monitoring and preparation of Review Report. The main features of the system are as follows:

- Web based system. Available through internet.
- Audit paras can be prepared offline and uploaded online.
- It covers pre audit, monitoring when the audit paras are being prepared and post audit compliance.
- Online functions regarding Audit Scheduling, Audit para processing, compilation and generation of Audit Report. Online Review Audit report and compliance processing are planned in near future.
- It has facility for preparation of draft paragraphs, through templates in the offline mode and later on uploading to the system.
- Before uploading data (Audit para) is processed and validated through Document Verification Utility (DVU) template in the offline mode.
- System is hosted at the Maharashtra State Data center, 4th Floor, New Administrative Building, opposite Mantralaya, Mumbai.
- Works on Windows server OS and MS SQL Database.

APPENDIX - 1**Financial Requirement- (Budget Estimates)****(Rs. In thousands)**

Particular	Actuals 2016-2017			Budget Estimates 2017-2018			Revised Estimates 2017-2018			Budget Estimates 2018-19		
	Non Plan	Plan	Total	Non Plan	Plan	Total	Non Plan	Plan	Total	Non Plan	Plan	Total
1	2	3	4	8	6	7	8	9	10	11	12	13
Object wise Classification- Finance Department - Demand No. G-5 2054, Treasury and Accounts Administration (00) 098 - Local Fund Audit (00) (01) Chief Auditor, Local Fund Audit (20540111) *(committed)												
01 Salaries	551141	0	551141	654540	0	654540	608114	0	608114	680147	0	680147
02 Wages	0	0	0	0	0	0	0	0	0	0	0	0
03 Overtime Allowances	252	0	252	424	0	424	315	0	315	439	0	439
06 Telephone, Electricity and Water charges	2724	0	2724	3709	0	3709	3709	0	3709	4925	0	4925
10 Contractual services	0	0	0	7309	0	7309	4462	0	4462	7674	0	7674
11 Domestic Travel Expenses	15701	0	15701	23222	0	23222	16194	0	16194	22184	0	22184
13 Office Expenses	25685	0	25685	35081	0	35081	27928	0	27928	33203	0	33203
14 Rents, Rates and Taxes	6593	0	6593	5857	0	5857	5857	0	5857	5857	0	5857
16 Publications	0	0	0	0	0	0	0	0	0	0	0	0
17 Computer Expenses	3499	0	3499	10064	0	10064	9057	0	9057	10667	0	10667
24 Petrol, Oil and Lubricants	0	0	0	0	0	0	0	0	0	0	0	0
28 Professional Services	15	0	15	100	0	100	57	0	57	50	0	50
Total - 098, Local Fund Audit	605610	0	605610	740309	0	740309	675693	0	675693	765146	0	765146

* The word " committed " is applicable only for columns no. 11.

APPENDIX - 2**Statement showing details of posts.**

Sr. No.	Designation	Category	Pay Scale (Pay band + Grade pay)	Sanctioned posts	Posts filled (At the end of October 2017)
1	Director	Director	(37400-67000) + 8900	1	1
2	Joint Director	Joint Director	(15600-39100) + 7600	8	8
3	Deputy Director	Senior Gr. A	(15600-39100) + 6600	4	3
4	Assistant Director *	Junior Gr. A	(15600-39100) + 5400	57	51
5	Audit Officer	Gr. B (Gazetted)	(9300-34800) + 4600	67	50
6	Assistant Audit Officer	Gr. B (Gazetted)	(9300-34800) + 4400	161	147
7	Sr. Auditor	Gr.C	(9300-34800) + 4200	203	181
8	Jr. Auditor	Gr.C	(5200-20200) + 2800	620	435
9	Steno (Sr.)	Gr.C	(9300-34800) + 4400	1	1
10	Steno (Jr.)	Gr.C	(9300-34800) + 4300	7	3
11	Audit Clerk	Gr.C	(5200-20200) + 1900	153	103
12	Driver	Gr.C	(5200-20200) + 1900	42	9
13	Naik / Daftary / Roneo operator	Gr.D	(4440-7440) +1600	21	19
14	Peon	Gr.D	(4440-7440) +1300	84	41
15	Watchman	Gr.D	(4440-7440) +1300	1	0
			Total	1430	1052

APPENDIX – 3
Statistics of Women employees working in DLFAA.

Sr. No.	Cadre	Year	Total employees	No. of male employees	Women Employees Appointment	No of male employees contracting marriage with minor girls	No. of cases under Dowry Prohibition Act	No. of cases of Sexual exploitation of women at work place	Remarks about efforts / Action
1	Group A (GAZ)	2016-2017	66	51	15	0	0	0	0
		2017-2018	63	49	14	0	0	0	0
2	Group B (GAZ)	2016-2017	172	163	9	0	0	0	0
		2017-2018	197	181	16	0	0	0	0
3	Group B (NON GAZ)	2016-2017	0	0	0	0	0	0	0
		2017-2018	0	0	0	0	0	0	0
4	Group C								1. Concerned employee is suspended. Now his Head Quarter is Gadchiroli 2. The departmental enquiry against concerned employee is in progress 3. Concerned female employee is working in Yawatmal District. 4. Monthly meeting of woman grievances committee is conducted regularly in the office.
		2016-2017	782	619	163	0	0	1	
		2017-2018	732	577	155	0	0	0	
5	Group D	2016-2017	63	55	8	0	0	0	0
		2017-2018	60	52	8	0	0	0	0
Total		2016-2017	1083	888	195	0	0	1	0
		2017-2018	1052	859	193	0	0	0	0

Note: Information for the year 2017-2018 is up to the month of October 2017.

Glossary of terms used

Sr. No	Terms	Abbreviation
1	Accounts & Treasuries	A&T
2	Directorate of Local Fund Accounts Audit	DLFAA
3	Director (Local Fund)	Director (LF)
4	Finance Department	FD
5	General Administration Department	GAD
6	Government Resolution	GR
7	Local Fund Accounts	LFA
8	Panchayati Raj Institutions	PRIs
9	Urban Local Bodies	ULBs

