# HARYANA VIDHAN SABHA

## Bill No. 16— HLA of 2026

## THE HARYANA LOCAL AUDIT BILL, 2026

**A**

**Bill**

*to provide an effective and efficient audit system for all local authorities and other authorities, bodies or institutions and local fund and for matters connected therewith and incidental thereto;*

WHEREAS, the Thirteenth Finance Commission (2010-2015), in sub-para (ii) of para 10.161 of its report- Volume-I recommended that the State Government must put in place an audit system for all local bodies (all categories of urban local bodies and all tiers of panchayati raj institutions) and the Comptroller and Auditor General of India must give technical guidance and supervision over the audit of all local bodies in a State at every tier/category;

WHEREAS, it has become imperative to ensure effective spending of the grants of the Government of India and the State Government by the local authorities and other authorities and to promote public confidence on the utilization/expended of the public money by the local authorities and other authorities established by the State Government;

Be it enacted by the Legislature of the State of Haryana in the Seventy-seventh Year of the Republic of India as follows: -

**1.** (1) This Act may be called the Haryana Local Audit Act, 2026. Short title and commencement.

(2) It shall come into force from the date of its publication in the Official Gazette.

**2.** In this Act, unless the context otherwise requires, - Definitions.

(a) "administrative secretary" means the Additional Chief Secretary or Principal Secretary to Government, Haryana, Finance Department, as the case may be;

(b) "audit" means cent percent audit, pre audit, concurrent audit, post audit, test audit, special audit and such other examination of accounts and transactions as the Government may, from time to time, specify;

(c) "auditor" means an officer/official of the Local Audit Department entrusted by the Director to conduct audit;

(d) "cent percent audit" means a post audit of all the transactions of a particular account for the whole financial year or for such period, as may be specified by the Director;

(e) "concurrent audit" means a continuous audit of accounts of day-to-day transactions;

(f) "Director" means the Director, Local Audit Department, Haryana;

(g) "executive authority" means Commissioner/ Executive Officer/Secretary in case of urban local bodies and Chief Executive Officer, Block Development and Panchayat Officer-cum-Executive Officer, Sarpanch in case of panchayati raj institutions or competent authority of such other local authority, as the case may be;

(h) "Government" means the Government of the State of Haryana in the administrative department;

(i) "local authority" means and include such authorities as specified in the Schedule appended to this Act;

(j) "local fund" means and include the funds as specified in the Schedule and any other fund which the Government may, by notification in the Official Gazette, declare to be a local fund;

(k) "post audit" means the detailed audit conducted after the completion of transactions;

(l) "pre audit" means audit of day to day transactions before withdrawal or adjustment of payment out of a local fund;

(m) "prescribed" means prescribed by rules made under this Act;

(n) "Schedule" means the Schedule appended to this Act;

(o) "special audit" means an audit of accounts and transactions pertaining to a specified item or series of items requiring thorough examination, and includes re-audit of the accounts for a period already covered by audit;

(p) "State Government" means the Government of the State of Haryana;

(q) "surcharge" means an amount for which the Director makes a person liable for loss, waste, mis-application or mis-appropriation of any money or property;

(r) "test audit" means a selective sample based examination of accounts and transactions.

Audit of accounts. **3.** (1) An auditor shall conduct the audit annually/bi-annually or at such intervals, as he may deem fit.

(2) An auditor shall audit the accounts of a local authority or local fund in such manner, as may be specified and while conducting audit, an auditor shall exercise the powers and perform the functions of the Director under this Act.

(3) An auditor may also conduct pre audit, concurrent audit or post audit of any local authority or local fund as found necessary under the provisions of any law governing them or as may be directed by the Director in consultation with the Government.

**4.** The Director may, with the previous sanction of the Government and without prejudice to the provisions of section 3, audit the accounts of any authority, body, institution or fund not included in the Schedule subject to such terms and conditions, as may be agreed upon between the Director and the person responsible for the administration of such authority, body, institution or fund.

Power to audit any authority, body, institution or fund not included in Schedule.

5. (1) The accounts of a local authority relating to every financial year shall be prepared or caused to be prepared by executive authority for audit within three months from the end of the financial year, in such form and manner, as may be prescribed.

Liability of executive authority to prepare and present accounts for audit.

(2) The Director may recommend the Government to withhold the release of funds to a local authority which fails to furnish accounts for audit on expiry of three months from the end of the financial year.

**6.** (1) For the purposes of audit under this Act, an auditor may,-

Power to require production of accounts and attendance of persons for audit.

(a) require in writing, the production at the place of audit, such vouchers, statements, returns, correspondences, notes or any other documents including documents in electronic form, the perusal or examination of which are necessary for the elucidation of the accounts and transactions;

(b) require in writing, any employee of a local authority or an authority administering the local fund mentioned in the Schedule accountable for or having the custody or control of such vouchers, statements, returns, correspondences, notes or other documents including documents in electronic form or any person having directly or indirectly, any share or interest in any contract with the local authority or the authority which administers the local fund to appear in person before him and answer any question and require any person so appearing to make and sign a declaration with respect to such document or to prepare and furnish any statement relating thereto; and

(c) in the event of an explanation being required from any officer or member of a local authority or an authority administering the local fund, invite such person and shall in writing, specify the point on which his explanation is required.

(2) An auditor may, in any requisition made under sub-section (1) specify a period of not less than three days within which the said requisition shall be complied with.

7. Any person who willfully neglects or refuses to comply with any requisition lawfully made upon him under clause (a) or clause (b) of sub-section (1) of section 6 shall be liable to a penalty which shall not less than one thousand rupees but may extend to five thousand rupees:

Penalty for disobeying requisition.

Provided that no such penalty shall be imposed against any person unless he has been given a notice to show cause why the penalty should not be imposed within a period of fifteen days of such notice.

Completion of audit of accounts.

**8.** The audit of the accounts prepared and presented for audit under section 5 shall be completed by an auditor within a period not exceeding six months or such period, as may be prescribed.

Audit report to be sent to executive authority and certain officers and bodies.

**9.** As soon as practicable after the completion of the audit but not later than three months thereafter, the Director shall send a report to the executive authority concerned on the accounts audited and copies of the report to such officers and bodies or institutions, as the case may be.

Contents of audit report.

**10.** The audit report issued by the Director shall include.-

(a) any payment which appears to have been made contrary to any law or order of the Government;

(b) the amount of any deficiency or loss which appears to have been caused by the negligence or misconduct of any person in the performance of his duties;

(c) any case of misappropriation or improper utilization of the fund;

(d) the amount, if any, received which ought to have been brought into account but not taken;

(e) any other material impropriety or irregularity observed in the audit; and

(f) remedial action and suggestion to improve the accounting system.

Procedure to be followed by executive authority on receipt of audit report.

**11.** (1) On receipt of the audit report sent under section 9, the executive authority shall, within a period of two months, either remedy the defects or irregularities, if any, pointed out therein and place the audit report together with a statement of action taken or proposed to be taken thereon before the meeting of the governing body of the authority concerned. The executive authority shall also, within a month from the date of the said meeting, send to the Director, a report of having remedied the said defects/irregularities or submit an explanation in regard to such defects/ irregularities.

(2) On receipt of such report or explanation, the Director may-

(a) accept the report of having remedied the defects/ irregularities or the explanation in regard thereto and drop the objection; or

(b) hold that any or all of the defects/irregularities pointed out in the audit report have not been remedied.

(3) The Director shall, within two months from the date of receipt of the report or explanation, or if no such report or explanation is received, on expiry of the total period of three months referred to in sub-section (1), pass an order thereon.

If the Director holds that any defect or irregularity pointed out in the audit report has not been remedied, he shall state in the order, -

(a) whether the defect or irregularity can be regularized and if so, by what method; or

(b) if the defect or irregularity cannot be regularized, whether they can be condoned and, if so, by what authority; and

(c) whether the amount to which the defect or irregularity relates to, in his opinion, be charged and, if so, against whom.

(4) The local authority or any other authority, body or institution administering the local fund shall publish in its next administrative report, extract of the defect or irregularity, if any, pointed out in the audit report, the explanation, if any, given by the executive authority under sub-section (1) and the order passed thereon by the Director under sub-section (3) above.

(5) Nothing in this section or section 10 shall preclude the Director, at any time, from bringing to the notice of the Government such actions as may be necessary, any information which appears to the Director to support a presumption of criminal misappropriation or fraud or, which, in his opinion, deserves special attention or immediate investigation.

Director to surcharge illegal payments and loss caused by negligence or misconduct.

**12.** (1) The Director may disallow any payment which appears to him to be contrary to law and surcharge the same against the person making or person or body of persons authorizing the making of the illegal payment and may charge against any person responsible therefor, the amount of any deficiency or loss caused by the negligence or misconduct of that person or any sum received which ought to have been, but has not been brought into account by that person and shall, in every such case, certify the amount due from such person.

(2) Any person aggrieved by the surcharge may, within one month from the date of receipt of the decision of the Director may apply to the administrative secretary, to set aside the surcharge and he, after taking such evidence as is necessary, may confirm, modify or remit the same.

(3) Every sum certified to be due from any person by the Director under this Act shall be paid by such person to the executive authority within one month from the date of intimation of the decision of the Director to him unless, such person has filed an application against the decision under sub-section (2) above within such time and such amount, if not so paid, or such amount as due, may be recovered as an arrear of land revenue.

Powers and functions of Director.

**13.** The Director shall exercise the following powers and performs the following functions, namely: -

(i) to settle the audit objections included in the audit report;

(ii) may approach the Principal Accountant General to provide necessary technical guidance and support on the audit and maintenance of accounts and transactions of a local authority or local fund;

(iii) may condone any payment made from a local fund of a sum not exceeding ten thousand rupees or such amount of sum, as may be prescribed, which appears to him to be contrary to law, if in his opinion, there was no negligence or misconduct on the part of the person making or authorizing such payment; and

(iv) any other power and function, as may be prescribed.

Delegation of powers and functions.

**14.** The Director may, by general or special-order delegate to an auditor all or any of the powers to be exercised or functions to be performed by him under this Act or the rules made thereunder except the power under clause (iii) of section 13, subject to such conditions if any, as specified in that order.

Payment of cost of audit.

**15.** (1) The cost of audit of accounts and transactions as specified by the Government shall be paid by the authority concerned.

(2) The Government may, by general or special order, exempt, either wholly or in part, any authority from the liability to pay the cost of audit under sub-section (1).

(3) If the cost of audit due under sub-section (1) is not paid within one year from the date of it becoming due, the Government may on the recommendation of the Director adjust the same against the grant or other sums, if any, payable to such authority:

Provided that if no grant or other sums is payable to such authority, the cost of audit shall be recovered by the Director in such manner, as may be prescribed.

Power to dispense with detailed audit.

**16.** The Director may, when circumstances so warrant, dispense with detailed audit of any account or class of transactions and apply such limited check in relation to such accounts or transactions, as he may deem fit.

Defalcation or loss in money or stores to be reported by the executive authority.

**17.** (1) Whenever any defalcation or loss in money or stores of any local authority or authority, body or institution administering the local fund caused due to misappropriation, theft or natural calamities is detected, the fact shall be promptly reported by the authority to the Director giving in detail the circumstances which led to such defalcation or loss.

(2) On receipt of a report under sub-section (1), the Director shall immediately conduct or cause to conduct a special audit of the accounts and transactions of that authority:

Provided that nothing in this section shall prevent the executive authority from initiating criminal proceedings against any person suspected of, or involved in, any defalcation or loss of money or stores.

Laying of audit report.

**18.** The Director shall submit a consolidated report of the accounts and transactions of executive authorities audited by him containing such particulars which he intends to bring to the notice of the Government and the Government shall cause the consolidated report to be laid, as soon as may be, after it is received, before the State Legislature.

**19.** No civil court shall have jurisdiction to entertain any suit or proceedings in respect of any action taken or to be taken by the Government or the Director or any officer in pursuance of any power conferred by or under this Act. Bar of jurisdiction.

**20.** All audit of accounts and transactions pending at the commencement of this Act in respect of any local authority or other authority shall, notwithstanding anything contained in this Act, be continued and completed by the Director, within such time, as may be prescribed, as if this Act has not been enacted. Special provision for pending audit.

**21.** The provisions of this Act shall have effect notwithstanding anything inconsistent therewith contained in any other law made by the Legislative of the State for the time being in force. Act to override other enactments.

**22.** No suit, prosecution or other legal proceedings shall lie against the Director or any officer under this Act or any official acting under the directions of such officer, for anything which is done or intended to be done in good faith under this Act or any rule or order made there under. Protection of action taken in good faith.

**23.** The Director or other officers while acting or purporting to act in pursuance of the provisions of this Act or any rule made there under shall be deemed to be public servants within the meaning of clause (28) section 2 of the Bhartiya Nyaya Sanhita, 2023 (Central Act 45 of 2023). Public servants

**24.** (1) The Government may, by notification in the Official Gazette, make rules for carrying out the purposes of this Act. Power to make rules.

(2) Every rule made under this Act shall, as soon as may be, after it is made, be laid before the State Legislature.

**25.** (1) If any difficulty arises in giving effect to the provisions of this Act, the Government may, by order published in the Official Gazette, make such provision, not inconsistent with the provision of this Act, as appears to it to be necessary or expedient, for removing the difficulty: Power to remove difficulties.

Provided that no such order shall be made after the expiry of a period of two years from the date of commencement of this Act.

(2) Every order made under this section shall, as soon as may be, after it is made, be laid before the State Legislature.

**26.** The Government may, by notification, in the Official Gazette, add any entry to the Schedule: Power to amend Schedule.

Provided that no local authority and local fund shall be omitted from the Schedule except by the authority of law made by the State Legislature.

**27.** The provisions of this Act shall not apply to any case, suit, appeal, revision petition or any other proceeding that may be pending at the commencement of this Act before the Director, Government or civil court and the law in force immediately before the commencement of this Act shall, notwithstanding anything contained in this Act, continue to apply to such cases, suits, appeals, revision petitions or other proceedings. Savings

## THE SCHEDULE

**(see section 2)**

I. Local authority

1. All Municipal Corporations
2. All Municipal Councils
3. All Municipal Committees
4. All Zila Parishads
5. All Panchayat Samities
6. All Gram Panchayats
7. All State universities
8. Chaudhary Charan Singh Haryana Agricultural University, Hisar
9. Board of School Education Haryana, Bhiwani
10. Maharaja Agrasen Medical College

II. Local fund

1. The charitable endowment funds
2. All relief funds
3. All State Government/State Government aided educational institutions including engineering and medical college.

## STATEMENT OF OBJECTS AND REASONS

In view of Acts/Rules of Local Audit Departments of other states in India and the same functioning of the Local Audit Department Haryana, there is requirement of preparing an Act of the department to provide a robust statutory framework that empowers the Local Audit Department, Haryana, to conduct independent, timely, and effective audits of Local Bodies (Panchayati Raj Institutions and Urban Local Bodies) and other miscellaneous Local Fund Institutions i.e. all State Universities, Board of School Education, Bhiwani, Maharaja Aggarsain Medical College, Government/Government Aided High Schools, Senior Secondary Schools, Colleges and any other authority, body or institution established by or under any law or order of Government and any other fund which the Government may by notification in the gazette, declare to be a local fund for the purpose of this act.

It is required for strong legal powers to compel the production of records or enforce accountability of the auditee institutions to the Auditors and for developing strict legal mechanism to ensure local authorities to reply the audit paras within a fixed time frame. The Act will legally empower the Director of Local Audit to issue surcharge notices directly to the responsible for financial irregularities. This act will provide statutory backing to protects the audit framework from local political or administrative interference. It mandates statutory timelines for submitting annual audit reports to the State Legislature, ensuring transparency.

NAYAB SINGH,
Chief Minister, Haryana

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The Governor has, in pursuance of Clauses (1) and (3) of Article 207 of the Constitution of India, recommended to the Haryana Legislative Assembly the introduction and consideration of the Bill.

Chandigarh : Dr. Virender Kumar Dahiya, IAS,
The 26th August, 2026. Secretary.

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*N.B.*— The above Bill was published in the Haryana Government Gazette (Extraordinary), dated the 26th August, 2026, under proviso to Rule 128 of the Rules of Procedure and Conduct of Business in the Haryana Legislative Assembly.

# FINANCIAL MEMORANDUM

The State Government is going to enact the Haryana Local Audit Bill, 2026 to provide an effective and efficient audit system for all local authorities and other authorities, bodies or institutions and local fund and for matters connected therewith and incidental thereto; as per recommendations of the Thirteenth Finance Commission (2010-2015), in sub-para (ii) of para 10.161 of its report- Volume-I.

In order to align the provision of Payment of cost of audit, the department will charge audit fee from all local authorities and other authorities, bodies or institutions and local fund etc. for rendering audit services.

The proposed enactment (Section-15) of the Haryana Local Audit Bill, 2026 is to:

"15. (1) The cost of audit of accounts and transactions as specified by the Government shall be paid by the authority concerned.

(2) The Government may, by general or special order, exempt, either wholly or in part, any authority from the liability to pay the cost of audit under sub-section (1).

(3) If the cost of audit due under sub-section (1) is not paid within one year from the date of it becoming due, the Government may on the recommendation of the Director adjust the same against the grant or other sums, if any, payable to such authority:

Provided that if no grant or other sums is payable to such authority, the cost of audit shall be recovered by the Director in such manner, as may be prescribed".

Accordingly, the Haryana Local Audit Bill, 2026 is required.

## Memorandum regarding delegated legislation

The Haryana Local Audit Bill, 2026 to provide an effective and efficient audit system for all local authorities and other authorities, bodies or institutions and formatters connected therewith and incidental thereto. The main object of this bill to facilitate accountability through appropriate auditing system of accountable and auditable entities having local funds.

Section-3 of the Haryana Local Audit Bill, 2026 regarding provision for conducting various types of audit i.e. annually/bi-annually, pre-audit, concurrent audit or post audit etc. Section-4 Power to audit accounts of certain authorities, bodies, institutions or funds not included in the Schedule for conducting audit subject to such terms and conditions, as may be agreed upon between the Director and the person responsible for the administration of such authority, body, institution or fund not included in the Schedule. Section-5 Liability of the Executive authority to prepare and present accounts for audit in time. Section-6 Power to require production of accounts and attendance of persons for audit all relevant record at the place of audit which are necessary for the elucidation of the accounts. To appear in person (any employee of a local authority or an authority which administers a local fund) before the auditor for answering any question. Section-7 Penalty for disobeying requisition to any person who willfully neglects or refuses to comply with any requisition shall be punishable with a fine of not less than one thousand rupees, which may extend to five thousand rupees. Section-8 Completion of audit of accounts prepared and presented for audit under section 5 shall be completed within a period of not exceeding six months or as may be prescribed. Section-9 Audit report to be sent to Executive authority and certain officers and bodies/ institutions after completion of audit within three months. Section-10 Contents of audit report i.e. any payment which appears to have been made contrary to any law or order of the Government; the amount of any deficiency or loss which appears to have been caused by the negligence or misconduct of any person etc. Section-11 Procedure to be followed on receipt of audit is defined for both issuing authority and receiving authority. Section-12 Director to surcharge illegal payments and loss caused by negligence or misconduct and its procedure defined under this section. Surcharge means an amount for which the Director makes a person liable for loss, waste, misapplication or misappropriation of any money or other property. Section-13 Powers of Director regarding settlement of audit objections, approaching Principal Accountant General of the State etc. Section-14 regarding delegation of powers and function of Director. Section-15 Defining manner of charging audit fee for conducting audit of auditee institutions. Section-16 Power to dispense with detailed audit to apply such limited check in relation to audit of such accounts or transactions, as Director may deem fit. Section-17 regarding any defalcation or loss in money or stores of any local authority or authority, body or institution caused due to misappropriation, theft or natural calamities is detected; the fact shall be promptly reported by the authority to the Director. Section-18 Laying of consolidated audit report on the accounts of ULBs/PRIs audited by Local Audit containing such particulars which he intends to bring to the notice of the Government and the

Government shall cause the consolidated report to be laid, as soon as may be, after it is received, before the State Legislation. Section-19 Bar of jurisdiction of civil courts to protect the auditors from Civil Suits who are working by using the powers provided under this act. Section-20 Special provision for Pending audit of accounts at the commencement of this Act in respect of any local authority or other authority shall, be continued and completed by the Director. Section-21 Act to override other enactments- No provisions of this Act shall have effect notwithstanding anything inconsistent therewith contained in any other law made by the Legislative of the State for the time being in force. Section-22 Protection of action taken in good faith for making provision that no suit, prosecution or other legal proceedings shall lie against the Director or any officer for anything which is done or intended to be done in good faith under this Act or any rule or order made there under. Section-23 for defining that Director or other officers to be public servants within the meaning of clause (28) section 2 of the Bhartiya Nyaya Sanhita 2023 Central Act 45 of 2023. Section-24 provides Power to make rules for the purpose of carrying into effect the provisions of this Act. Section-25 Power to remove difficulties which arises in giving effect to the provisions of this Act. Section-26 Power to amend Schedule, by notification, in the official gazette. Section-27 Savings - This Act shall not apply to any suit, appeal, revision petition and any other proceedings commenced before the commencement of the Act.

This delegation of power to the executive is of normal character. Hence, the memorandum regarding delegated legislation as required in rule 126 of the Rules of Procedure and Conduct of Business of Haryana Legislative Assembly.

12827—H.V.S.—H.G.P., Pkl.